

**REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS  
BANK OF AYUDHYA PUBLIC COMPANY LIMITED**

**Opinion**

We have audited the consolidated financial statements of Bank of Ayudhya Public Company Limited and its subsidiaries (the “Bank and subsidiaries”) and the Bank’s financial statements of Bank of Ayudhya Public Company Limited (the “Bank”), which comprise the consolidated and Bank’s statements of financial position as at December 31, 2020, and the related consolidated and Bank’s statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and Bank’s financial statements present fairly, in all material respects, the financial position of Bank of Ayudhya Public Company Limited and its subsidiaries and of Bank of Ayudhya Public Company Limited as at December 31, 2020, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”) and Bank of Thailand’s regulation.

**Basis for Opinion**

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and Bank’s Financial Statements section of our report. We are independent of the Bank and subsidiaries in accordance with the Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to the audit of the consolidated and Bank’s financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

We draw attention to Note 3 to the financial statements that Bank of Ayudhya Public Company Limited and its subsidiaries have adopted group of Financial Instruments Standards which became effective for fiscal years beginning on or after January 1, 2020. The Bank and its subsidiaries elected to recognize the cumulative effect of initially applying such Standards as an adjustment to the beginning balances of retained earnings and other reserves of the current reporting period. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and Bank's financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit Responses
<p><b>Allowance for expected credit loss</b></p> <p>The allowance for expected credit loss ("ECL") on loans to customers and provisions for loan commitments and financial guarantee contracts are considered to be a matter of most significance as they require the application of judgment, estimation and the use of subjective assumptions by management of the Bank and subsidiaries.</p> <p>Starting from January 1, 2020, the Thai Financial Reporting Standard No. 9 - Financial Instruments ("TFRS 9") and related Bank of Thailand (the "BOT")'s regulation were applied. This standard requires the Bank and subsidiaries to recognize impairment loss based on expected credit loss.</p> <p>The ECL is measured based forward-looking information basis by calculating on a probability-weighted credit losses with respective risk of expected cash shortfalls either based on credit events arising in the 12 months from the reporting date or based on credit events arising over the lifetime of the financial instrument; depending on the significant increase in credit risk ("SICR") since initial recognition.</p>	<p>Based on our risk assessment, we established an audit approach including controls and substantive testing as a basis for our opinion. Accordingly, we have performed the following procedures amongst others. Our procedures include:</p> <p>We have assessed the design and implementation of the controls related to the process and policy for methodology, calculation and post model adjustment of the ECL and; we have assessed the control system in this process, including automated controls in the IT systems.</p> <p>In respect of the first-time adoption of TFRS 9, our procedures for assessing the appropriateness of the implementation of the new standard included, among other things, the following procedures:</p> <ul style="list-style-type: none"> <li>• Assessment of the consideration of the adjustments made to the opening balance on January 1, 2020.</li> <li>• Assessment of the completeness and appropriateness of disclosures, including those related to the first-time adoption of TFRS 9, as well as quantitative and qualitative requirements, in particular with respect to credit risk of loans to customers, loan commitments and financial guarantee contracts.</li> </ul>

Key Audit Matters	Audit Responses
<p><b>Allowance for expected credit loss</b> (continued)</p> <p>The post model adjustment may also be recorded by the Bank and subsidiaries using credit expert assumptions and judgment where the inputs, assumptions and/or modelling techniques do not capture all relevant risk factors in respect to the current economic conditions and market circumstances.</p> <p>Accounting policy for the allowance for expected credit loss, detail of allowance for expected credit loss and related the BOT's regulation were disclosed in Notes 4.7, 7.9 and 7.39 to the financial statements, respectively.</p>	<p>We collectively and individually assessed loans to customers on those related to the first-time adoption of TFRS 9 and at the reporting date as follows:</p> <ul style="list-style-type: none"> <li>For the collectively assessed loans to customers, we have performed, among the others, the following procedures: <ul style="list-style-type: none"> <li>With the involvement of our internal specialist, we have analyzed the applied methodology for estimating ECL, including the adequacy of risk parameters applied, post model adjustment and compliance with the requirements of TFRS 9 and the BOT's regulation.</li> <li>Independent recalculation by our internal specialist on sample basis of the value of ECL for selected portfolios in the collective assessment method.</li> </ul> </li> <li>For the individually assessed loans to customers, we have performed, among the others, the following procedures: <ul style="list-style-type: none"> <li>We have assessed the appropriateness of the process for identifying indicators of impairment:</li> <li>We assessed the appropriateness of estimation of allowances for a selected sample of exposures with identified evidence of impairment with respect to the appropriateness of the assumed collateral values and assumptions concerning other cash flows.</li> </ul> </li> <li>Our audit procedures included reconciliation of the data used in the ECL calculation to confirm the accuracy and completeness of the recognition of loans to customers, loan commitments and financial guarantee contracts that are the basis for the calculation of impairment losses and provision, as well as the value of these ECL and provisions for loan commitments and financial guarantee contracts.</li> </ul>

Key Audit Matters	Audit Responses
	<ul style="list-style-type: none"> <li>• In respect of post model adjustment, based on current economic conditions and market circumstances, our audit procedures included the evaluation of the design and implementation of internal control in this process. We assessed the completeness and appropriateness of the assumptions, input data and performed the calculation of the post model adjustment with support from our internal specialist.</li> <li>• For the IT systems and individual data processing systems used in the ECL calculation, we have assessed the relevant effectiveness of application controls and general IT controls with the involvement of our internal IT specialists.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises information in the annual report, but does not include the consolidated and Bank's financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and Bank's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and Bank's financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to management and those charged with governance for correction of the misstatement.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated and Bank's Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and Bank's financial statements in accordance with TFRSs and Bank of Thailand's regulation, and for such internal control as management determines is necessary to enable the preparation of consolidated and Bank's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and Bank's financial statements, management is responsible for assessing the Bank and subsidiaries' 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 Bank and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and subsidiaries' financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and Bank's 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs 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 consolidated and Bank's financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and Bank's 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 our 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 Bank and subsidiaries' 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 Bank and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and the Bank's financial statements, including the disclosures, and whether the consolidated and Bank's 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 Bank and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

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

BANGKOK  
February 24, 2021

Chavala Tienpasertkij  
Certified Public Accountant (Thailand)  
Registration No. 4301  
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**

**BAHT: '000**

	Notes	CONSOLIDATED		THE BANK'S	
		FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>ASSETS</b>					
CASH		30,333,319	33,830,336	29,215,418	32,784,600
INTERBANK AND MONEY MARKET ITEMS, NET	7.3	523,384,552	331,431,378	516,193,943	325,689,873
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
THROUGH PROFIT OR LOSS	7.4	786,336	-	736,462	-
CLAIM ON SECURITY		-	9,611,500	-	9,611,500
DERIVATIVES ASSETS	7.5	30,445,120	21,841,044	30,653,617	21,896,417
INVESTMENTS, NET	7.6	162,100,028	118,340,121	155,539,927	117,908,466
INVESTMENTS IN SUBSIDIARIES					
AND JOINT VENTURES, NET	7.7	14,365,116	11,952,177	61,432,683	59,956,092
LOANS TO CUSTOMERS AND ACCRUED					
INTEREST RECEIVABLES, NET	7.8	1,765,622,639	1,754,976,035	1,609,829,809	1,612,854,454
CUSTOMERS' LIABILITY UNDER ACCEPTANCE		-	299,089	-	299,089
PROPERTIES FOR SALE, NET	7.10	3,365,637	3,500,200	2,663,681	2,394,813
PREMISES AND EQUIPMENT, NET	7.11	31,196,615	29,029,494	28,659,612	27,075,050
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	7.12	17,031,374	16,902,975	3,993,017	4,199,366
DEFERRED TAX ASSETS	7.13	4,890,090	4,479,273	587,276	-
OTHER ASSETS, NET	7.14	25,852,963	23,397,974	21,225,920	20,055,709
<b>TOTAL ASSETS</b>		<u>2,609,373,789</u>	<u>2,359,591,596</u>	<u>2,460,731,365</u>	<u>2,234,725,429</u>

Notes to the consolidated and the Bank's financial statements form an integral part of these financial statements

**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS AT DECEMBER 31, 2020**

**BAHT: '000**

		<b>CONSOLIDATED</b>		<b>THE BANK'S</b>	
		<b>FINANCIAL STATEMENTS</b>		<b>FINANCIAL STATEMENTS</b>	
	<b>Notes</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>LIABILITIES AND EQUITY</b>					
DEPOSITS	7.15	1,834,505,186	1,566,884,776	1,819,222,893	1,558,780,159
INTERBANK AND MONEY MARKET ITEMS	7.16	243,569,647	252,121,143	224,973,577	252,076,777
LIABILITY PAYABLE ON DEMAND		5,607,230	3,802,060	5,606,355	3,801,985
LIABILITY TO DELIVER SECURITY		-	9,611,500	-	9,611,500
DERIVATIVES LIABILITIES	7.5	32,941,510	23,326,062	33,118,201	23,325,475
DEBT ISSUED AND BORROWINGS	7.17	146,118,868	175,667,180	125,951,206	139,003,569
BANK'S LIABILITY UNDER ACCEPTANCE		-	299,089	-	299,089
PROVISIONS	7.18	13,378,497	9,717,481	10,864,530	8,165,452
DEFERRED TAX LIABILITIES	7.13	686,388	1,823,357	-	803,296
OTHER LIABILITIES	7.19	43,387,499	44,223,303	26,825,390	27,148,687
<b>TOTAL LIABILITIES</b>		<b>2,320,194,825</b>	<b>2,087,475,951</b>	<b>2,246,562,152</b>	<b>2,023,015,989</b>
<b>EQUITY</b>					
<b>SHARE CAPITAL</b>	7.23				
Authorized share capital					
7,574,143,747 ordinary shares of					
Baht 10 each		75,741,437	75,741,437	75,741,437	75,741,437
Issued and paid-up share capital					
7,355,761,773 ordinary shares of					
Baht 10 each		73,557,618	73,557,618	73,557,618	73,557,618
PREMIUM ON ORDINARY SHARES		52,878,749	52,878,749	52,878,749	52,878,749
OTHER RESERVES		4,271,362	4,312,103	5,208,509	5,326,327
<b>RETAINED EARNINGS</b>					
Appropriated					
Legal reserve		7,279,800	6,870,800	7,279,800	6,870,800
Unappropriated		149,556,653	133,170,675	75,244,537	73,075,946
<b>TOTAL BANK'S EQUITY</b>		<b>287,544,182</b>	<b>270,789,945</b>	<b>214,169,213</b>	<b>211,709,440</b>
<b>NON-CONTROLLING INTEREST</b>		<b>1,634,782</b>	<b>1,325,700</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>289,178,964</b>	<b>272,115,645</b>	<b>214,169,213</b>	<b>211,709,440</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,609,373,789</b>	<b>2,359,591,596</b>	<b>2,460,731,365</b>	<b>2,234,725,429</b>

Notes to the consolidated and the Bank's financial statements form an integral part of these financial statements

(Mr. Seiichiro Akita)  
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)  
Director



**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

BAHT : '000

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		2020	2019	2020	2019
INTEREST INCOME	7.31	108,062,348	110,455,442	76,274,911	80,945,599
INTEREST EXPENSES	7.32	26,758,210	34,032,364	23,940,142	31,698,784
INTEREST INCOME, NET		81,304,138	76,423,078	52,334,769	49,246,815
FEES AND SERVICE INCOME		24,811,854	29,652,171	13,534,487	15,854,858
FEES AND SERVICE EXPENSES		7,247,669	7,875,668	5,110,675	5,902,397
FEES AND SERVICE INCOME, NET	7.33	17,564,185	21,776,503	8,423,812	9,952,461
GAINS ON FINANCIAL INSTRUMENTS					
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	7.34	4,112,021	-	4,499,352	-
GAINS ON TRADING AND FOREIGN EXCHANGE					
TRANSACTIONS, NET	7.34	-	4,349,796	-	4,467,865
GAINS (LOSSES) ON INVESTMENTS, NET	7.35	108,747	9,232,109	(611,253)	5,115,997
SHARE OF PROFIT FROM INVESTMENT USING					
EQUITY METHOD		1,523,281	1,409,261	-	-
DIVIDEND INCOME		272,950	210,418	971,689	5,382,141
BAD DEBTS RECOVERIES		6,752,472	6,483,470	2,231,482	1,787,065
OTHER OPERATING INCOME		2,349,127	1,723,350	2,002,330	1,343,837
TOTAL OPERATING INCOME		113,986,921	121,607,985	69,852,181	77,296,181
OTHER OPERATING EXPENSES					
Employee's expenses		25,296,702	27,648,472	18,163,665	19,667,798
Directors' remuneration		64,639	59,172	58,492	52,488
Premises and equipment expenses		7,549,879	7,922,336	6,162,431	6,306,892
Taxes and duties		2,534,958	2,871,176	1,694,937	1,949,059
Others		13,018,826	13,667,558	8,425,191	7,463,511
Total other operating expenses		48,465,004	52,168,714	34,504,716	35,439,748
EXPECTED CREDIT LOSS	7.36	36,643,685	-	25,352,193	-
IMPAIRMENT LOSS ON LOANS AND DEBT SECURITIES	7.36	-	28,202,962	-	18,625,240
PROFIT FROM OPERATING BEFORE					
INCOME TAX EXPENSES		28,878,232	41,236,309	9,995,272	23,231,193
INCOME TAX EXPENSES	7.37	5,537,981	8,104,797	1,835,054	3,645,617
<b>NET PROFIT</b>		<b>23,340,251</b>	<b>33,131,512</b>	<b>8,160,218</b>	<b>19,585,576</b>

**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

BAHT : '000

		CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	Notes	2020	2019	2020	2019
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will be reclassified subsequently to profit or loss:					
Gain on investments in debt instruments at fair value					
through other comprehensive income		303,190	-	303,190	-
Loss on cash flow hedges		(161,013)	-	(161,013)	-
Gain on remeasuring available-for-sale investments		-	9,462	-	9,462
Loss arising from translating the financial statements					
of foreign operation		(91,607)	(701,842)	-	-
Share of other comprehensive income of joint venture		(5,773)	-	-	-
Income tax relating to components of					
other comprehensive income	7.38	(8,250)	122,795	(28,436)	(1,892)
Items that will not be reclassified subsequently to profit or loss:					
Gain (Loss) on investments designated at fair value					
through other comprehensive income		86,586	-	(93,056)	-
Change in assets revaluation surplus		-	3,821,640	-	3,821,640
Actuarial loss on defined benefit plans		(560,724)	(1,031,120)	(575,904)	(772,010)
Share of other comprehensive income of joint venture		(1,434)	(9,412)	-	-
Income tax relating to components of					
other comprehensive income	7.38	94,292	(558,084)	133,792	(609,926)
Total other comprehensive income, net		(344,733)	1,653,439	(421,427)	2,447,274
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>22,995,518</b>	<b>34,784,951</b>	<b>7,738,791</b>	<b>22,032,850</b>
<b>NET PROFIT ATTRIBUTABLE</b>					
Owners of the Bank		23,039,785	32,748,508	8,160,218	19,585,576
Non-controlling interest		300,466	383,004	-	-
		<b>23,340,251</b>	<b>33,131,512</b>	<b>8,160,218</b>	<b>19,585,576</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE</b>					
Owners of the Bank		22,686,391	34,405,408	7,738,791	22,032,850
Non-controlling interest		309,127	379,543	-	-
		<b>22,995,518</b>	<b>34,784,951</b>	<b>7,738,791</b>	<b>22,032,850</b>
<b>EARNINGS PER SHARE OF OWNERS OF THE BANK</b>					
BASIC EARNINGS PER SHARE	BAHT	3.13	4.45	1.11	2.66
WEIGHTED AVERAGE NUMBER OF					
ORDINARY SHARES	SHARES	7,355,761,773	7,355,761,773	7,355,761,773	7,355,761,773

Notes to the consolidated and the Bank's financial statements form an integral part of these financial statements

(Mr. Seiichiro Akita)  
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)  
Director

**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**BAHT : '000**

CONSOLIDATED FINANCIAL STATEMENTS													
Notes	Owners of the Bank											Non-Controlling Interest	Total
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves						Retained Earnings		Total		
			Asset	Revaluation	Foreign	Cash Flow	Share of Other	Deficit from Business	Appropriated	Unappropriated	Bank's		
			Appraisal	Surplus	Currency	Hedging	Comprehensive	Combination under	Legal	Equity			
			Surplus	on Investments	Translation	Reserve	Income	Common Control	Reserve				
Balance as of January 1, 2019	73,557,618	52,878,749	7,895,654	(89,952)	(437,069)	-	-	(5,217,755)	5,890,800	108,159,015	242,637,060	1,081,227	243,718,287
Change in revaluation surplus	-	-	(326,502)	-	-	-	-	-	-	326,502	-	-	-
Dividend payment	7.23.2	-	-	-	-	-	-	-	-	(6,252,397)	(6,252,397)	(135,196)	(6,387,593)
Increase in legal reserve	-	-	-	-	-	-	-	-	980,000	(980,000)	-	-	-
Total comprehensive income	-	-	3,057,312	7,570	(577,155)	-	-	-	-	31,917,681	34,405,408	379,543	34,784,951
Change in shareholding in subsidiaries company	-	-	-	-	-	-	-	-	-	(126)	(126)	126	-
Balance as of December 31, 2019	73,557,618	52,878,749	10,626,464	(82,382)	(1,014,224)	-	-	(5,217,755)	6,870,800	133,170,675	270,789,945	1,325,700	272,115,645
Balance as of January 1, 2020 as previously reported	73,557,618	52,878,749	10,626,464	(82,382)	(1,014,224)	-	-	(5,217,755)	6,870,800	133,170,675	270,789,945	1,325,700	272,115,645
Effect of change in accounting policies	3	-	-	191,554	-	-	-	-	-	(2,291,679)	(2,100,125)	(45)	(2,100,170)
Balance as of January 1, 2020 as adjusted	73,557,618	52,878,749	10,626,464	109,172	(1,014,224)	-	-	(5,217,755)	6,870,800	130,878,996	268,689,820	1,325,655	270,015,475
Change in revaluation surplus	-	-	(328,646)	-	-	-	-	-	-	328,646	-	-	-
Fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	(521,936)	(521,936)	-	(521,936)
Dividend payment	7.23.2	-	-	-	-	-	-	-	-	(3,310,093)	(3,310,093)	-	(3,310,093)
Increase in legal reserve	-	-	-	-	-	-	-	-	409,000	(409,000)	-	-	-
Total comprehensive income	-	-	-	302,356	(71,421)	(128,811)	(5,773)	-	-	22,590,040	22,686,391	309,127	22,995,518
Balance as of December 31, 2020	73,557,618	52,878,749	10,297,818	411,528	(1,085,645)	(128,811)	(5,773)	(5,217,755)	7,279,800	149,556,653	287,544,182	1,634,782	289,178,964

Notes to the consolidated and the Bank's financial statements form an integral part of these financial statements

**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**BAHT : '000**

THE BANK'S FINANCIAL STATEMENTS									
Notes	Issued and	Premium	Other reserves				Retained Earnings		Total
	Paid-up	on Share	Asset	Revaluation	Cash Flow	Deficit from Business	Appropriated	Unappropriated	
	Share	Capital	Appraisal	Surplus	Hedging	Combination under	Legal		
	Capital		Surplus	on Investments	Reserve	Common Control	Reserve		
Balance as of January 1, 2019	73,557,618	52,878,749	7,895,654	(89,952)	-	(5,217,755)	5,890,800	61,013,873	195,928,987
Change in revaluation surplus	-	-	(326,502)	-	-	-	-	326,502	-
Dividend payment	7.23.2	-	-	-	-	-	-	(6,252,397)	(6,252,397)
Increase in legal reserve	-	-	-	-	-	-	980,000	(980,000)	-
Total comprehensive income	-	-	3,057,312	7,570	-	-	-	18,967,968	22,032,850
<b>Balance as of December 31, 2019</b>	<b>73,557,618</b>	<b>52,878,749</b>	<b>10,626,464</b>	<b>(82,382)</b>	<b>-</b>	<b>(5,217,755)</b>	<b>6,870,800</b>	<b>73,075,946</b>	<b>211,709,440</b>
Balance as of January 1, 2020 as previously reported	73,557,618	52,878,749	10,626,464	(82,382)	-	(5,217,755)	6,870,800	73,075,946	211,709,440
Effect of change in accounting policies	3	-	-	171,531	-	-	-	(1,521,205)	(1,349,674)
Balance as of January 1, 2020 as adjusted	73,557,618	52,878,749	10,626,464	89,149	-	(5,217,755)	6,870,800	71,554,741	210,359,766
Change in revaluation surplus	-	-	(328,646)	-	-	-	-	328,646	-
Fair value through other comprehensive income	-	-	-	-	-	-	-	(619,251)	(619,251)
Dividend payment	7.23.2	-	-	-	-	-	-	(3,310,093)	(3,310,093)
Increase in legal reserve	-	-	-	-	-	-	409,000	(409,000)	-
Total comprehensive income	-	-	-	168,108	(128,811)	-	-	7,699,494	7,738,791
<b>Balance as of December 31, 2020</b>	<b>73,557,618</b>	<b>52,878,749</b>	<b>10,297,818</b>	<b>257,257</b>	<b>(128,811)</b>	<b>(5,217,755)</b>	<b>7,279,800</b>	<b>75,244,537</b>	<b>214,169,213</b>

Notes to the consolidated and the Bank's financial statements form an integral part of these financial statements

(Mr. Seichiro Akita)  
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)  
Director

## BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2020	2019	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income from operating before income tax expenses	28,878,232	41,236,309	9,995,272	23,231,193
Adjustments to reconcile income to cash received (paid)				
from operating activities:				
Depreciation and amortization	5,048,950	4,008,244	4,303,883	3,088,799
Expected credit loss	36,643,685	-	25,352,193	-
Impairment loss on loans and debt securities	-	28,202,962	-	18,625,240
Interest expenses from finance lease	83,185	19,229	60,298	15,280
Gain on translation in foreign currencies	(1,861,624)	(7,886,392)	(1,861,624)	(7,886,392)
Unrealized (gain) loss from revaluation of derivatives	3,774,390	(407,031)	3,788,435	(462,536)
Share of profit from investment using equity method	(1,523,281)	(1,409,261)	-	-
(Gain) loss on investments	(108,747)	(9,232,109)	611,253	(5,115,997)
Increase (decrease) in discount on investments	453,500	(362,965)	453,500	(362,965)
Gain on sales of properties for sale	(1,030,962)	(608,101)	(909,730)	(531,779)
Loss on sales of premises and equipment	89,791	5,087	97,872	20,970
Loss on impairment of properties for sale	303,455	207,063	206,747	179,286
Loss on impairment of premises and equipment (reversal)	-	(16,579)	-	(44,813)
Loss on impairment of other assets (reversal)	(50,041)	(268,358)	(57,038)	93,417
Increase in other reserves	1,056,673	1,933,937	313,621	511,427
Interest income, net	(81,304,138)	(76,423,078)	(52,334,769)	(49,246,815)
Interest received	103,431,303	110,348,970	71,908,325	81,027,221
Interest paid	(29,843,542)	(32,564,054)	(27,114,380)	(30,175,882)
Dividend income	(272,950)	(210,418)	(971,689)	(5,382,141)
Dividends received	272,973	210,419	271,496	207,503
Increase (decrease) in other accrued expenses	(2,236,620)	62,814	(1,572,956)	1,003,044
Income tax paid	(6,373,368)	(7,092,662)	(3,057,028)	(3,595,096)
Income from operations before changes in				
operating assets and liabilities	55,430,864	49,754,026	29,483,681	25,198,964
(Increase) decrease in operating assets				
Interbank and money market items	(186,202,686)	(90,106,276)	(185,960,621)	(91,097,781)
Financial assets measured at fair value through profit or loss	1,884,771	-	1,931,673	-
Current investments - securities for trading	-	(469,204)	-	(468,670)
Loans to customers	(66,474,423)	(169,144,808)	(39,325,799)	(144,541,881)
Properties for sale	22,672,548	17,265,071	20,462,123	15,042,778
Other assets	(447,835)	(1,940,387)	699,817	(2,223,800)

**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

BAHT : '000

	<b>CONSOLIDATED</b>		<b>THE BANK'S</b>	
	<b>FINANCIAL STATEMENTS</b>		<b>FINANCIAL STATEMENTS</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>				
Increase (decrease) in operating liabilities				
Deposits	265,723,732	146,438,864	258,546,056	143,954,239
Interbank and money market items	(13,079,004)	20,671,955	(30,772,532)	18,470,848
Liability payable on demand	1,860,435	(2,057,335)	1,859,635	(2,057,316)
Other liabilities	2,253,707	(7,709,459)	2,571,207	(6,254,925)
Net cash from operating activities	83,622,109	(37,297,553)	59,495,240	(43,977,544)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales of investments in securities	115,464,655	80,975,763	115,412,115	80,964,068
Cash paid for purchases of investments in securities	(162,224,477)	(62,414,530)	(156,538,876)	(62,288,029)
Cash received from sales of investment in subsidiaries	-	8,027,466	-	8,027,466
Cash paid for investment in subsidiaries and joint venture	(983,991)	(855,001)	(2,196,591)	(2,755,001)
Dividend received from subsidiaries and joint venture	-	950,100	700,215	5,174,639
Proceeds from sales of premises and equipment	297,847	118,238	125,249	1,970
Cash paid for purchases of premises and equipment	(2,601,111)	(1,493,277)	(1,346,296)	(1,001,362)
Cash paid for purchases of other assets	(1,898,796)	(1,709,516)	(1,615,383)	(1,390,154)
Net cash from investing activities	(51,945,873)	23,599,243	(45,459,567)	26,733,597
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from debts issued and borrowings	12,220,988	67,247,978	7,184,384	48,153,749
Cash paid for repayment of debts issued and borrowings	(40,952,958)	(47,221,668)	(20,282,285)	(25,137,729)
Cash paid for repayment of liabilities under finance lease agreements	(1,632,282)	(188,945)	(1,278,945)	(150,698)
Dividend payment	(3,310,093)	(6,387,593)	(3,310,093)	(6,252,397)
Net cash from financing activities	(33,674,345)	13,449,772	(17,686,939)	16,612,925
Total	(1,998,109)	(248,538)	(3,651,266)	(631,022)
Effect arising from translating the financial statements of foreign operations	(41,622)	(499,656)	-	-
Effect of exchange rate change on cash	82,084	(51,896)	82,084	(51,896)
Net decrease in cash and cash equivalents	(1,957,647)	(800,090)	(3,569,182)	(682,918)
Cash and cash equivalents as at January 1,	39,570,369	40,370,459	32,784,600	33,467,518
<b>Cash and cash equivalents as at December 31,</b>	<b>37,612,722</b>	<b>39,570,369</b>	<b>29,215,418</b>	<b>32,784,600</b>

Notes to the consolidated and the Bank's financial statements form an integral part of these financial statements

(Mr. Seiichiro Akita)  
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)  
Director

**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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**BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. GENERAL INFORMATION**

Bank of Ayudhya Public Company Limited (“the Bank”) is a public company registered in the Kingdom of Thailand with its head office located at 1222 Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The Bank’s main business is commercial banking and the Bank conducts its business through a network of branches throughout Thailand and other countries. The immediate and ultimate parent company of the Bank are MUFG Bank, Ltd. and Mitsubishi UFJ Financial Group, Inc., respectively, both companies are registered in Japan. As at December 31, 2020 and 2019, the Bank has 23 subsidiaries and joint ventures and 21 subsidiaries and joint ventures, respectively as follows:

- 1.1 Ayudhya Development Leasing Company Limited was incorporated in Thailand on July 25, 1991, and is located at 550, Krungsri Ploenchit Tower, 14<sup>th</sup> Floor, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary’s main business includes leasing and hire-purchase.
- 1.2 Ayudhya Capital Auto Lease Public Company Limited was incorporated in Thailand on November 27, 1995, and is located at 550, Krungsri Ploenchit Tower, 16<sup>th</sup> Floor, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary’s main business is auto hire-purchase, leasing service and refinancing to individual and corporate customers.
- 1.3 Ayudhya Capital Services Company Limited was incorporated in Thailand on November 9, 1994, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary’s main business is credit cards and personal loans.
- 1.4 General Card Services Limited was incorporated in Thailand on January 24, 1995, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary’s main business is credit cards and personal loans.
- 1.5 Krungsriayudhya Card Company Limited was incorporated in Thailand on August 29, 1996, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary’s main business is credit cards and personal loans.



- 1.6 Siam Realty and Services Security Company Limited was incorporated in Thailand on June 20, 1988, and is located at 1222 Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is car rental services and personnel services.
- 1.7 Total Services Solutions Public Company Limited was incorporated as a public company limited in Thailand on May 19, 1997, and is located at 2/3 Moo 14, Bangna Towers B, Bang Na-Trat Km 6.5 Road, Bang Kaeo Subdistrict, Bang Phli District, Samutprakan. The subsidiary's main business is collection services.
- 1.8 Krungsri Asset Management Company Limited was incorporated in Thailand on December 19, 1996, and is located at 898, Ploenchit Tower Building, 1<sup>st</sup>-2<sup>nd</sup> Floor zone A, 12<sup>th</sup> and 18<sup>th</sup> Floor zone B, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is mutual funds and private fund management.
- 1.9 Krungsri Ayudhya AMC Limited was incorporated in Thailand on August 18, 2000, and is located at 1222 Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is to develop, manage and sell assets transferred from financial institutions.
- 1.10 Krungsri Securities Public Company Limited was incorporated in Thailand on April 16, 2004, and is located at 898, Ploenchit Tower, 3<sup>rd</sup> Floor, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is a securities business.
- 1.11 Krungsri Nimble Company Limited was incorporated in Thailand on February 1, 2007, and is located at 1222, Bank of Ayudhya Public Company Limited, 21<sup>st</sup> Floor, Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is factoring and information technology services.
- 1.12 Krungsri Life Assurance Broker Limited which is 99.99% owned by Ayudhya Capital Services Company Limited, the Bank's subsidiary, was incorporated in Thailand on March 2, 2007, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is as a life insurance broker.
- 1.13 Krungsri General Insurance Broker Limited which is 99.99% owned by Ayudhya Capital Services Company Limited, the Bank's subsidiary, was incorporated in Thailand on March 2, 2007, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is as a general insurance broker.
- 1.14 Krungsri Finnovate Company Limited was incorporated in Thailand on March 27, 2017, and is located at 1222, 21<sup>st</sup> Floor, Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is venture capital.

- 1.15 Krungsri Leasing Services Company Limited, which is owned by Ayudhya Capital Auto Lease Public Company Limited of 75% and Ayudhya Capital Services Company Limited of 25%, the Bank's subsidiaries, was incorporated in Laos People's Democratic Republic (Lao PDR) on February 18, 2014, and is located at 355, Unit 12, Kamphengmeung Road, Phonethan Village, Sayseththa District, Vientiane Capital, Lao PDR. The subsidiary's main business is hire-purchase, leasing and sales finance.
- 1.16 Krungsri Non-Deposit Taking Microfinance Institution Co.,Ltd., which is owned by Krungsri Leasing Services Company Limited of 99.99%, the Bank's subsidiary, was incorporated in Laos People's Democratic Republic (Lao PDR) on February 7, 2020, and is located at 197, Unit 12, Kamphengmeung Road, Phonethan Village, Sayseththa District, Vientiane Capital, Lao PDR. The subsidiary's main business is non-deposit taking microfinance.
- 1.17 Hattha Bank Plc. (formerly Hattha Kaksekar Limited), was incorporated in Cambodia in November 1996, and is located at 606, Street 271, Sansam Kosal 3 Village, Sangkat Boeng Tumpun 1, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia. The subsidiary has already obtained the approval from relevant regulators both in Thailand and Cambodia to expand its business to be a commercial bank and it had changed its operation to be banking business since August 26, 2020.
- 1.18 Hattha Services Company Limited which is 99.99% owned by Hattha Bank Plc. (formerly Hattha Kaksekar Limited), the Bank's subsidiary, was incorporated in Cambodia in October 8, 2019, and is located at 606, Street 271, Sansam Kosal 3 Village, Sangkat Boeng Tumpun 1, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia. The subsidiary's main business is lease real estate.
- 1.19 Ngern Tid Lor Public Company Limited ("NTL") (formerly Ngern Tid Lor Company Limited), was incorporated in Thailand on October 24, 2006, and is located at 428 Ari Hills Building 9<sup>th</sup>-15<sup>th</sup> Floor, Phahonyothin Road, Sam Sen Nai Subdistrict, Phaya Thai District, Bangkok. The joint venture main business is hire-purchase loan and secured personal loan for vehicles and motorcycles.

On February 28, 2019, the Bank sold 50% of investment in NTL, reducing its ownership interest to 50%. As a result, investment in NTL is classified as investment in joint ventures.

On December 24, 2020, NTL has submitted an application for approval of the offering of newly-issued ordinary shares, registration statement and draft prospectus for offering of securities to the Office of the Securities and Exchange Commission, as well as an application for approval of listing of ordinary shares on the Stock Exchange of Thailand with the Stock Exchange of Thailand.

- 1.20 Tesco Lotus Money Services Limited which is 49.99% owned by Ayudhya Capital Services Company Limited, the Bank's subsidiary, was incorporated in Thailand on March 2, 2007, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The joint venture's main business is credit cards and personal loans.
- 1.21 Tesco Life Assurance Broker Limited which is 99.99% owned by Tesco Lotus Money Services Limited, the Bank's joint venture, was incorporated in Thailand on March 2, 2007, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The joint venture's main business is as a life insurance broker.
- 1.22 Tesco General Insurance Broker Limited which is 99.99% owned by Tesco Lotus Money Services Limited, the Bank's joint venture, was incorporated in Thailand on March 2, 2007, and is located at 550, Krungsri Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The joint venture's main business is as a general insurance broker.
- 1.23 SB Finance Company, Inc. was incorporated in Philippines in 1960, and is located at Ground Floor Keyland Building, 849 Arnaiz Avenue, San Lorenzo, Makati City, Philippines. The joint venture's main business is personal loans.

## **2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS**

- 2.1 The consolidated and the Bank's financial statements have been prepared in accordance with Thai Financial Reporting Standards issued by Federation of Accounting Professions, the regulation of the Thai Securities and Exchange Commission ("SEC") and the Stock Exchange of Thailand ("SET") and the Bank of Thailand ("BOT")'s requirement, where the form of financial statements is based on Thai Accounting Standard No. 1 "Presentation of Financial Statements", including the Procedures, Policies and Presentation in accordance with BOT Notification Sor.Nor.Sor. 21/2561 regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies that is the Parent Company of a Financial Group dated October 31, 2018.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

The financial statements are presented in Thai Baht, which is the Bank's functional currency. All financial information presented in Thai Baht has been rounded in the financial statements to the nearest thousand and in the notes to financial statements to the nearest million unless otherwise stated.

The Bank prepares its financial statements in the Thai language in conformity with Thai Financial Reporting Standards ("TFRSs") and the Notifications noted above. However, for convenience of readers, the Bank also prepares its financial statements in English language, by translating from the Thai version.

**Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective in 2020**

The Federation of Accounting Professions has issued the Notification regarding Thai Accounting Standards, Thai Financial Reporting Standards, Thai Accounting Standards Interpretation and Thai Financial Reporting Standard Interpretation, which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2021 onwards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revisions to references to the Conceptual Framework in TFRSs, except for the revisions of definitions and accounting requirements as follows:

1) Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting consisted of the revised definitions and recognition criteria of asset and liability as well as new guidance on measurement, derecognition of asset and liability, presentation and disclosure. In addition, this Conceptual Framework for Financial Reporting clearly clarifies management's stewardship of the entity's economic resources, prudence, and measurement uncertainty of financial information.

2) Definition of Business

The revised Thai Financial Reporting Standard No.3 "Business Combinations" clearly clarifies the definition of business and introduce an optional concentration test. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. This revised financial reporting standard requires prospective method for such amendment. Earlier application is permitted.

3) Definition of Materiality

The revised definition of materiality resulted in the amendment of Thai Accounting Standards No.1 "Presentation of Financial Statements" and Thai Accounting Standards No.8 "Accounting Policies, Changes in Accounting Estimates and Errors", including other financial reporting standards which refer to materiality. This amendment is intended to make the definition of material to comply with the Conceptual Framework which requires prospective method for such amendment. Earlier application is permitted.

4) The Interest Rate Reform

Due to the interest rate reform, there are the amendments of specific hedge accounting requirements in Thai Financial Reporting Standard No.9 "Financial Instruments" and Thai Financial Reporting Standard No.7 "Financial Instruments: Disclosures".

The management of the Bank and its subsidiaries will adopt such TFRSs in the preparation of the Bank and its subsidiaries' financial statements when it becomes effective. The management of the Bank and its subsidiaries is in the process to assess the impact of these TFRSs on the financial statements of the Bank and its subsidiaries in the period of initial application.

2.2 The consolidated financial statements included the accounts of the head office and all branches of the Bank and its subsidiaries. These subsidiaries are as follows:

Subsidiaries	Business Type	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Bank (%)	
			As at December 31,	
			2020	2019
Ayudhya Development Leasing Company Limited	Hire-purchase and leasing	Thailand	99.99	99.99
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Thailand	100.00	100.00
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Thailand	100.00	100.00
General Card Services Limited	Credit cards and personal loans	Thailand	100.00	100.00
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Thailand	100.00	100.00
Siam Realty and Services Security Company Limited	Car rental services and personnel services	Thailand	100.00	100.00
Total Services Solutions Public Company Limited	Collection services	Thailand	100.00	100.00
Krungsri Asset Management Company Limited	Fund management	Thailand	76.59	76.59
Krungsri Ayudhya AMC Limited	Asset management	Thailand	100.00	100.00
Krungsri Securities Public Company Limited	Securities	Thailand	99.84	99.84
Krungsri Nimble Company Limited	Factoring and information technology services	Thailand	100.00	100.00
Krungsri Life Assurance Broker Limited <sup>(1)</sup>	Life assurance broker	Thailand	100.00	100.00
Krungsri General Insurance Broker Limited <sup>(1)</sup>	General insurance broker	Thailand	100.00	100.00
Krungsri Finnivate Company Limited	Venture capital	Thailand	100.00	100.00
Krungsri Leasing Services Company Limited <sup>(2)</sup>	Hire-purchase, leasing and sales finance	Lao PDR	100.00	100.00
Krungsri Non-Deposit Taking Microfinance Institution Co., Ltd <sup>(3)</sup>	Micro finance	Lao PDR	99.99	-
Hattha Bank Plc. (formerly Hattha Kaksekar Limited)	Commercial bank (formerly Micro finance)	Cambodia	100.00	100.00
Hattha Services Company Limited <sup>(4)</sup>	Lease real estate	Cambodia	100.00	100.00

<sup>(1)</sup> Indirectly holding via Ayudhya Capital Services Company Limited of 100%.

<sup>(2)</sup> Indirectly holding via Ayudhya Capital Auto Lease Public Company Limited of 75% and Ayudhya Capital Services Company Limited of 25%.

<sup>(3)</sup> Indirectly holding via Krungsri Leasing Services Company Limited of 99.99% which invested on April 20, 2020.

<sup>(4)</sup> On November 1, 2019, the Bank held indirectly ordinary shares of Hattha Services Company Limited via Hattha Bank Plc. (formerly Hattha Kaksekar Limited) of 49%. However, the Bank has the power to participate in management and control over Hattha Services Company Limited. Accordingly, the voting power held by the Bank is 100%.

All material intercompany transactions and balances have been eliminated.

### 3. ADOPTION OF NEW AND REVISED THAI FINANCIAL REPORTING STANDARDS

Thai Financial Reporting Standards affecting the presentation and disclosure in the current period financial statements

In 2020, the Bank and its subsidiaries have adopted the new and revised financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after January 1, 2020. The adoption of these financial reporting standards does not have any significant impact on the Bank and its subsidiaries financial statements, except the following financial reporting standards.

Financial reporting standards on group of financial instruments standards as follows:

**Thai Accounting Standards (“TAS”)**

TAS 32                      Financial Instruments: Presentation

**Thai Financial Reporting Standards (“TFRS”)**

TFRS 7                      Financial Instruments: Disclosures

TFRS 9                      Financial Instruments

**Thai Financial Reporting Standard Interpretations (“TFRIC”)**

TFRIC 16                      Hedges of a Net Investment in a Foreign Operation

TFRIC 19                      Extinguishing Financial Liabilities with Equity Instruments

Group of Financial Instruments Standards introduce new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the consolidated and the Bank’s financial statements are described below.

**1) Classification and measurement of financial instruments:**

TFRS 9 requires financial assets to be classified into three measurement categories: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification depends on the Bank and its subsidiaries’ business model for managing its financial assets and the contractual cash flow characteristics of the assets.

Financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, TFRS 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss.

Changes in fair value attributable to the financial liability’s credit risk are not subsequently reclassified to profit or loss.

## **2) Impairment:**

In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model. The expected credit loss model requires the Bank and its subsidiaries to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, TFRS 9 requires the Bank and its subsidiaries to recognise allowance for expected credit losses on:

- (1) Interbank and money market item
- (2) Debt investments measured subsequently at amortised cost or at FVOCI
- (3) Loans to customers
- (4) Loan commitments and financial guarantee contracts to which the impairment requirements of TFRS 9 apply
- (5) Trade receivables and contract assets

In particular, TFRS 9 requires the Bank and its subsidiaries to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Bank and its subsidiaries are required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL.

The change in accounting of the Group of Financial Instruments Standards has been applied in accordance with the relevant transitional provisions set out in TFRS 9 in which the Bank and its subsidiaries have not applied retrospectively. Comparative periods have not been restated in accordance with the relevant transitional provisions set out in TFRSs.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption will be recognized in retained earnings and other reserves as at January 1, 2020.

The impact of adopting group of financial instruments financial reporting standards on the consolidated and the Bank's financial position are as follows:

CONSOLIDATED FINANCIAL STATEMENTS								Unit: Million Baht
	Previous measurement	Carrying amounts December 31, 2019 As previously reported	Reclassification -cation	ECL	Fair valuation	Others	Carrying amounts January 1, 2020	Classification and measurement January 1, 2020
<b>ASSETS</b>								
Cash	Cost	33,830	-	-	-	-	33,830	Amortised Cost
Interbank and money market items, net	Cost less impairment	331,431	-	114	-	-	331,545	Amortised Cost
Claim on security	-	9,612	-	-	-	(9,612)	-	-
Derivatives assets	FVTPL and accrual basis	21,841	-	-	29	-	21,870	FVTPL, accrual basis and hedging
Financial assets measured at fair value through profit or loss	-	-	2,843	-	(172)	-	2,671	FVTPL
Investments, net	Trading, AFS, HTM and GI	118,340	(3,042)	-	395	-	115,693	Amortised Cost and FVOCI
Investments in subsidiaries and joint ventures, net	-	11,952	-	-	-	(55)	11,897	-
Loans to customers and accrued interest receivables, net	Cost less impairment	1,754,976	(524)	(246)	(2,527)	-	1,751,679	Amortised Cost
Customers liabilities under acceptance	-	299	-	-	-	(299)	-	-
Deferred tax assets	-	4,479	-	-	-	200	4,679	-
Other assets, net	Cost less impairment	23,398	(1)	-	2,527	(1)	25,923	Amortised Cost
<b>LIABILITIES</b>								
Deposits	Cost	1,566,885	-	-	-	-	1,566,885	Amortised Cost
Interbank and money market items	Cost	252,121	-	-	-	-	252,121	Amortised Cost
Liability payable on demand	Cost	3,802	-	-	-	-	3,802	Amortised Cost
Liability to deliver security	-	9,612	-	-	-	(9,612)	-	-
Derivatives liabilities	FVTPL and accrual basis	23,326	-	-	28	-	23,354	FVTPL, accrual basis and hedging
Debt issued and borrowings	Cost	175,667	-	-	-	-	175,667	Amortised Cost
Bank's liability under acceptance	-	299	-	-	-	(299)	-	-
Provisions	-	9,717	-	2,670	-	-	12,387	-
Deferred tax liabilities	-	1,823	-	-	-	(330)	1,493	-
Other liabilities	Cost	44,223	(724)	-	-	(3)	43,496	Amortised Cost
<b>EQUITY</b>								
Other reserves	-	4,312	-	15	224	(48)	4,503	-
Unappropriated retained earnings	-	133,171	-	(2,817)	-	525	130,879	-



Unit: Million Baht								
THE BANK'S FINANCIAL STATEMENTS								
	Previous measurement	Carrying amounts December 31, 2019 As previously reported	Reclassification	Remeasurement			Carrying amounts January 1, 2020	Classification and measurement January 1, 2020
				ECL	Fair valuation	Others		
ASSETS								
Cash	Cost	32,785	-	-	-	-	32,785	Amortised Cost
Interbank and money market items, net	Cost less impairment	325,690	-	111	-	-	325,801	Amortised Cost
Claim on security	-	9,612	-	-	-	(9,612)	-	-
Derivatives assets	FVTPL and accrual basis	21,896	-	-	29	-	21,925	FVTPL, accrual basis and hedging
Financial assets measured at fair value through profit or loss	-	-	2,840	-	(172)	-	2,668	FVTPL
Investments, net	Trading, AFS, HTM and GI	117,908	(3,039)	-	370	-	115,239	Amortised Cost and FVOCI
Loans to customers and accrued interest receivables, net	Cost less impairment	1,612,854	200	(142)	(2,305)	-	1,610,607	Amortised Cost
Customers liabilities under acceptance	-	299	-	-	-	(299)	-	-
Other assets, net	Cost less impairment	20,056	(1)	-	2,305	-	22,360	Amortised Cost
LIABILITIES								
Deposits	Cost	1,558,780	-	-	-	-	1,558,780	Amortised Cost
Interbank and money market items	Cost	252,077	-	-	-	-	252,077	Amortised Cost
Liability payable on demand	Cost	3,802	-	-	-	-	3,802	Amortised Cost
Liability to deliver security	-	9,612	-	-	-	(9,612)	-	-
Derivatives liabilities	FVTPL and accrual basis	23,325	-	-	38	-	23,363	FVTPL, accrual basis and hedging
Debt issued and borrowings	Cost	139,004	-	-	-	-	139,004	Amortised Cost
Bank's liability under acceptance	-	299	-	-	-	(299)	-	-
Provisions	-	8,165	-	1,845	-	-	10,010	-
Deferred tax liabilities	-	803	-	-	-	(336)	467	-
Other liabilities	Cost	27,149	-	-	-	(2)	27,147	Amortised Cost
EQUITY								
Other reserves	-	5,326	-	15	199	(42)	5,498	-
Unappropriated retained earnings	-	73,076	-	(1,891)	(10)	380	71,555	-

The following table reconciles the aggregate opening allowance for doubtful accounts of financial instruments, and provision for financial guarantee contracts as of December 31, 2019 to allowance for expected credit loss as of January 1, 2020 in accordance with TFRS 9.

	Unit: Million Baht		
	CONSOLIDATED FINANCIAL STATEMENTS		
	Allowance for doubtful accounts amounts December 31, 2019	Remeasurement	Allowance for ECL amounts January 1, 2020
<b>Allowance for</b>			
Interbank and money market items	334	(114)	220
Investments	2	(2)	-
Debt instruments measured at amortised cost	-	2	2
Debt instruments measured at FVOCI	-	15	15
Loans to customers and accrued interest receivables	67,384	(67,384)	-
Loans to customers measured at amortised cost	-	67,630	67,630
Provision for loan commitments and financial guarantee contracts	545	2,670	3,215

	Unit: Million Baht		
	THE BANK'S FINANCIAL STATEMENTS		
	Allowance for doubtful accounts amounts December 31, 2019	Remeasurement	Allowance for ECL amounts January 1, 2020
<b>Allowance for</b>			
Interbank and money market items	331	(111)	220
Investments	2	(2)	-
Debt instruments measured at amortised cost	-	2	2
Debt instruments measured at FVOCI	-	15	15
Loans to customers and accrued interest receivables	51,398	(51,398)	-
Loans to customers measured at amortised cost	-	51,540	51,540
Provision for loan commitments and financial guarantee contracts	545	1,845	2,390

### Thai Financial Reporting Standard No. 16 “Leases”

This TFRS provides a comprehensive model for the identification if lease arrangements and their treatment in the financial statements of both lessees and lessors.

This TFRS superseded the following lease Standards and Interpretations upon its effective date, which are Thai Accounting Standard No.17 “Leases”, Thai Accounting Standard Interpretation No.15 “Operating Lease - Incentives”, Thai Accounting Standard Interpretation No.27 “Evaluating the Substance of Transactions involving the Legal Form of a Lease” and Thai Financial Reporting Standard Interpretation No.4 “Determining whether on Arrangement contains a Lease”.

Under TFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

TFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases. TFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

At the commencement date of a lease, a lessee requires to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. Subsequently, the “right-of-use” asset is depreciated in accordance with principle in TAS 16: Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, TFRS 16 retains most of the requirements in TAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Bank and its subsidiaries applied TFRS 16 that is effective for annual periods that begin on or after January 1, 2020. The Bank and its subsidiaries have applied TFRS 16 using the cumulative catch-up approach.

The amount of adjustment for each financial statement line item only affected by the application TFRS 16 is as follows:

Unit: Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS			
	Balance as at December 31, 2019	Effect from adoption TFRS 16	Balance as at January 1, 2020
Premises and equipment, net	697	2,370	3,067
Other assets, net	-	(6)	(6)
Other liabilities	738	2,364	3,102

Unit: Million Baht			
THE BANK'S FINANCIAL STATEMENTS			
	Balance as at December 31, 2019	Effect from adoption TFRS 16	Balance as at January 1, 2020
Premises and equipment, net	559	2,707	3,266
Other liabilities	590	2,707	3,297

The Federation of Accounting Professions has announced 2 Accounting Treatment Guidances, which have been announced in the Royal Gazette on April 22, 2020, with the following details :

- 1) Accounting Treatment Guidance “The temporary relief measures for entities supporting their debtors who are effected from the situations that affected Thailand’s economy”

This Accounting Treatment Guidance is intended to be temporary that provides assistance to debtors who are effected by the situations that affected the Thailand’s economy by providing assistance to the debtor during January 1, 2020 to December 31, 2021 or until there are any changes from the Bank of Thailand, which require the compliance with such changes.

The Bank and subsidiaries have adopted such Accounting Treatment Guidance in the preparation of the financial statements for the year ended December 31, 2020.

In this regard, the application of Accounting Treatment Guidance is disclosed in the note 7.39 The relief measures to alleviate the impact of COVID-19 outbreak on households and businesses announced by Bank of Thailand (BOT).

- 2) Accounting Treatment Guidance “The temporary relief measures for additional accounting alternatives to alleviate the impacts from COVID-19 outbreak”

This Accounting Treatment Guidance provides an alternative for all entities applying Financial Reporting Standards for Publicly Accountable Entities. Due to the preparation of financial statements during the period of high uncertainty at the end of the during COVID-19 situation, may result in the management of the Bank using the critical judgment in the estimation or the measurement and recognition of accounting transactions. The objective of this Accounting Treatment Guidance is 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. The Bank can apply this Accounting Treatment Guidance for the preparation of financial statements with the reporting period from January 1, 2020 to December 31, 2020.

The Bank and subsidiaries have not adopted such Accounting Treatment Guidance in the preparation of the financial statements for the year ended December 31, 2020.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

In the Bank's statement of cash flows, cash and cash equivalents consist of cash on hand and cash on collection of the Bank, in accordance with the BOT's Notification Sor.Nor.Sor. 21/2561 regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated October 31, 2018.

In the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents of the Bank and cash on hand, deposits at banks, except for fixed deposits whose terms are greater than 3 months and deposits at banks used as collaterals, and investments of subsidiaries with maturities of 3 months or less.

##### **4.2 Financial Assets**

###### **Classification and measurement**

All financial assets are recognised under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction fees and costs, except for those financial assets classified as at fair value through profit or loss. Transaction fees and costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. The financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

For the purpose of solely payments of principal and interest ("SPPI") test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank and its subsidiaries determine the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The classification and measurement requirements for financial assets which include debt and equity instruments are described below:

## 1. Debt instruments

### 1.1 Debt instruments at amortised cost

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are SPPI, are subsequently measured at amortised cost.

Such debt instruments include debt securities and loans to customers are presented as “Investments, net”, and “Loans to customers and accrued interest receivables, net” in the statement of financial position, respectively.

Subsequent to initial recognition, these debt instruments are measured at amortised cost using the effective interest method. Gains and/or losses are recognised in profit or loss upon derecognition, reclassification or impairment, and through the amortisation process.

Interest income calculated using the effective interest method is recognised in profit or loss. A modification gain or loss is recognised in profit or loss when the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset.

### 1.2 Debt instruments at FVOCI

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVOCI.

Subsequent to initial recognition, debt instruments at FVOCI are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, interest income and foreign exchange gains or losses are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income is calculated using the effective interest method. Except investments in unit trust of fixed income which are recorded as investment designated at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is not be reclassified subsequently to profit or loss according to BOT's notification Sor.Nor.Sor. 6/2563 regarding the investment in unit trust of fixed income fund for enhance the liquidity of the money market dated March 25, 2020.

### 1.3 Debt instruments at FVTPL

Debt instruments measured at FVTPL are financial assets that do not meet the criteria for amortised cost or FVOCI which are presented as Financial assets measured at FVTPL in the statement of financial position.

After initial recognition, debt instruments at FVTPL are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in profits or loss.

## 2. Equity instruments

Equity instruments are subsequently measured at fair value through profit or loss which are presented as Financial assets measured at FVTPL in the statement of financial position.

Except where the Bank and its subsidiaries have elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI which is presented as “Investments, net” in the statement of financial position. When the election to FVOCI is made, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred to retained earnings.

Dividend income whilst holding the equity instruments is presented as dividend income in profit or loss.

### Reclassifications

If the business model under which the Bank and its subsidiaries hold financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

### Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Bank and its subsidiaries renegotiate loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Modification without derecognition means the non-substantial modification arising from renegotiation or modification of the contractual cash flows of financial assets that has not resulted in derecognition (Modified financial assets). In this case, a modification gain or loss which is the difference between the existing gross carrying amount and the present value of the renegotiated or modified contractual cash flows discounted by the original effective interest rate ("OEIR") or the credit-adjusted effective interest rate for purchased or originated credit-impaired ("POCI") financial assets shall be recognised in profit or loss. Any costs of fees incurred as part of the modification shall be adjusted to the carrying amount of the modified financial assets and amortised over the remaining term of the modified financial asset.

#### Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when the Bank and its subsidiaries have a legal right to offset the amounts and intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 4.3 Derivatives

Since January 1, 2020, The Bank and its subsidiaries enter into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain/loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Bank and its subsidiaries designate certain derivatives as either hedges of the fair value, cash flow, or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

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



For derivatives embedded in financial liabilities and non-financial host contracts, embedded derivatives will be separated from the host contract and accounted for as derivatives when the following conditions are met:

1. the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract
2. a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
3. the hybrid instrument is not measured at fair value with changes in fair value recognised in profit and loss

If embedded derivatives are separated, the host contract will be accounted for according to the appropriate standard. The embedded derivative will be recognised at fair value on the statement of financial position with changes to fair value being recognised in profit and loss.

If embedded derivatives are required to be separated but the fair value of the embedded derivative cannot be determined either at acquisition or at a subsequent financial reporting date, the entire hybrid contract will have to be recognised at fair value through profit and loss.

Prior to January 1, 2020, the Bank and its subsidiaries have recognized derivatives transactions as follows:

- 1) Derivatives for trading are recorded at fair value and profit or loss from the price appraisal as income or expense in the statements of profit or loss and other comprehensive income.
- 2) Derivatives for hedging are recorded a profit or loss from the price appraisal as income or expense based on the accrual basis in line with the underlying transactions.

#### 4.4 Hedge accounting

##### General hedge

The Bank and its subsidiaries designate certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, the Bank and its subsidiaries document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank and its subsidiaries document whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank and its subsidiaries actually hedge and the quantity of the hedging instrument that the Bank and its subsidiaries actually use to hedge that quantity of hedged item.

#### Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognised in OCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

Where hedging gains/losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Bank and its subsidiaries discontinue hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the effective interest method is used (i.e. debt instruments measured at amortised cost or at FVOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Bank and its subsidiaries no longer expect the transaction to occur that amount is immediately reclassified to profit or loss.

The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

#### Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified from equity to profit or loss in the same way as exchange differences relating to the foreign operation as described above.

#### Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

#### Dynamic risk management

The Bank and its subsidiaries enter into dynamic risk management which has the characteristics (a) risk management is undertaken for open portfolio(s), to which new exposures are frequently added and existing exposures mature; and (b) as the risk profile of the open portfolio(s) changes, risk management is updated on a timely basis in reaction to the changed net risk position. The derivatives under dynamic risk management are recognised on an accrual basis.

### 4.5 Investments

Since January 1, 2020, investments consist of:

- 1) Debt instruments at amortised cost
- 2) Debt instruments at fair value through other comprehensive income
- 3) Equity instruments designated at fair value through other comprehensive income

Investments in debt instruments and equity instruments have been initially recognized on the settlement date and trade date, respectively.

Prior to January 1, 2020, the Bank and its subsidiaries' investments which consist of debt securities and equity securities are classified as trading securities, available-for-sale securities, held-to-maturity securities or general investments.

In addition, the Bank complies with the BOT's Notification Sor.Nor.Sor. 21/2561 regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies that is the Parent Company of Financial Group dated October 31, 2018, requiring the bank to present the investments as investments, net and investments in subsidiaries, associates and joint ventures, net.

Investments are initially recognized on the trade date. Since November 18, 2019, investments in debt securities have been initially recognized on the settlement date.

Trading securities represent securities acquired with the intention to hold short-term to benefit from the anticipated changes in market value. Trading securities are carried at fair value. Realized gains or losses from the sales of trading securities and unrealized gains or losses on the changes in fair value are recognized as gains (losses) on trading and foreign exchange transactions in the statements of profit or loss and other comprehensive income. Interest earned and dividends received from trading securities are recognized using the accrual basis of accounting as interest income and dividend income, respectively.

Debt securities which the Bank and subsidiaries have the intention and ability to hold until maturity are classified as held-to-maturity and carried at the amortized cost, net of valuation allowances for impairment, if any. Valuation allowances are established to recognize an unrealized loss in the statements of profit or loss and other comprehensive income when impairment is determined by management.

Debt and equity securities with readily determinable market values that are not classified as either trading securities or held-to-maturity securities are classified as available-for-sale securities and carried at fair value. The unrealized gains or losses related to available-for-sale securities are reported as other comprehensive income in equity until realized upon the disposition or a permanent decline in value occurs on such securities. Gain or loss on disposal or loss on impairment is recognized in the statements of profit or loss and other comprehensive income.

Non-marketable equity securities and marketable equity securities acquired from troubled debt restructuring are classified as general investments and carried at cost, net of valuation allowances for impairment, if any. Valuation allowances are established to recognize an unrealized loss in the statements of profit or loss and other comprehensive income when impairment is determined by management.

Premiums and discounts are amortized and accreted into income as adjustments to interest income using the effective interest rate method.

In the consolidated financial statements, investments in associates and joint ventures are accounted for by the equity method. In the Bank's financial statements, investments in subsidiaries and associates are accounted for by the cost method.

When an investment is assessed as being impaired, the amount of impairment is recognized as expense in the statements of profit or loss and other comprehensive income.

Equity securities which are non-listed securities are stated at cost, except in the case where a permanent decline in value is deemed to have occurred with the loss charged to the statements of profit or loss and other comprehensive income.

Cost of securities sold during the year is computed by using the weighted average method. Realized gains or losses from sales of debt and equity securities are included in the statements of profit or loss and other comprehensive income.

#### 4.6 Loans to customers

Since January 1, 2020, loan to customers are initially recognised at fair value, plus transaction fees and costs and subsequently measured at amortised cost using the effective interest method, less allowance for expected credit loss, which are presented as 'Loans to customers and accrued interest receivables, net.'

Overdrafts are stated at the drawn amounts including interest.

Other loans are stated at the principal amounts net of unearned interest income adjusted by unamortised transaction costs and fees, including deferred subsidy income on hire-purchase contract and finance lease, deferred first day gain or loss, modification gain or loss, FVOCI adjustment, and fair value hedge adjustment.

Accrued interest receivables is calculated using the contractual rate. Undue interest income is interest income calculated by using the effective interest method, deducted by accrued interest receivables.

Prior to January 1, 2020, overdrafts are stated at the drawn amounts including interest.

Hire-purchase receivables and finance lease receivables are carried at contract amount plus initial direct cost.

Other loans are stated at the principal amounts.

Unearned discount from notes are presented in deferred revenue.

Unearned interest income and deferred subsidy income on hire-purchase contract and finance lease are presented in deferred revenue and amortized by the effective interest rate method.

Initial direct cost is amortized by the effective interest rate method.

#### 4.7 Allowance for expected credit loss

Since January 1, 2020, the Bank and its subsidiaries recognise a loss allowance for expected credit loss (“ECL”) on financial assets measured at amortised cost or measured at fair value through other comprehensive income. No impairment loss is recognised on equity instruments measured at fair value through other comprehensive income.

With the exception of purchased or originated credit-impaired financial assets, which are considered separately below, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows under the contract and the cash flows that the Bank and its subsidiaries expect to receive arising from the weighting of multiple future economic scenarios, discounted at the asset’s effective interest rate (“EIR”). The ECL is adjusted with a management overlay where considered appropriate.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows if the holder of the commitment draws down the loan and the cash flows that the Bank and its subsidiaries expect to receive if the loan is drawn down; and

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank and its subsidiaries expect to receive from the holder, the debtor or any other party.

The Bank and its subsidiaries measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset’s expected cash flows using the asset’s OEIR, regardless of whether it is measured on an individual basis or a collective basis.

In subsequent reporting period, if the credit quality of the financial assets and financial commitments improves so that there is no longer a significant increase in credit risk since initial recognition, then a loss allowance can be recognised based on 12-month ECL. The changes in the reversal of loss allowance are recognised in profit or loss as an impairment gain or loss.

### Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

The Bank and its subsidiaries assess whether debt instruments measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank and its subsidiaries consider factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

### Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank and its subsidiaries consider the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank and its subsidiaries; or
- the borrower is unlikely to pay its credit obligations to the Bank and its subsidiaries in full.

### Significant increase in credit risk

The Bank and its subsidiaries monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank and its subsidiaries will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank and its subsidiaries compare the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank and its subsidiaries consider both quantitative and qualitative information that is reasonable and supportable, including historical experience that is available without undue cost or effort, based on the Bank and its subsidiaries' historical experience and expert credit assessment.

As a back-stop when an asset becomes 30 days past due, the Bank and its subsidiaries consider that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

#### Purchased or originated credit-impaired financial assets

Purchased or originated credit-impaired financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank and its subsidiaries recognise all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. If it is a change in lifetime ECL is favorable, the impairment gain is recognised even if the lifetime ECL are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

#### Write-off

The Bank and its subsidiaries directly reduce the gross carrying amount of a financial asset when the Bank and its subsidiaries have no reasonable expectations of recovering financial assets in their entirety or portion thereof. A write-off constitutes a derecognition event. Write-offs are recognised in the statement of profit or loss and other comprehensive income.

Bad debts recovered from written off receivables will be recognised in the Statement of profit or loss and other comprehensive income.

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- For loan commitments and financial guarantee contracts: as a provision; and where a financial instrument includes both a drawn and an undrawn component, and the Bank and its subsidiaries cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank and its subsidiaries present a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.



Prior to January 1, 2020, allowance for doubtful accounts is determined through methods in accordance with the BOT's regulations. The Bank and its subsidiaries categorize their loan portfolio and determine allowance for doubtful accounts subject to different levels of provisioning. Allowance for doubtful accounts for loans classified as normal and special mention are calculated based on the minimum percentage in accordance with the BOT's guidelines by using the value of collateral for calculation of reserve. For loans classified as substandard, doubtful and doubtful of loss, the allowance rate is 100 percent of the difference between the outstanding loan value and present value of expected cash flow from proceeds from disposal of the collateralized assets which exclude collateral in the form of machinery. With the exception of a subsidiary that carries out a leasing business, the reserve calculation is determined by including the value of machinery as collateral. In addition, the Bank and its subsidiaries estimate an additional allowance for doubtful debts over the minimum percentage as specified in the BOT's guidelines.

Allowance for doubtful accounts for hire-purchase receivables of the Bank and its subsidiaries are calculated by using the collective approach which classifies a group of loans having similar credit risk characteristics based on the historical loss experience of each loan category.

Loans to customers are written-off in the year that they are determined to be irrecoverable. Bad debts written-off during the year are recorded as a deduction from the allowance for doubtful accounts. Bad debts and doubtful accounts are shown as expenses in the statements of profit or loss and other comprehensive income.

Bad debt recovery is recorded as income in the statements of profit or loss and other comprehensive income when received.

#### 4.8 Troubled debt restructuring

Since January 1, 2020, a trouble debt restructuring ("TDR") is a loan that has been modified in response to a customer who are temporarily in financial distress and are unable to meet their original contractual repayment terms. TDR can be initiated by the client, the Bank or a third party including government sponsored programmes. TDR may include the reduction of principal and accrued interest and other forms such as modifications of terms, asset transfers, equity securities transfers, and etc or any other criteria as specified by the Bank of Thailand. TDR loan that has been modified, and not derecognised, on terms that are not consistent with those readily available in the market or the conditions specify by BOT are considered credit impaired if there is a detrimental impact on cash flows. TDR loan is subjected to modification gain or loss calculation. The amount of modification gain or loss arises from the difference between the gross carrying amount before modification and the present value of the expected future cash flow discounted by the original effective interest rate. The modification gain or loss is recognized in the statement of profit or loss and other comprehensive income with a corresponding increase or decrease in gross carrying value of the asset.

Prior to January 1, 2020, losses on troubled debt restructurings resulting from the reduction of principal and accrued interest and other form such as modifications of terms, asset transfers, equity securities transfers, and etc. are recognized as expenses in the statements of profit or loss and other comprehensive income.

For troubled debt restructurings with a modification of terms, the Bank has applied the BOT's criteria requiring the Bank to choose between the collateral method to estimate a loss amount and the net present value method which represents expected future cash flows by applying the discounted rate at market interest rate on the restructuring date. Losses from such debt restructurings are recognized in the statements of profit or loss and other comprehensive income.

The Bank has recalculated the fair value of restructured debts in every month based on the discounted rate at market interest rate as of the processing date and based on the discounted rate at market interest rate as of the financial statements date that shown every quarter, except for commercial loan, the recalculation based on the discounted rate at contractual rate. The Bank adjusts the valuation on debt restructured for any change on monthly basis, in accordance with the BOT's criteria. The valuation adjustment on restructured debt shall not cause the book value of restructured debt to exceed the investment value on restructured debt.

Restructured debt with assets or equity securities transferred for debt repayment either in whole or in part are recorded at the fair value, net of estimated selling expenses, not to exceed the investment value on such debt and the right-to-claim interest income.

For investments in receivables incurred prior to January 1, 2013, that are subsequently restructured, the Bank has calculated the fair value of restructured debt as of the restructuring date and recognized the difference between book value and fair value in the statements of profit or loss and other comprehensive income for the year and classified investments in receivables as loans in accordance with the BOT's criteria.

#### 4.9 Properties for sale

Properties for sale consist of immovable and movable properties which are recorded at the lower of net investment in the loan plus accrued interest (including previously unrecognized contractual interest) or the fair value of the property as of the date of foreclosure.

The Bank and its subsidiaries provided the allowance for impairment of properties for sale as disclosed in Note 6.4. Losses on impairment of properties for sale are shown as an expense in the statements of profit or loss and other comprehensive income.

Gains or losses on the disposal of such properties are realized upon disposition of the underlying asset and are included in other operating income in the statements of profit or loss and other comprehensive income.

#### 4.10 Property, premises and equipment

Land is stated at the appraised value. Premises are stated at the appraised value less accumulated depreciation. Equipment is stated at cost less accumulated depreciation.

## Revaluation of assets

Land and premises have been revalued by independent appraisers based on the market value for land and depreciated replacement cost for premises. For the portion of land and premises which have been revalued, the increments above the previous appraisal are recorded in land revaluation surplus and premises revaluation surplus accounts. In case of a revaluation decrease, the decline in value is deducted from such revaluation surplus to the extent that the new value is above original cost and recognized in the statements of profit or loss and other comprehensive income for the decrease in value below original cost.

The Bank's suite units in condominiums used as offices have been revalued by independent appraisers in accordance with the BOT's guidelines using depreciated replacement cost. The Bank has recorded the increment per appraisal of premises as revaluation surplus. Any revaluation decrease in excess of the original cost is recorded by deducting from the revaluation surplus.

During the Bank's usage of the revalued assets, the revaluation surplus will be gradually transferred directly to retained earnings equal to the difference between the depreciation calculated from book value of the revalued assets and the depreciation calculated from the original cost of such assets. All balances of the outstanding revaluation surplus will be transferred to retained earnings when the Bank writes off such assets from the financial statements.

## Depreciation

Depreciation of premises (included revaluation) and equipment is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Premises and building improvement	10 - 50 years
Equipment, furniture, fixtures, office equipment and vehicles	2 - 10 years

Gains or losses on the disposal of property, premises and equipment are recognized in other operating income or other expenses in the statements of profit or loss and other comprehensive income.

## 4.11 Lease

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

Since January 1, 2020, the Bank and its subsidiaries assess whether a contract is or contains a lease, at inception of the contract. The Bank and its subsidiaries recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with the underlying asset value not exceed Baht 150,000). For these leases, the Bank and its subsidiaries recognise the lease payments as an operating expense on a straight-line basis over the term of the lease.

### Right-of-use asset

A lease that has a lease term of more than 12 months and for which the underlying asset exceeds Baht 150,000 shall be recognised for a right-of-use asset at cost which consists of the amount of the initial measurement of the lease liability (that is the present value of the lease payments that are not paid at the commencement date, discounted by the incremental borrowing rate), any lease payments made at or before the commencement date, any initial direct costs incurred, and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset (leased asset) to the condition required by the terms and conditions of the lease, less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

The right-of-use asset is presented in premises and equipment, net in the statement of financial position.

Depreciation of right-of-use assets is calculated based on the estimated useful lives in case the lease transfers ownership of the underlying asset; or calculated based on the shorter of the estimated useful lives or the lease term in case the lease does not transfer ownership of the underlying asset.

Impairment of right-of-use assets shall be determined using the TAS 36 Re: Impairment of Assets which explains how to review the carrying amount of its assets, how to determine the recoverable amount of an asset, and when an impairment loss is recognised or reversed.

### Lease liability

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 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.

Lease liability is presented in other liabilities in the statement of financial position. Finance charges are charged directly to the statements of profit or loss and other comprehensive income.

The Bank and its subsidiaries remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Prior to 1 January 2020, leases under which the Bank and its subsidiaries assume substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statements of profit or loss and other comprehensive income.

#### 4.12 Intangible assets

Intangible assets with indefinite useful lives are stated at cost less allowance for impairment, if any. Intangible assets with finite useful lives are stated at cost less accumulated amortization and allowance for impairment.

##### Amortization

Software amortization is calculated by the straight-line method over the expected future economic benefit period between 3 - 10 years.

Amortization of other intangible assets received from business combinations such as information of customer relationships, dealer relationships and the distribution network, are calculated by the straight-line method over the expected future economic benefit period between 8 - 20 years.

Amortization incurred is recognized as other operating expense in the statements of profit or loss and other comprehensive income.

#### 4.13 Financial Liabilities

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the liabilities are held at fair value through profit or loss.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Bank and its subsidiaries become a party to the contractual provisions of the financial instrument. The financial liabilities measured at amortised cost, which is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

Interest expense and EIR amortisation as well as foreign exchange gains or losses on financial liabilities measured at amortised cost are recognised in the statement of profit or loss and other comprehensive income.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

#### 4.14 Recognition of income

Since January 1, 2020, interest income for all financial instruments except for those measured or designated as at FVTPL are recognised as interest income in profit or loss using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and costs paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any allowance for expected credit loss).

For credit-impaired financial assets, interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit-impaired, the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate risk. For fair value hedges of interest rate risk, the effective portion of fair value changes of the designated derivatives as well as the fair value changes of the designated risk of the hedged item are also included in interest income.

Since January 1, 2020, fee and service income other than those that are an integral part of EIR, is recognised based on contracts with customers in the amount of consideration that the Bank and its subsidiaries expected to receive upon service providing. The timing of recognition depends on whether the Bank and its subsidiaries satisfy a performance obligation by providing services to a customer over time or at a point in time.

Prior to January 1, 2020, interest income from loans to customers and other income are recognized on an accrual basis, except interest income on finance lease and hire-purchase contract is recognized by the effective interest rate method.

Interest income from investment in debt securities and investment in loans are recognized by the effective interest rate method.

The Bank and its subsidiaries are required by the BOT to stop accruing interest income from debtors when more than three months past due and reverse this accrued interest income from interest income. Thereafter, interest income from these debtors shall be recognized on a cash basis.

The asset management subsidiary recognizes interest income from investments in receivables and loans by using the market interest rate plus a risk premium that represents the discounted rate in calculating present value of future cash flows expected to be collected from receivables, except for certain receivables being doubtful of collection where the subsidiary recognizes interest income from such investments in receivables and loans on a cash basis.

The hire-purchase business recognizes income for finance leases and hire-purchase contracts by the effective interest rate method.

#### 4.15 Recognition of expenses

Since January 1, 2020, interest expenses are recognised by using the effective interest method.

Fee and service expenses with regards to services are accounted for as the services are received.

Other expenses are recognised on an accrual basis.

Prior to January 1, 2020, the Bank and its subsidiaries recognize expenses, including interest expenses on an accrual basis.

#### 4.16 Employee benefits

The Bank and subsidiaries have 4 types of employee benefits as follows:

##### 4.16.1 Provident funds

The Bank and its subsidiaries established a provident fund under the Provident Fund Act B.E. 2530. The fund is managed by a financial institution which is an authorized fund manager.

Member is required to make contribution at the rate of not less than 3% of salary.

The Bank and its subsidiaries will contribute as follows:

<b>Service periods</b>	<b>Contribution rate (%)</b>
Less than 5 years	5 - 10
5 years but less than 10 years	6 - 12
10 years but less than 20 years	8 - 12
Over 20 years	10 - 12.5

The contributions to the provident fund made by the Bank and its subsidiaries are recorded as employees' expenses in the statements of profit or loss and other comprehensive income.

##### 4.16.2 Post-employment benefit obligations

###### - Pension plan

The employees who were permanently employed prior to January 1, 1998 and have completed at least 10 continuous service years are eligible to receive a pension payment when they leave the Bank. On January 1, 1998, the Bank established the provident fund for its employees to replace the pension plan. After the establishment of the provident fund, the amount due to a departing employee shall first be disbursed from the provident fund. If the estimated contributions made by the Bank and interest thereon are less than the pension receivable under the pension plan, the Bank will pay such difference by disbursing from the pension fund.

###### - Legal severance payment plan

All employees will receive severance payment upon retirement in accordance with the Labor Protection Act.

###### - Special retirement allowance

The employee will receive "Special Retirement Allowance" additional to legal severance payment plan upon resignation in accordance with the Bank's policy.



The obligations of these plans are considered as unfunded defined benefit obligations and are separately measured by an actuary using the projected unit credit method to determine the present value of cash flows of employee benefit to be paid in the future. Under this method, the obligation is based on an actuarial calculation including the employee's expected salary, business turnover rate, salary increase rate, mortality rate, discount rate, years of services and other factors.

The expenses for the defined benefit plan are recognized as employee's expenses in the statement of profit or loss and other comprehensive income.

Past service cost related to the plan amendment is recognized as an employee's expense in the statements of profit or loss and other comprehensive income when the plan amendment is effective.

Actuarial gains (losses) are recognized in other comprehensive income.

#### 4.16.3 Benefit from carry forward leave

The benefit from cumulative carry forward leave is recognized as a liability in the statements of financial position and employee's expenses in the statements of profit or loss and other comprehensive income when the employees render the service.

#### 4.16.4 Other benefit

The employee of a subsidiary will receive "other benefit" upon resignation or retirement in accordance with the subsidiary's policy.

The cumulative of other benefit is recognized as a provision in the statement of financial position.

The expense is categorized as defined contribution plan and recorded as employee's expenses in the statements of profit or loss and other comprehensive income.

#### 4.17 Contributions to the Financial Institutions and Development Fund and the Deposit Protection Agency

Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency are recognized on an accrual basis as expenses in the statements of profit or loss and other comprehensive income.

#### 4.18 Customer Loyalty Programmes

Customer Loyalty Programmes are to grant the points to customer who joins the program. The points are based on the certain transactions determined under customer loyalty programmes and able to be redeemed for free or discount of merchandise or services.

Obligation from granting the points is recognized and measured at the fair value of the consideration received or receivable which is derived from outstanding points expected future redemption multiplied by estimated fair value per point.

Such obligation is allocated from consideration received or receivable and recorded through deferred revenue customer loyalty programmes under other liabilities and recognized as fee income when the points are redeemed by customers.

#### 4.19 Taxation

Income tax expenses (income) represent the sum of the tax currently payable and deferred tax.

##### 4.19.1 Current tax

The current tax is the amount of income tax payable in respect of taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax is calculated using tax rates that have been enacted or substantively enacted on the reporting date.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Bank and its subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

##### 4.19.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit (tax base). The Bank and its subsidiaries recognize deferred tax liabilities for all taxable temporary differences and recognize deferred tax assets for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the reporting date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that the Bank and its subsidiaries have sufficient taxable profit to allow total or part of the asset to be recovered. The Bank and its subsidiaries do not recognize deferred tax assets and liabilities for goodwill.

The Bank and its subsidiaries measure deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted on the end of the reporting period.

Deferred tax assets and liabilities must offset when the Bank and its subsidiaries have legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

The Bank and its subsidiaries present income tax expenses or income related to profit or loss in the statements of profit or loss and other comprehensive income. For current income taxes and deferred taxes related to items recognized directly in other comprehensive income in equity in the same or different period, they will be recognized directly in other comprehensive income in equity.

#### 4.20 Earnings per share

Basic earnings per share are calculated by dividing net income by the number of weighted-average ordinary shares outstanding during the year.

#### 4.21 Foreign currency transactions

##### 4.21.1 Translation of foreign currency transactions

Transactions denominated in foreign currency are translated into the functional currency as follows:

On transaction date, the foreign currency transactions are translated using the exchange rate at the date of transaction.

At the end of each reporting period, the balance of monetary assets and liabilities are translated using the exchange rate on the reporting date and the balance of non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the transaction date.

Foreign exchange gains or losses from translation are recognized as income or expenses in gains (losses) on trading and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income.

##### 4.21.2 Translation of financial statements of foreign operations

In preparation of the consolidated and the Bank's financial statements, the Bank translates the financial statements of foreign operations which its functional currency is other than Thai Baht currency as follows:

The assets and liabilities of foreign operations are translated to Thai Baht at the foreign exchange rate at the reporting date.

The revenue and expenses of foreign operations are translated to Thai Baht at the foreign exchange rate at the dates of the transactions.

Foreign exchange differences arising from translation of the financial statements of foreign operations are recognized in other comprehensive income and its cumulative amount is presented as foreign currency translation reserve in other reserves under equity.

#### 4.22 Business combination

Business combination which is not under common control

The Bank recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree separately from goodwill at fair value.

Goodwill in a business combination represents the excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable net assets acquired as at the date of acquisition.

Negative goodwill arising on business acquisition represents the excess of the acquirer's interest in the fair value of the identifiable net asset acquired over the cost of acquisition as at the date of acquisition.

Other costs directly attributable to the business combination are recorded as acquisition costs. Since January 1, 2011, other costs have been recognized as expenses in the statements of profit or loss and other comprehensive income.

Goodwill in a business combination is recognized as an asset recorded as of the acquisition date. Negative goodwill is recognized as income in the statements of profit or loss and other comprehensive income.

Goodwill is stated at cost less allowance for impairment (if any).

Business combination under common control

The Bank recognizes the business combination under common control similar to pooling of interests in accordance with the accounting guidance "Business Combination Under Common Control". The assets and liabilities of the acquiree are recognized using the net book value at the date of business combination. The difference between the cost of business combination and the interest of the Bank in the acquiree's net book value is recognized as premium (deficit) from business combination under common control presented under the Bank's equity in the statement of financial position.

## 5. RISK MANAGEMENT

### 5.1 Market Risk

#### 1) Objective and Market Risk Management Policy

Market risk refers to the risk of loss caused by price fluctuations in the trading and banking books related to interest rates, exchange rates, equity instruments, and commodities.

The Bank places great importance on effective market risk management and controls by establishing market risk management policy. We control market risk under the risk appetite approved by the Board of Directors (BOD). The risk limits have been regularly reviewed to ensure that they are commensurate with the scope, volume, and complexity of transactions, and support prudent business expansion. The Bank develops comprehensive risk management guidelines, and maintains sufficient capital for both normal and stressed business conditions.

#### 2) Organization and Structure

The BOD has delegated to management through the Risk Management Committee (RMC) and the Asset and Liability Management Committee (ALCO) the authority to manage and control market risk in a manner consistent with policy. The ALCO establishes guidelines for appropriate management of assets, liabilities, and off-balance sheet items. The organizational structure clearly segregates the duties and responsibilities of the units responsible for transaction execution, operations, and risk management to avoid conflicts of interest.

The Market Risk Management Division has provided strategic risk management options and reported risk exposure to relevant committees. The Global Markets Group executes transactions and manages positions as well as provides strategic options for more effective market risk management.

#### 3) Market Risk Management Framework

The Bank has continuously conducted the forward-looking risk management and closely monitor to support the business expansion in potential financial products and services to meet more complicated and varieties customers' demand at the acceptable market risk level amid high volatility in global financial markets and tightening regulation from BOT.

The Bank classified the market risk exposures into two main portfolios based on the nature and purpose of a transaction, namely trading book and banking book

- **A trading book** consists of positions in financial instruments held either for trading or hedging other elements of the trading book.
- **A banking book** consists of positions in financial instruments or other transactions not intended for trading, or financial instruments meant to be held for a long period or until reaching maturity.

## **Market Risk Factors and Risk Management**

The Bank's transactions are exposed to interest rate risk, foreign exchange risk, and equity price risk, all of which may affect income and/or shareholders' equity.

### **Interest Rate Risk**

Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and contingencies, and from the mismatch of their repricing rates and frequency.

The Bank employs various tools and methods for the interest rate risk management. Net interest income simulation is conducted to assess the impact on banking book position while Value-at-Risk (VaR) tool is employed for the trading book position to estimate the Bank's potential maximum loss.

### **Foreign Exchange Risk**

The Bank has a policy to cap the net foreign currency position. Most foreign currency transactions are mainly from products and services provided to the Bank's customers.

In addition, the Bank enters into forward foreign exchange contracts as part of the risk management strategy of the foreign exchange risk arising from the Bank's underlying assets and liabilities and hedges that risk from customers' transactions. The utilization of forward foreign exchange contracts for these purposes is governed by policies and guidelines approved by the Bank's BOD and controlling procedures set by the relevant departments and Committees.

The Bank monitors the risk level under the specified limits using the Value-at-Risk Method as one of the tools to manage the exchange rate risk.

### **Equity Price Risk**

The Bank assesses the potential of securities issuer companies and has a policy to buy/sell equity securities mainly for medium-term and long-term purpose. In managing equity position risk which is held, according to initial intention, as long-term for Banking Book, the Bank monitors and reports the equity price risk and ensure that the level of capital fund is appropriate and sufficient to absorb losses arising from the positions.

For Trading Book, the Bank monitors the level of risk under the specified risk limits using the VaR Method to manage the equity price risk.

## Measurements of Market Risk in Trading Book

Market risk exposures in trading book

Financial business group: Value-at-Risk (VaR)

Financial business group: VaR (Trading book) as at December 31, 2020

	Unit: Million Baht
	VaR*
<b>Overall</b>	<b>322</b>
Interest rate risk	80
Foreign currency risk	314
Equity risk	0

\* Confident level 99% Holding period 10 Days

The Bank: Sensitivity analysis

Bank's sensitivity analysis (Trading book) as at December 31, 2020

	Unit: Million Baht
	Estimated profit (loss)
<b>Interest Rate</b>	
1. Interest rate parallel increase 100 bps	11
2. Non-parallel: unchanged for <= 1 year; increase 50 bps for tenor over 1 year	(36)
<b>FX</b>	
3. USD/THB exchange rate increase 1%	20
<b>Equity</b>	
4. All equities price decrease for 10%	-

## Measurements of Interest Rate Risk in Banking Book

Interest rate risk exposures in banking book as at December 31, 2020 and 2019

Net interest income sensitivity\*

(Earnings perspective)

Short-term effect analysis: assesses the potential impact on net interest income (NII Impact) as earnings perspective.

Unit: Million Baht

Currency	CONSOLIDATED SUPERVISION		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
THB	(787)	(38)	(922)	(186)
USD	(556)	(48)	(461)	22
Other foreign currencies	(401)	(407)	(394)	(412)
Total impact	<u>(1,744)</u>	<u>(493)</u>	<u>(1,777)</u>	<u>(576)</u>
% of net interest income over the next 12 months	(2.21%)	(0.60%)	(3.46%)	(0.94%)

\* The changes in increase interest rates of 100 bps.

Book value of equity sensitivity\*

(Economic value perspective)

Long-term effect analysis: analyzing the sensitivity of the economic value of shareholder equity (BVE Impact) as economic value perspective.

Unit: Million Baht

Currency	CONSOLIDATED SUPERVISION		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
THB	(8,637)	(5,419)	(8,097)	(4,748)
USD	(430)	(359)	(20)	50
Other foreign currencies	(35)	33	18	24
Total impact	<u>(9,102)</u>	<u>(5,745)</u>	<u>(8,099)</u>	<u>(4,674)</u>
% of Total capital fund	(2.71%)	(1.81%)	(2.93%)	(1.75%)

\* The changes in increase interest rates of 100 bps.



Structure of assets and liabilities based on next repricing as at December 31, 2020 and 2019 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS 2020							
	0 - 3 Months	More than 3 - 12 Months	More than 1 - 5 Years	Over 5 Years	NPL	Non- Interest bearing	Total
<b>Financial assets</b>							
Interbank and money market items, net	452,824	7,284	5,201	884	-	57,192	523,385
Investments, net	26,974	34,932	87,388	100	-	12,706	162,100
Loans to customers	871,690	306,068	485,252	45,733	45,672	78,520	1,832,935
<b>Financial liabilities</b>							
Deposits	1,346,231	396,564	49,977	22	-	41,711	1,834,505
Interbank and money market items	153,074	57,054	28,486	996	-	3,960	243,570
Debt issued and borrowings	15,366	31,156	36,426	63,146	-	25	146,119

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS 2019							
	0 - 3 Months	More than 3 - 12 Months	More than 1 - 5 Years	Over 5 Years	NPL	Non- Interest bearing	Total
<b>Financial assets</b>							
Interbank and money market items, net	279,911	2,709	4,152	-	-	44,659	331,431
Investments, net	41,550	49,637	19,451	863	-	6,839	118,340
Loans to customers	901,414	264,845	486,211	40,523	41,334	83,550	1,817,877
<b>Financial liabilities</b>							
Deposits	1,034,234	427,298	67,995	22	-	37,336	1,566,885
Interbank and money market items	177,888	65,356	5,667	156	-	3,054	252,121
Debt issued and borrowings	20,036	23,336	71,447	60,833	-	15	175,667

Unit: Million Baht

**THE BANK'S FINANCIAL STATEMENTS  
2020**

	<b>0 - 3 Months</b>	<b>More than 3 - 12 Months</b>	<b>More than 1 - 5 Years</b>	<b>Over 5 Years</b>	<b>NPL</b>	<b>Non- Interest bearing</b>	<b>Total</b>
<b>Financial assets</b>							
Interbank and money market items, net	452,056	7,194	5,201	-	-	51,743	516,194
Investments, net	26,974	34,932	87,388	100	-	6,146	155,540
Loans to customers	873,495	274,100	432,262	42,064	36,416	3,872	1,662,209
<b>Financial liabilities</b>							
Deposits	1,342,234	386,813	47,287	-	-	42,889	1,819,223
Interbank and money market items	152,622	54,641	13,631	107	-	3,973	224,974
Debt issued and borrowings	15,001	23,139	27,000	60,811	-	-	125,951

Unit: Million Baht

**THE BANK'S FINANCIAL STATEMENTS  
2019**

	<b>0 - 3 Months</b>	<b>More than 3 - 12 Months</b>	<b>More than 1 - 5 Years</b>	<b>Over 5 Years</b>	<b>NPL</b>	<b>Non- Interest bearing</b>	<b>Total</b>
<b>Financial assets</b>							
Interbank and money market items, net	278,298	2,659	4,152	-	-	40,581	325,690
Investments, net	41,550	49,637	19,450	863	-	6,408	117,908
Loans to customers	903,626	237,077	441,543	36,971	35,542	7,012	1,661,771
<b>Financial liabilities</b>							
Deposits	1,033,262	420,993	66,246	-	-	38,279	1,558,780
Interbank and money market items	179,668	62,753	6,429	156	-	3,071	252,077
Debt issued and borrowings	10,036	12,157	56,000	60,811	-	-	139,004

## **5.2 Liquidity Risk**

### **1) Objective and liquidity risk management policy**

The Bank controls liquidity risk under the risk appetite approved by the Board of Directors with appropriate operating costs. We place great importance on effective liquidity risk management and controls by establishing liquidity risk management policy and emergency contingency plan. Additionally, the Bank maintains liquid assets to comply with the Bank of Thailand's regulations and emphasizes on management of excess liquidity at an acceptable level and an adequate amount for both the Bank's and subsidiaries' business operations. Liquidity management utilizes both qualitative and quantitative approaches to ensure appropriate risk diversification and management.

### **2) Organization and structure**

The Board of Directors delegates the authority to manage and control liquidity risk consistent with the Bank's policies to the relevant committees. The Bank also reviews risk policies and limits on regular basis or when there is any significant change in the market to ensure that they are commensurate with changing business and market conditions.

Liquidity risk is overseen by the Risk Management Committee (RMC) and managed by Asset and Liability Management Committee (ALCO). The Bank's organizational structure clearly segregates the responsibilities and duties of the units responsible for executing transactions and risk management to avoid conflicts of interest.

The Market Risk Management Division provides strategic risk management options, while the Global Markets Group proposes funding strategic options, and manages daily liquidity positions under risk limits approved by the Board of Directors.

### **3) Liquidity risk management framework**

To ensure the efficiency of the liquidity risk management to generate sufficient liquidity for debt repayment and various obligations upon maturity or being called under normal and extreme circumstances, the Bank has clearly established the liquidity risk management framework to be able to manage and control such risk in accordance with its policy and strategy and maintain such risk within its liquidity risk tolerance approved by the Board of Directors.

## **Liquidity Risk Measurements**

The Bank's liquidity risk factors are from the mismatched structure of sources and uses of funds.

The Bank realizes the importance of adequate measuring tools for the size and complexity of transactions both on- and off-balance sheet.

We employ liquidity risk measurement tools from maturity mismatches of cash flows from assets, liabilities and off-balance sheet such as cash flow/liquidity projection and liquidity gap analysis according to the remaining contractual maturity and the behavioral adjustment to align with the actual behavior. In this regard, consideration is given both to normal and crisis situations, together with sufficient liquidity reserves.

Additionally, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) have been implemented to comply with BOT regulation to enhance short-term and long-term liquidity risk management.

### To manage and control liquidity risk from Funding Sources & Concentration

The Bank has set up a concentration trigger level which defines the maximum funding exposure for the Top 1 and Top 20 of customer groups.

### Main source of funding & funding structure

The Bank encourages customers to make use of relationship and operational services to boost deposit volume and thus comply with BOT regarding LCR guidelines.

**Financial assets and financial liabilities based on remaining contractual maturity as at December 31, 2020 and 2019 are as follows:**

Unit: Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
	At call	Within 1 Year	Over 1 Year but within 5 years	2020 Over 5 Years	No maturity	Non-Performing Loans	Total
<b>Financial Assets</b>							
Cash	30,333	-	-	-	-	-	30,333
Interbank and money market items, net	65,044	449,702	4,728	3,740	171	-	523,385
Financial assets measured at FVTPL	-	26	236	497	27	-	786
Derivatives assets	-	13,216	10,786	6,443	-	-	30,445
Investments, net	-	45,352	104,651	1,496	10,601	-	162,100
Loans to customers	80,003	575,877	817,176	314,207	-	45,672	1,832,935
<b>Total</b>	<b>175,380</b>	<b>1,084,173</b>	<b>937,577</b>	<b>326,383</b>	<b>10,799</b>	<b>45,672</b>	<b>2,579,984</b>
<b>Financial Liabilities</b>							
Deposits	882,806	876,507	75,175	17	-	-	1,834,505
Interbank and money market items	22,269	187,339	28,463	5,499	-	-	243,570
Liability payable on demand	5,607	-	-	-	-	-	5,607
Derivatives liabilities	-	16,367	9,711	6,864	-	-	32,942
Debt issued and borrowings	-	44,947	37,437	63,735	-	-	146,119
<b>Total</b>	<b>910,682</b>	<b>1,125,160</b>	<b>150,786</b>	<b>76,115</b>	<b>-</b>	<b>-</b>	<b>2,262,743</b>
<b>Net liquidity gap</b>	<b>(735,302)</b>	<b>(40,987)</b>	<b>786,791</b>	<b>250,268</b>	<b>10,799</b>	<b>45,672</b>	<b>317,241</b>

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS							
	2019						
	At call	Within 1 Year	Over 1 Year but within 5 years	Over 5 Years	No maturity	Non- Performing Loans	Total
<b>Financial Assets</b>							
Cash	33,830	-	-	-	-	-	33,830
Interbank and money market items, net	60,412	264,544	4,353	1,841	281	-	331,431
Derivatives assets	-	7,989	8,841	5,011	-	-	21,841
Investments, net	-	75,794	35,285	1,253	6,008	-	118,340
Loans to customers	101,732	604,291	743,181	327,339	-	41,334	1,817,877
Total	<u>195,974</u>	<u>952,618</u>	<u>791,660</u>	<u>335,444</u>	<u>6,289</u>	<u>41,334</u>	<u>2,323,319</u>
<b>Financial Liabilities</b>							
Deposits	637,322	861,542	67,999	22	-	-	1,566,885
Interbank and money market items	12,948	228,544	5,946	4,683	-	-	252,121
Liability payable on demand	3,802	-	-	-	-	-	3,802
Derivatives liabilities	-	10,080	7,559	5,687	-	-	23,326
Debt issued and borrowings	-	41,207	71,505	62,943	12	-	175,667
Total	<u>654,072</u>	<u>1,141,373</u>	<u>153,009</u>	<u>73,335</u>	<u>12</u>	<u>-</u>	<u>2,021,801</u>
<b>Net liquidity gap</b>	<u>(458,098)</u>	<u>(188,755)</u>	<u>638,651</u>	<u>262,109</u>	<u>6,277</u>	<u>41,334</u>	<u>301,518</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS							
	2020						
	At call	Within 1 Year	Over 1 Year but within 5 years	Over 5 Years	No maturity	Non- Performing Loans	Total
<b>Financial Assets</b>							
Cash	29,215	-	-	-	-	-	29,215
Interbank and money market items, net	61,752	449,543	4,728	-	171	-	516,194
Financial assets measured at FVTPL	-	26	213	497	-	-	736
Derivatives assets	-	13,208	10,804	6,642	-	-	30,654
Investments, net	-	45,352	104,651	100	5,437	-	155,540
Loans to customers	79,345	504,287	732,732	309,429	-	36,416	1,662,209
Total	<b>170,312</b>	<b>1,012,416</b>	<b>853,128</b>	<b>316,668</b>	<b>5,608</b>	<b>36,416</b>	<b>2,394,548</b>
<b>Financial Liabilites</b>							
Deposits	885,915	860,823	72,485	-	-	-	1,819,223
Interbank and money market items	21,902	184,828	13,632	4,612	-	-	224,974
Liability payable on demand	5,606	-	-	-	-	-	5,606
Derivatives liabilities	-	16,367	9,711	7,040	-	-	33,118
Debt issued and borrowings	-	36,038	27,000	62,913	-	-	125,951
Total	<b>913,423</b>	<b>1,098,056</b>	<b>122,828</b>	<b>74,565</b>	<b>-</b>	<b>-</b>	<b>2,208,872</b>
<b>Net liquidity gap</b>	<b>(743,111)</b>	<b>(85,640)</b>	<b>730,300</b>	<b>242,103</b>	<b>5,608</b>	<b>36,416</b>	<b>185,676</b>

THE BANK'S FINANCIAL STATEMENTS							Unit: Million Baht
	At call	Within 1 Year	Over 1 Year but within 5 years	Over 5 Years	No maturity	Non-Performing Loans	Total
<b>Financial Assets</b>							
Cash	32,785	-	-	-	-	-	32,785
Interbank and money market items, net	56,774	264,282	4,353	-	281	-	325,690
Derivatives assets	-	7,990	8,863	5,043	-	-	21,896
Investments, net	-	75,793	35,285	836	5,994	-	117,908
Loans to customers	101,164	521,359	684,232	319,474	-	35,542	1,661,771
<b>Total</b>	<b>190,723</b>	<b>869,424</b>	<b>732,733</b>	<b>325,353</b>	<b>6,275</b>	<b>35,542</b>	<b>2,160,050</b>
<b>Financial Liabilities</b>							
Deposits	641,395	851,135	66,250	-	-	-	1,558,780
Interbank and money market items	16,742	224,227	6,429	4,679	-	-	252,077
Liability payable on demand	3,802	-	-	-	-	-	3,802
Derivatives liabilities	-	10,080	7,559	5,686	-	-	23,325
Debt issued and borrowings	-	20,082	56,000	62,922	-	-	139,004
<b>Total</b>	<b>661,939</b>	<b>1,105,524</b>	<b>136,238</b>	<b>73,287</b>	<b>-</b>	<b>-</b>	<b>1,976,988</b>
<b>Net liquidity gap</b>	<b>(471,216)</b>	<b>(236,100)</b>	<b>596,495</b>	<b>252,066</b>	<b>6,275</b>	<b>35,542</b>	<b>183,062</b>

#### 4) Maintenance of Liquidity Coverage Ratio (LCR)

To comply with BOT Notification SorNorSor. 2/2561 regarding Liquidity Coverage Ratio Disclosure Standards dated January 25, 2018, the Bank has provided on its website essential information on LCR to shareholders and investors for assessing the liquidity risk of the Bank and encouraging market discipline with details as follows:

Information as at	December 31, 2020
Date of disclosure	Within 4 months after the period end date as indicated in the BOT's notification (within April 2021)
Location of disclosure	<a href="https://www.krungsri.com/en/investor-relations/financial-information/disclosure/liquidity-coverage-ratio">https://www.krungsri.com/en/investor-relations/financial-information/disclosure/liquidity-coverage-ratio</a>

### 5.3 Credit risk

Credit Risk refers to the possibility of the Bank and its subsidiaries facing a loss caused by a decline or complete loss of asset value (including off-balance assets), resulting from deterioration in a borrower's financial conditions and a subsequent failure to meet financial obligation, or an event of default. Such development could negatively impact both capital and loan loss reserve adequacy.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The Bank's strategy for managing credit risk is developed according to risk appetite of the Bank. To identify clear goals for practitioners, the Bank establishes policies and operational plans for reference in accordance with our strategy - credit policies, credit risk management policies, and credit rating policies etc. credit risk is managed under the Bank's strategy based on international standards and conforming to the Bank of Thailand's rules and regulations.

The Bank has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks.

#### Commercial credit risk management

The commercial credit risk is managed through our internal credit risk management framework that is enhanced continuously to meet international standards. The internal credit rating are developed and used to assign risk rating for customers at origination or acquisition, are reassessed annually, and are adjusted to changes in credit quality over the life of the exposure through our credit review process. In assessing the risk rating of a loan or lending-related commitment, we consider factors that could potentially impact customer debt capacity including customer earnings and repayment sources, management's ability and track record, and the industry and location of the customer.

We acknowledge that each customer is different, and thus the source of information used to evaluate debt repayment capacity must be tailored to each type of customer. Such evaluation and rating assignment would be based on financial statements, also accounting for other quantitative and qualitative factors to reflect business capacity and potential for growth.

The credit risk exposure of commercial credit portfolio can be shown as follows:

Credit risk exposure by credit rating as at December 31, 2020

Unit: Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS			
Risk rating	ECL staging		
	Stage 1	Stage 2	Stage 3
Investment grade	568,365	402	-
Medium risk	251,408	50,510	1
High risk	-	22	14,855
Gross carrying amount	<u>819,773</u>	<u>50,934</u>	<u>14,856</u>
Expected credit loss	9,885	5,529	7,896

Related collaterals as at December 31, 2020

Unit: Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS			
Credit-impaired asset (stage 3)	GCA	ECL	Collateral value*
Large corporate	5,275	1,992	3,219
Small & medium enterprise	9,581	5,904	5,223

\* Value of collateral allocated to on balance sheet and available undrawn item.

### Consumer credit risk management

Consumer portfolios are managed at the portfolio or homogeneous-pool level. The consumer credit risk management establishes product program criteria and proposal for approval by the Bank's Board of Directors or delegate authorities. For effective risk control and consistency in credit decisions, the Bank and its subsidiaries leverage risk technology and digitalization in the credit decision process. The credit risk assessment model is developed in accordance with the Bank of Thailand's regulations and international standards.

The credit risk exposure of consumer credit portfolio can be shown as follows:

Credit risk exposure by products as at December 31, 2020

Unit: Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS			
Portfolio	ECL staging		
	Stage 1	Stage 2	Stage 3
Business banking	29,520	10,006	3,718
Mortgage	254,658	17,490	11,913
Personal	10,423	5,608	1,076
Auto business	372,494	47,438	7,945
Krungsri consumer	110,198	11,798	6,471
Others*	54,633	272	806
Gross carrying amount	831,926	92,612	31,929
Expected credit loss	23,097	12,686	17,315

\* Foreign subsidiaries, Securities, Insurance brokers etc.



Related collaterals as at December 31, 2020

Unit : Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS			
Credit-impaired asset (stage 3)	GCA	ECL	Collateral value*
Business banking	3,718	1,544	2,038
Mortgage	11,913	4,873	7,336
Personal	1,076	1,040	-
Auto business	7,945	4,935	-
Krungsri consumer	6,471	4,121	-
Others**	806	802	20

\* Value of collateral allocated to on balance sheet and available undrawn item.

\*\* Foreign subsidiaries, Securities, Insurance brokers etc.

### Measuring credit risk

In measuring credit risk of loans and advances at a counterparty level, the Bank considers three components: (i) the “Probability of Default” (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the “Exposure at Default” (EAD); and (iii) the likely recovery ratio on the defaulted obligations or the “Loss Given Default” (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimize their effectiveness.

These credit risk measurements are required and served as the foundation to determine expected credit loss (ECL) under TFRS 9.

#### (i) Probability of Default

The Bank assesses the probability of default of individual counterparties or the collective group of customers that share similar risk characteristic using internal rating tools/scorecard tailored to the various categories of counterparty/portfolio. Such models have been developed internally and combine statistical analysis with risk management judgment. The rating/scoring methods are subject to an annual validation and recalibration so that they reflect the latest projection in the light of all observed defaults.

#### (ii) Exposure at Default

Exposure at default is based on the amounts expected to be owed at the time of default.

(iii) Loss Given Default

Loss given default represents the Bank and its subsidiaries' expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

**Incorporation of forward-looking information**

Where applicable, the Bank and its subsidiaries incorporate forward looking adjustment in credit risk factors in measuring the customer credit risk, considering the impact of multiple probability-weighted future forecast economic scenario. The three macro-economic scenarios are applied to reflect an unbiased probability weighted range of possible future outcomes; namely

- Base scenario: Representing the most-likely condition that continue to prevail, and
- Upper and lower scenario: These scenarios are set in relative to base scenario and provide the outlook of better and worse case economic outlook based on subject matter expert best judgement.

In certain circumstance, where the incorporation of forward looking information cannot be explicitly reflected through the expected credit loss model or economic scenario, the Bank and its subsidiaries may set aside the additional provision based on the supporting rationale and such treatment shall not contradict with the applicable accounting standard and the Bank of Thailand regulations.

**Credit risk management and review**

We rigorously monitor and review customer and portfolio risk in the following ways:

Reserve adequacy

The adequacy of reserves is reviewed and approved by the Chief Risk Officer and the Chief Financial Officer. Specific reserves are allocated to portfolios as required, with regular stress tests conducted to ensure that reserves are adequate.

Credit risk audit

An independent central unit under the Internal Audit Group of the Bank is responsible for examining and reviewing all credit risk management operations, with scope and plans approved by the Audit Committee and the Board of Directors.

The audit and review scopes cover overall credit risk management, correctness of risk ratings, compliance with credit covenants, and compliance with the Bank's credit policies, along with relevant Bank of Thailand criteria.

### Credit information monitoring and management

We regularly report credit risk levels to the Board of Directors, relevant committees, and senior management. Our monthly credit portfolio report includes information on portfolio quality and segment trends by facility, ratings, location, industry, and delinquency. In addition, ad hoc reports are occasionally conducted in response to irregular situations that may affect the Bank's credit portfolio.

### Stress testing

The Bank and its subsidiaries conduct stress tests based on our stress test policy for both commercial and consumer portfolios. Stress tests use past historical trends as well as future macroeconomic projections to determine potential losses and their possible impact on the Bank's capital. Regulator-required stress test results are reported to the Capital Management Subcommittee, the Risk Management Committee, the Risk and Compliance Committee, and the Board of Directors. Internal stress test results are conducted periodically and reported to the Capital Management Subcommittee. We have strategies and action plans in place to prevent any adverse effects.

### Financial business group management

Our financial business group maintain independent risk organizations headed by senior risk executives. The Bank's Chief Risk Officer supervises financial business group risk management activities. These subsidiary risk management units must comply with our overall risk management strategy, ensure sufficient capacity with the required risk-related infrastructure, and comply with our risk appetite objectives and reporting requirements.

### Non-performing loan management

Non-performing loans (NPLs) are managed by a dedicated unit of specialists experienced in handling past-due accounts. The unit determines the best approaches to optimize payment from customers so as to improve asset quality, minimize losses and maximize recovery. Such unit also conduct NPL sales based on guidance and approval from the Board of Directors.

## 5.4 Capital funds

The Bank maintains the internal capital adequacy assessment process in accordance with the supervisory review process of the BOT and monitors on a regular basis to ensure that the current and future capital requirements are aligned with the risk appetite in the Financial Business Group and the Bank.

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the BOT. The Bank is required to calculate its Capital Funds in accordance with Basel III. As at December 31, 2020 and 2019, the Consolidated Supervision and the Bank's total capital funds and capital adequacy ratios can be categorized as follows:

	Unit: Million Baht	
	Basel III	
	Consolidated Supervision	
	2020	2019
Tier 1 capital		
Common Equity Tier 1 capital		
Issued and paid-up share capital	73,558	73,558
Premium on share capital	52,879	52,879
Legal reserve	7,280	6,871
Cumulative profit after appropriation	141,486	121,496
Other reserves		
Other comprehensive income	9,500	9,429
Other items from owner changes	(5,218)	(5,218)
Deduction items from Common Equity Tier 1 capital	(28,807)	(26,038)
Total Common Equity Tier 1 capital	250,678	232,977
Additional Tier 1 capital		
Non-Controlling interest	4,293	3,762
Total Tier 1 capital	254,971	236,739
Tier 2 capital		
Subordinated debentures	60,811	60,811
General provision	18,957	19,458
Non-Controlling interest	967	863
Total Tier 2 capital	80,735	81,132
Total capital fund	335,706	317,871

**Capital adequacy ratio (%)**

	<b>BOT regulatory</b>		<b>Basel III</b>	
	<b>Minimum requirement*</b>		<b>Consolidated Supervision</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Total Common Equity Tier 1 capital /				
Total risk weighted assets	8.00	7.50	14.26	13.05
Total Tier 1 capital / Total risk weighted assets	9.50	9.00	14.51	13.26
Total capital / Total risk weighted assets	12.00	11.50	19.10	17.81
Capital after deducting capital add-on arising				
from Single Lending Limit (Million Baht)			335,706	317,871
Total capital after deducting capital add-on /				
risk weighted assets			19.10	17.81

\* BOT requires the Bank to maintain higher capital for the conservation buffer at 2.5%.

BOT requires the Bank qualified as Domestic Systemically Important Banks (“D-SIBs”) to maintain higher capital to better absorb losses from their operations and increase the Common Equity Tier 1 Ratio at 0.5% on January 1, 2019 and 1% on January 1, 2020.

	<b>Unit: Million Baht</b>	
	<b>Basel III</b>	
	<b>The Bank</b>	
	<b>2020</b>	<b>2019</b>
Tier 1 capital		
Common Equity Tier 1 capital		
Issued and paid-up share capital	73,558	73,558
Premium on share capital	52,879	52,879
Legal reserve	7,280	6,871
Cumulative profit after appropriation	73,569	66,056
Other reserves		
Other comprehensive income	10,537	10,544
Other items from owner changes	(5,218)	(5,218)
Deduction items from Common Equity Tier 1 capital	(14,422)	(13,018)
Total Common Equity Tier 1 capital	198,183	191,672
Additional Tier 1 capital	-	-
Total Tier 1 capital	198,183	191,672
Tier 2 capital		
Subordinated debentures	60,811	60,811
General provision	17,264	14,526
Total Tier 2 capital	78,075	75,337
Total capital fund	276,258	267,009

**Capital adequacy ratio (%)**

	<b>BOT regulatory Minimum requirement*</b>		<b>Basel III The Bank</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Total Common Equity Tier 1 capital /				
Total risk weighted assets	8.00	7.50	12.85	11.89
Total Tier 1 capital / Total risk weighted assets	9.50	9.00	12.85	11.89
Total capital / Total risk weighted assets	12.00	11.50	17.92	16.56
Capital after deducting capital add-on arising from Single Lending Limit (Million Baht)			276,258	267,009
Total capital after deducting capital add-on / risk weighted assets			17.92	16.56

\* BOT requires the Bank to maintain higher capital for the conservation buffer at 2.5%.

BOT requires the Bank qualified as Domestic Systemically Important Banks (“D-SIBs”) to maintain higher capital to better absorb losses from their operations and increase the Common Equity Tier 1 Ratio at 0.5% on January 1, 2019 and 1% on January 1, 2020.

Disclosure of capital maintenance information of the Financial Business Group and the Bank under the BOT’s Notification regarding the Disclosure of the Capital Requirement of the Financial Business Group and regarding the Disclosure of the Capital Requirement of Commercial Banks with details as follows:

Location of disclosure	www.krungsri.com
Date of disclosure	October 30, 2020
Information as at	June 30, 2020

The disclosure as at December 31, 2020 will be provided on or before April 30, 2021 on the above Bank’s website as indicated in the BOT’s notification.

## 6. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements in conformity with Thai Financial Reporting Standards principles require management to make estimates and assumptions under certain circumstances. Such estimates and assumptions affect reported amounts of revenues, expenses, assets and liabilities and require the disclosure of contingent assets and liabilities at the date of the financial statements which may differ from these estimates. The significant areas requiring management to make judgments and estimates that affect reported amounts and disclosures are as follows:

### 6.1 Fair value

For a business acquisition, the Bank’s management estimates the fair value of assets, liabilities and other contingent liabilities of the acquiree’s identifiable assets and liabilities at the acquisition date. In addition, any adjustments of the initial provision are finalized within 12 months after the acquisition date.

## 6.2 Allowance for expected credit loss

Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. TFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank and its subsidiaries take into account qualitative and quantitative reasonable and supportable forward-looking information.

### Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank and its subsidiaries monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: The Bank and its subsidiaries use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

### Determination of life of revolving credit facilities

The Bank and its subsidiaries measure ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank and its subsidiaries' contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank and its subsidiaries' exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Bank and its subsidiaries use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. In its measurement of ECL, the external and internal information are used to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data published by governmental bodies and monetary authorities.

The Bank and its subsidiaries use multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Bank and its subsidiaries apply probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome. The Bank and its subsidiaries have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. In addition to the base case scenario the Group uses the probability weighting which is the base scenario has the highest weighting, since it is the most likely outcome and the weighting of the upside and downside scenarios depend on the probability of the scenario.

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Bank and its subsidiaries use market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank and its subsidiaries uses valuation models to determine the fair value of its financial instruments. Refer to Note 7.22 for more details on fair value measurement.

### 6.3 Allowance for doubtful accounts

Prior to January 1, 2020, the Bank and its subsidiaries estimate the minimum allowance for doubtful accounts in accordance with the BOT's guidelines. In addition, the Bank and its subsidiaries estimate an additional allowance which the management has considered based on the uncollectible loss from past experience, current economic conditions, and the ability to repay loans and accrued interest receivable. The Bank and its subsidiaries consider the value of collateral when deemed the primary source of repayment comes from the sales of the collateral

A significant factor in the determination of the allowance for doubtful accounts is the value of collateral. Collateral pledged typically consists of land, buildings, and buildings under construction. Value of such collateral is based on independently and/or internally performed appraisals.



#### 6.4 Allowance for properties for sale

The Bank and its subsidiaries estimate the allowance for impairment of properties for sale when there is a decline in net realizable value. In consideration of net realizable value, the Bank and its subsidiaries consider the appraised value together with other factors which can affect the realizable value such as related selling expenses, holding costs and discounted future expenses.

#### 6.5 Goodwill

Goodwill is tested for impairment using a fair value method of discounted cash flows on a semi-annual basis.

#### 6.6 Impairment of non-financial assets

The carrying amounts of the Bank and its subsidiaries' assets are reviewed at each financial statements date to determine whether there are any indications of impairment. If any such indication exists, the assets' recoverable amounts are estimated by discounting expected cash flows.

#### 6.7 Provisions

Provisions are recognized as liabilities in the statement of financial position when it is probable that an obligation has been incurred as a result of a past event, and result in the certain likelihood of an outflow of economic benefits to settle the obligation and the amount of such obligation can be reasonably estimated.

#### 6.8 Provision for contingent liabilities

Since January 1, 2020, the Bank provides a provision for contingent liabilities for loan commitment and financial guarantee according to TFRS 9 applying the same methodology as determining allowance for expected credit losses for financial assets of the same debtor.

Prior to January 1, 2020, the Bank provides a provision for contingent liabilities with high credit risk such as loan guarantees, avals or non cancellable contingent liabilities at the same provision rate as that provided for the same debtor on the statement of financial position.

#### 6.9 Significant judgement on classification of joint arrangement

Tesco Lotus Money Services Limited is a company that Ayudhya Capital Services Company Limited (a subsidiary of the Bank) holds 50% of ordinary shares. The decision relating to operation is subject to the approval of the joint venture. The Bank and its subsidiaries classified the investment as a joint venture under TFRS 11 and is accounted for using the equity method accordingly. For Tesco Life Assurance Broker Limited and Tesco General Insurance Broker Limited, they are companies that Tesco Lotus Money Services Limited wholly holds 100% of ordinary shares. Accordingly, Tesco Life Assurance Broker Limited and Tesco General Insurance Broker Limited are classified as a joint venture of the Bank and its subsidiaries.

The Bank holds 50% of ordinary shares of Ngern Tid Lor Company Limited. The decision relating to operation is subject to the approval of the joint venture. The Bank classified the investment as a joint venture under TFRS 11 and is accounted for using the equity method accordingly.

The Bank holds 50% of ordinary shares of SB Finance Company, Inc. The decision relating to operation is subject to the approval of the joint venture. The Bank classified the investment as a joint venture under TFRS 11 and is accounted for using the equity method accordingly.

## 7. ADDITIONAL INFORMATION

### 7.1 Additional information of cash flows

7.1.1 Non-cash transactions for the years ended December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Increase in revaluation surplus on investments	390	10	210	10
Amortization of premises appraisal surplus transferred to retained earning	(323)	(296)	(323)	(296)
Increase in changes assets revaluation surplus	-	3,821	-	3,821
Properties for sale debt repayment	21,693	16,709	19,910	14,721
Properties and premises transferred to be properties for sale	118	176	118	176

7.1.2 Changes in liabilities arising from financing activity for the years ended December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Beginning balance	176,410	156,547	139,593	116,694
Effect from first time adoption of TFRS 16	2,364	-	2,707	-
Financing cash flows	(30,364)	19,837	(14,377)	22,865
Addition in the year	1,757	-	1,264	-
Other non-cash items	(946)	26	(42)	34
Ending balance	<u>149,221</u>	<u>176,410</u>	<u>129,145</u>	<u>139,593</u>

### 7.1.3 Realized and unrealized gains (losses) on foreign exchange

In the preparation of cash flows statements, realized gains (losses) on foreign exchange are based on a cash basis. Unrealized gains (losses) on foreign exchange are based on the translation difference of assets and liabilities in foreign currencies as described in the accounting policies. It is presented as an adjustment to reconcile income before tax to cash received (paid) from operating activities.

## 7.2 Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities as at December 31, 2020 consists of the following:

CONSOLIDATED FINANCIAL STATEMENTS						Unit: Million Baht
2020						
	Financial instruments measured at fair value through profit or loss	Financial instrument measured at fair value through other comprehensive income	Investment in equity securities designated at fair value through other comprehensive income	Financial instrument measured at amortised cost	Accrual basis for derivatives asset and liabilities	Total
<b>Financial assets</b>						
Cash	-	-	-	30,333	-	30,333
Interbank and money market items, net	-	-	-	523,385	-	523,385
Financial assets measured at fair value through profit or loss	786	-	-	-	-	786
Derivative assets	30,421	-	-	-	24	30,445
Investments, net	-	148,792	6,847	6,461	-	162,100
Loans to customers and accrued interest receivables, net	-	-	-	1,765,623	-	1,765,623
Others	1	349	-	2,762	-	3,112
Total	31,208	149,141	6,847	2,328,564	24	2,515,784
<b>Financial liabilities</b>						
Deposits	-	-	-	1,834,505	-	1,834,505
Interbank and money market items	-	-	-	243,570	-	243,570
Liability payable on demand	-	-	-	5,607	-	5,607
Derivative liabilities	30,477	-	-	-	2,465	32,942
Debt issued and borrowings	-	-	-	146,119	-	146,119
Provisions	-	-	-	3,125	-	3,125
Others	-	-	-	3,477	-	3,477
Total	30,477	-	-	2,236,403	2,465	2,269,345

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2020					
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investment in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Accrual basis for derivatives asset and liabilities	Total
<b>Financial assets</b>						
Cash	-	-	-	29,215	-	29,215
Interbank and money market items, net	-	-	-	516,194	-	516,194
Financial assets measured at fair value through profit or loss	736	-	-	-	-	736
Derivative assets	30,630	-	-	-	24	30,654
Investments, net	-	143,641	5,438	6,461	-	155,540
Loans to customers and accrued interest receivables, net	-	-	-	1,609,830	-	1,609,830
Others	1	349	-	2,116	-	2,466
Total	31,367	143,990	5,438	2,163,816	24	2,344,635
<b>Financial liabilities</b>						
Deposits	-	-	-	1,819,223	-	1,819,223
Interbank and money market items	-	-	-	224,974	-	224,974
Liability payable on demand	-	-	-	5,606	-	5,606
Derivative liabilities	30,654	-	-	-	2,464	33,118
Debt issued and borrowings	-	-	-	125,951	-	125,951
Provisions	-	-	-	2,340	-	2,340
Others	-	-	-	2,925	-	2,925
Total	30,654	-	-	2,181,019	2,464	2,214,137

### 7.3 Interbank and money market items, net (Asset)

Interbank and money market items, net (Asset) as at December 31, 2020 and 2019 are as follows:

	Unit: Million Baht			
	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
<b>Domestic items</b>				
Bank of Thailand and Financial Institution Development Fund	395,096	214,675	395,096	214,675
Commercial banks	34,665	21,591	32,999	20,026
Specialized financial institutions	22,210	12,032	22,210	12,032
Other financial institutions	16,604	25,620	16,601	25,615
Total	468,575	273,918	466,906	272,348
<u>Add</u> Accrued and undue interest receivables /				
Accrued interest receivables	46	61	46	61
<u>Less</u> Allowance for expected credit loss /				
Allowance for doubtful accounts	(426)	(331)	(426)	(331)
Total domestic items	468,195	273,648	466,526	272,078
<b>Foreign items</b>				
US Dollar	18,000	28,813	13,510	26,480
Yen	30,153	20,739	30,153	20,739
Euro	2,986	2,865	2,986	2,865
Other currencies	4,097	5,364	3,063	3,528
Total	55,236	57,781	49,712	53,612
<u>Add</u> Accrued and undue interest receivables /				
Accrued interest receivables	3	2	-	-
<u>Less</u> Allowance for expected credit loss /				
Allowance for doubtful accounts	(49)	-	(44)	-
Total foreign items	55,190	57,783	49,668	53,612
Total domestic and foreign items	523,385	331,431	516,194	325,690

### 7.4 Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss as at December 31, 2020 consist of the following:

	Unit: Million Baht	
	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS
	2020	2020
	Fair Value	Fair Value
Trading financial assets		
Government and state enterprise securities	736	736
Domestic marketable equity securities	28	-
Total	764	736
Other		
Investments	22	-
Total	786	736

## 7.5 Derivatives

### 7.5.1 Derivatives - Trading

Fair value and the notional amount classified by type of risk as at December 31, 2020 are as follows:

Risk type	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS		
	2020			2020		
	Fair value		Notional Amount	Fair value		Notional Amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	17,741	16,722	1,129,242	17,734	16,722	1,128,635
Interest rate	12,678	12,188	605,859	12,896	12,365	611,458
Equity derivatives	2	-	27	-	-	-
Total	30,421	28,910	1,735,128	30,630	29,087	1,740,093

### 7.5.2 Derivatives - Hedging

#### 7.5.2.1 Cash flow hedge

Fair value and the notional amount classified by type of risk as at December 31, 2020 are as follows:

Risk type	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS		
	2020			2020		
	Fair value		Notional Amount	Fair value		Notional Amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	-	1,567	16,188	-	1,567	16,188
Total	-	1,567	16,188	-	1,567	16,188

The tables below summarise the derivatives designated as hedging instruments in qualifying cash flow hedge relationships as at December 31, 2020.

Cash flow hedges	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS					
	December 31, 2020			For the year ended December 31, 2020		
	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument	Line items in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognised in profit or loss	Line item in profit or loss that include hedge ineffectiveness
Foreign exchange risk	5,518	976	Derivative liabilities	284	-	Gain (loss) on financial instrument measured at FVTPL
- Cross Currency Interest Rate Swap						
Foreign exchange and Interest rate risk	9,312	587	Derivative liabilities	(293)	4	Gain (loss) on financial instrument measured at FVTPL
- Cross Currency Interest Rate Swap						

The amounts relating to items designated as hedged items in qualifying cash flow hedge relationships to manage the exposure of the Bank and subsidiaries to interest rate and foreign currency risk for the year ended December 31, 2020 were as follows:

Unit: Million Baht

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS				
2020				
Cash flow hedges	Line item in the statement of financial position in which the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Cost of hedging reserve
Foreign exchange risk				
- Aggregated exposure of Borrowings and Foreign exchange swaps	Interbank and money market items (Liabilities)	284	172	120
Foreign exchange and Interest rate risk				
- Debt issued and borrowings	Interbank and money market items (Liabilities)/Debt issued and borrowings	(346)	(263)	(7)

The table below summarises the amounts that have affected the statement of comprehensive income as a result of applying cash flow hedge accounting for the year ended December 31, 2020.

Unit: Million Baht

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS						
2020						
Cash flow hedges	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Change in the value of the hedging instrument recognised in cost of hedging reserve	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss	Cost of hedging amortised to profit or loss	Line items affected in profit or loss because of the reclassification
Foreign exchange risk	172	112	-	251	8	1. Gain (loss) on financial instrument measured at FVTPL 2. Interest expense
Foreign exchange risk / Cross Currency Interest rate swap	(263)	(34)	4	(68)	27	1. Gain (loss) on financial instrument measured at FVTPL 2. Interest expense

The following table shows a reconciliation of the separate components of equity that relate to cash flow hedge relationships for the year ended December 31, 2020.

	Unit: Million Baht
	CONSOLIDATED AND THE BANK'S
	FINANCIAL STATEMENTS
Cash flow hedges	Cash flow hedge reserve
<b>Balance as at January 1, 2020</b>	-
Cash flow hedge of Foreign exchange risk / Cross	
Currency Interest rate swap	-
Effective portion of changes in fair value of cross	
currency interest rate swaps	91
Cost of hedging reserve	(113)
Amount recycled from reserves to profit or loss	183
Income tax related to amount transferred	(32)
<b>Balance as at December 31, 2020</b>	<u>129</u>

### 7.5.2.2 Dynamic risk hedge

Readjustment based on an accrual basis and the notional amount classified by type of risk as at December 31, 2020 are as follows:

	CONSOLIDATED FINANCIAL			THE BANK'S FINANCIAL		
	STATEMENTS			STATEMENTS		
	2020			2020		
Risk type	Readjustment based on		Notional	Readjustment based on		Notional
	an accrual basis		Amount	an accrual basis		Amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	24	2,465	143,219	24	2,464	140,816
Total	24	2,465	143,219	24	2,464	140,816

7.5.3 Fair value and the notional amount classified by type of risk as at December 31, 2019 are as follows:

	CONSOLIDATED FINANCIAL			THE BANK'S FINANCIAL		
	STATEMENTS			STATEMENTS		
	2019			2019		
Risk type	Fair value /			Fair value /		
	Readjustment based on		Notional	Readjustment based on		Notional
	an accrual basis		Amount	an accrual basis		Amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	13,354	15,602	1,161,424	13,354	15,602	1,161,424
Interest rate	8,487	7,724	767,349	8,542	7,723	771,355
Total	21,841	23,326	1,928,773	21,896	23,325	1,932,779



## 7.6 Investments, net

Investments, net as at December 31, 2020 and 2019 consist of the following:

	<b>CONSOLIDATED FINANCIAL STATEMENTS 2020</b>		<b>Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2020</b>	
	<b>Amortised Cost /Fair Value</b>	<b>Dividend</b>	<b>Amortised Cost /Fair Value</b>	<b>Dividend</b>
<b>Investment in Debt securities measured at amortised cost</b>				
Private enterprise debt securities	6,462		6,462	
<u>Less</u> Allowance for expected credit loss	(1)		(1)	
Total	6,461		6,461	
<b>Investment in debt securities measured at fair value through other comprehensive income</b>				
Government and state enterprise securities	129,704		129,704	
Private enterprise debt securities	19,088		13,937	
Total	148,792		143,641	
<b>Investment in equity securities designated at fair value through other comprehensive income</b>				
Domestic marketable equity securities	5,087	227	5,087	227
Domestic non-marketable equity securities	834	28	349	28
Foreign non-marketable equity securities	926	1	2	-
Total	6,847	256	5,438	255
<b>Total investments, net</b>	<b>162,100</b>		<b>155,540</b>	

	<b>Unit: Million Baht CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS For the year ended December 31, 2020</b>			
<b>Investment in equity securities derecognition</b>	<b>Fair value as at derecognition</b>	<b>Dividend</b>	<b>Gain (loss) from derecognition</b>	<b>Reason for derecognition</b>
<b>Investment in equity securities designated at fair value through other comprehensive income</b>				
Domestic marketable equity securities	1,148	16	(792)	Sale
<b>Total</b>	<b>1,148</b>	<b>16</b>	<b>(792)</b>	

As at December 31, 2020, investments in unit trust of fixed income funds in the consolidated financial statements of Baht 5,151 million were recorded as investment designated at fair value through other comprehensive income that not be reclassified subsequently to profit or loss according to BOT's notification Sor.Nor.Sor. 6/2563 regarding the investment in unit trust of fixed income fund for enhance the liquidity of the money market dated March 25, 2020.

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2019				2019			
	Cost/ Amortised Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortised Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Securities for Trading</b>								
Government and state enterprise securities	2,193	6	-	2,199	2,193	6	-	2,199
Domestic marketable equity securities	3	-	-	3	-	-	-	-
	2,196	6	-	2,202	2,193	6	-	2,199
<u>Add</u> Revaluation allowance	6			-	6			-
Total	2,202			2,202	2,199			2,199
<b>Securities Available-for-Sale</b>								
Government and state enterprise securities	84,655	143	(3)	84,795	84,655	143	(3)	84,795
Private sector's debt securities	11,809	274	-	12,083	11,809	274	-	12,083
Domestic marketable equity securities	6,366	350	(867)	5,849	6,366	350	(867)	5,849
	102,830	767	(870)	102,727	102,830	767	(870)	102,727
<u>Less</u> Revaluation allowance	(103)			-	(103)			-
<u>Less</u> Allowance for impairment	(3)			(3)	(3)			(3)
Total	102,724			102,724	102,724			102,724
<b>Securities Held-to-Maturity</b>								
Private sector's debt securities	12,640				12,640			
Investment in accounts receivable	199				199			
	12,839				12,839			
<u>Less</u> Allowance for impairment	(2)				(2)			
Total	12,837				12,837			
<b>Securities for General Investments</b>								
Domestic non-marketable equity securities	743				314			
Foreign non-marketable equity securities	1				1			
	744				315			
<u>Less</u> Allowance for impairment	(167)				(167)			
Total	577				148			
<b>Total Investments, net</b>	118,340				117,908			

## 7.7 Investments in subsidiaries and joint ventures, net

Investments in subsidiaries and joint ventures, net as at December 31, 2020 and 2019 consist of the following:

Unit: Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2020							
Company Name	Business Type	Securities Investment Type	Issued and Paid-up Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Investment (Equity Method)	Dividend
<b>Joint ventures</b>							
Ngern Tid Lor Public Company Limited (formerly Ngern Tid Lor Company Limited) <sup>(3)</sup>	Hire-purchase and motorcycle loans	Common stock	7,800	50.00	3,818	10,027	-
SB Finance Company, Inc.	Personal loans	Common stock	918	50.00	984	872	-
Tesco Lotus Money Services Limited <sup>(1)</sup>	Credit cards and personal loans	Common stock	2,080	50.00	1,040	3,143	-
Tesco Life Assurance Broker Limited <sup>(2)</sup>	Life assurance broker	Common stock	12	50.00	-	92	-
Tesco General Insurance Broker Limited <sup>(2)</sup>	General insurance broker	Common stock	107	50.00	-	231	-
<b>Investments in joint ventures, net</b>					<u>5,842</u>	<u>14,365</u>	<u>-</u>

Unit: Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2019							
Company Name	Business Type	Securities Investment Type	Issued and Paid-up Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Investment (Equity Method)	Dividend
<b>Joint ventures</b>							
Ngern Tid Lor Company Limited	Hire-purchase and motorcycle loans	Common stock } Preferred stock }	7,800	50.00	3,818	8,911	950
Tesco Lotus Money Services Limited <sup>(1)</sup>	Credit cards and personal loans	Common stock	2,080	50.00	1,040	2,741	-
Tesco Life Assurance Broker Limited <sup>(2)</sup>	Life assurance broker	Common stock	12	50.00	-	77	-
Tesco General Insurance Broker Limited <sup>(2)</sup>	General insurance broker	Common stock	107	50.00	-	223	-
<b>Investments in joint ventures, net</b>					<u>4,858</u>	<u>11,952</u>	<u>950</u>

<sup>(1)</sup> Indirect holding via Ayudhya Capital Services Company Limited

<sup>(2)</sup> Indirect holding via Tesco Lotus Money Services Limited

<sup>(3)</sup> Ngern Tid Lor Company Public Company Limited (formerly Ngern Tid Lor Company Limited) has registered the conversion of preferred shares into common shares on December 18, 2020.

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2020						
Company Name	Business Type	Securities Investment Type	Issued and Paid-up Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Dividend
<b>Subsidiaries</b>						
Ayudhya Development Leasing Company Limited	Hire-purchase and leasing	Common stock	1,235	99.99	3,929	-
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Common stock	25,545	100.00	19,880	-
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	5,925	100.00	11,941	-
General Card Services Limited	Credit cards and personal loans	Common stock	2,458	100.00	2,581	-
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Common stock	5,906	100.00	6,275	-
Siam Realty and Services Security Company Limited	Car rental services and personnel services	Common stock	100	100.00	100	-
Total Services Solutions Public Company Limited	Collection services	Common stock	401	100.00	1,614	700
Krungsri Asset Management Company Limited	Fund management	Common stock	350	76.59	205	-
Krungsri Ayudhya AMC Limited	Asset management	Common stock	2,700	100.00	4,565	-
Krungsri Securities Public Company Limited	Securities	Common stock	1,350	99.84	1,497	-
Krungsri Nimble Company Limited	Factoring and information technology services	Common stock	300	100.00	300	-
Krungsri Finnovate Company Limited	Venture capital	Common stock	1,500	100.00	1,500	-
Hattha Bank Plc. (formerly Hattha Kaksekar Limited)	Commercial Bank (formerly Micro finance)	Common stock	3,748	100.00	8,926	-
<b>Investments in subsidiaries</b>					63,313	700
<b>Joint venture</b>						
Ngern Tid Lor Public Company Limited (formerly Ngern Tid Lor Company Limited) <sup>(3)</sup>	Hire-purchase and motorcycle loans	Common stock	7,800	50.00	3,818	-
SB Finance Company, Inc.	Personal loans	Common stock	918	50.00	984	-
<b>Investments in subsidiaries and joint venture</b>					68,115	700
<b>Less Allowance for impairment</b>					(6,682)	-
<b>Investments in subsidiaries and joint venture, net</b>					61,433	700

THE BANK'S FINANCIAL STATEMENTS						Unit: Million Baht
2019						
Company Name	Business Type	Securities Investment Type	Issued and Paid-up Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Dividend
Subsidiaries						
Ayudhya Development Leasing Company Limited	Hire-purchase and leasing	Common stock	1,235	99.99	3,929	-
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Common stock	25,545	100.00	19,880	2,682
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	5,925	100.00	11,941	-
General Card Services Limited	Credit cards and personal loans	Common stock	2,458	100.00	2,581	-
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Common stock	5,906	100.00	6,275	-
Siam Realty and Services Security Company Limited	Car rental services and personnel services	Common stock	100	100.00	100	-
Total Services Solutions Public Company Limited	Collection services	Common stock	401	100.00	1,614	-
Krungsri Asset Management Company Limited	Fund management	Common stock	350	76.59	205	443
Krungsri Ayudhya AMC Limited	Asset management	Common stock	2,700	100.00	4,565	-
Krungsri Securities Public Company Limited	Securities	Common stock	1,350	99.84	1,497	-
Krungsri Nimble Company Limited	Factoring and information technology services	Common stock	300	100.00	300	-
Krungsri Finnovate Company Limited	Venture capital	Common stock	1,500	100.00	1,500	-
Hattha Kaksekar Limited	Micro finance	Common stock	2,536	100.00	7,713	-
Investments in subsidiaries					62,100	3,125
Joint venture						
Ngern Tid Lor Company Limited	Hire-purchase and motorcycle loans	Common stock Preferred stock	7,800	50.00	3,818	2,050
Investments in subsidiaries and joint venture					65,918	5,175
Less Allowance for impairment					(5,962)	-
Investments in subsidiaries and joint venture, net					59,956	5,175

On October 20, 2020, the BOT and other relevant regulators in Philippines approved the Bank to acquire 50% of paid up and registered shares of SB Finance Inc (“SBF”), operating consumer finance business in Philippines, from Security Bank Corporation (“SBC”) to be in accordance with the Annual General meeting of Shareholders No. 108 held on July 30, 2020.

The acquisition date is on October 20, 2020. The Bank invested 50% of all registered and issued shares of SBF at cost amounted to Baht 984 million and the book value of net assets of all registered and issued shares (100%) of SBF was Baht 536 million.

The initial accounting for the acquisition of SBF has only been provisionally determined as at October 20, 2020. At the date of finalization of these financial statements, the fair value and other calculations has not been finalized. The Bank and its joint venture are in the process of adjusting the fair value and other calculations which is still in 1 year period from the acquisition date.

For the period from October 20, 2020 (the acquisition date) to December 31, 2020, SBF contributed the revenue of Baht 179 million and loss before tax of Baht 186 million, respectively.

On February 28, 2019, the Bank sold 50% of its interest in Ngern Tid Lor Company Limited (“NTL”), a subsidiary, reducing its ownership interest to 50%, and recognised profit on sales of the subsidiary of Baht 4,290 million and Baht 5,019 million in the consolidated financial statements and the Bank financial statements, respectively. The Bank had changed the classification of investment in NTL from subsidiary to joint venture. The fair value of the Bank’s retained interest in joint venture at the date when control was changed was Baht 8,027 million, which became the carrying value of the Bank's interest in the joint venture at that date in the consolidated financial statements. The difference of fair value was recognised as a profit on the change of control of a subsidiary of Baht 4,335 million which is included in “Gain on investments, net” in the consolidated statements of profit or loss and other comprehensive income.

### **The summarized financial information of joint ventures**

Net profit and total comprehensive income of joint ventures for the years ended December 31, 2020 and 2019 are as follow:

	2020		Unit: Million Baht 2019	
	Net profit	Total comprehensive income	Net profit	Total comprehensive income
Joint ventures	3,160	3,145	2,850	2,831

DISCLOSURE OF THE STATEMENTS OF CASH FLOWS OF ASSET MANAGEMENT COMPANY

**KRUNGSRI AYUDHYA AMC LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Unit: Million Baht</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Income (loss) before income tax	71	(2)
Adjustments to reconcile income to cash provided (paid) from operating activities		
Loss on impairment of properties for sale	70	20
Depreciation and amortization	7	1
Gain on sales of properties for sale	(92)	(72)
Loss from written-off equipment	1	-
Loss on impairment of other assets	10	-
Provision for contingent liabilities	2	30
Employment benefits expenses	2	13
Interest income, net	(103)	(67)
Interest received	103	67
Income tax paid	(7)	(20)
Income (loss) from operations before changes in operating assets and liabilities	<u>64</u>	<u>(30)</u>
Decrease in operating assets		
Loans to customers	30	-
Investment in receivables	-	12
Properties for sale	337	211
Other assets	111	162
Decrease in operating liabilities		
Other liabilities	(71)	(35)
Net cash from operating activities	<u>471</u>	<u>320</u>
<b>Cash flows from investing activities</b>		
Net cash from investing activities	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Cash paid for repayment of liabilities under finance lease agreements	(7)	-
Net cash from financing activities	<u>(7)</u>	<u>-</u>
Net increase in cash and cash equivalents	464	320
Cash and cash equivalents as at January 1,	<u>2,049</u>	<u>1,729</u>
Cash and cash equivalents as at December 31,	<u>2,513</u>	<u>2,049</u>

## 7.8 Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables, net as at December 31, 2020 and 2019 are as follows:

### (1) Classified by products

	CONSOLIDATED FINANCIAL STATEMENTS 2020	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2020
Overdrafts	60,770	60,726
Loan against contract	963,252	897,927
Trade bill	303,113	322,895
Hire-purchase receivables	424,508	376,593
Lease contract receivables	6,534	2,520
Credit card receivables	72,069	-
Others	2,689	1,548
Total Loans to customers	1,832,935	1,662,209
<u>Add</u> Accrued and undue interest receivables	9,095	6,830
Loans to customers and accrued interest receivables	1,842,030	1,669,039
<u>Less</u> Allowance for expected credit loss	(76,407)	(59,209)
Loans to customers and accrued interest receivable, net	<u>1,765,623</u>	<u>1,609,830</u>

	CONSOLIDATED FINANCIAL STATEMENTS 2019	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2019
Overdrafts	71,413	71,364
Loan against contract	921,151	873,821
Trade bill	322,302	342,969
Hire-purchase receivables	503,174	444,735
Lease contract receivables	12,579	3,599
Credit card receivables	73,302	-
Others	5,441	4,189
Total	1,909,362	1,740,677
<u>Less</u> Deferred revenue	(91,485)	(78,906)
Loans to customers after deferred revenue, net	1,817,877	1,661,771
<u>Add</u> Accrued interest receivables	4,483	2,481
Loans to customers and accrued interest receivable after deferred revenue, net	1,822,360	1,664,252
<u>Less</u> Allowance for doubtful accounts		
1) BOT requirement :		
- Individual approach	(29,826)	(25,515)
- Collective approach	(13,125)	(11,202)
2) Surplus reserve	(22,759)	(14,526)
<u>Less</u> Revaluation allowance for debt restructuring	(1,674)	(155)
Total loans to customers, net	<u>1,754,976</u>	<u>1,612,854</u>



(2) Classified by residence of debtors

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Domestic	1,774,889	1,764,775	1,644,433	1,639,924
Foreign	58,046	53,102	17,776	21,847
Total	<u>1,832,935</u>	<u>1,817,877</u>	<u>1,662,209</u>	<u>1,661,771</u>

(3) Classified by type of classification

	Unit: Million Baht CONSOLIDATED FINANCIAL STATEMENTS	
	2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit loss
Stage 1 Performing	1,651,700	32,982*
Stage 2 Under-performing	143,545	18,214
Stage 3 Non-performing	46,785	25,211
Total	<u>1,842,030</u>	<u>76,407</u>

  

	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit loss
Stage 1 Performing	1,505,603	26,356*
Stage 2 Under-performing	126,444	14,285
Stage 3 Non-performing	36,992	18,568
Total	<u>1,669,039</u>	<u>59,209</u>

\* The Bank and its subsidiaries manage excess reserves in accordance with the BOT's guidelines, BOT. ForNorSor. (23) Wor. 1603/2562 by gradually reducing excess reserves on the first day within 5 years to be in compliance with TFRS 9 and as appropriate to be in line with the bank's business operations. In 2020, the Bank and its subsidiaries release the excess reserve on the first day and booking management overlay in preparation for the economic condition under COVID-19.

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2019

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Used for Calculation Allowance	% Used for Calculation Allowance <sup>(3)</sup>	Allowance for Doubtful Accounts <sup>(4)</sup>
1. Minimum allowance per BOT guideline				
Normal	1,718,385	1,135,386	1, 3	13,758
Special mention	62,641	46,068	2, 22	7,799
Substandard	12,257	8,585	55, 100	6,306
Doubtful	6,531	4,194	48, 100	3,217
Doubtful of loss	22,546	9,713	100	11,871
Total	<u>1,822,360</u>	<u>1,203,946</u>		<u>42,951 <sup>(1)</sup></u>
2. Surplus Reserve				<u>22,759 <sup>(2)</sup></u>
Total				<u>65,710</u>

(1) Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2019 of Baht 13,125 million.

(2) Including allowance for doubtful accounts of loans granted to subsidiaries as at December 31, 2019 at the rate of 1% of Baht 69,137 million equal to Baht 691 million which are not eliminated but treated as surplus reserve in the consolidated financial statements.

(3) % set up are the minimum rates required by the BOT for loans to customers and the rates used for the collective approach valuation.

(4) Excluding revaluation allowance for debt restructuring as at December 31, 2019, of Baht 1,674 million and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2019 of Baht 331 million.

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2019

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Used for Calculation Allowance	% Used for Calculation Allowance <sup>(3)</sup>	Allowance for Doubtful Accounts <sup>(4)</sup>
1. Minimum allowance per BOT guideline				
Normal	1,571,386	999,161	1	11,772
Special mention	57,323	41,004	2, 12	7,232
Substandard	9,319	5,694	50, 100	4,318
Doubtful	6,307	4,005	56, 100	3,074
Doubtful of loss	19,917	8,109	100	10,321
Total	<u>1,664,252</u>	<u>1,057,973</u>		<u>36,717 <sup>(1)</sup></u>
2. Surplus Reserve				<u>14,526 <sup>(2)</sup></u>
Total				<u>51,243</u>

(1) Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2019 of Baht 11,202 million.

(2) Including allowance for doubtful accounts of loan granted to subsidiaries as at December 31, 2019 at the rate of 1% of Baht 69,137 million equal to Baht 691 million.

(3) % set up are the minimum rates required by the BOT for loans to customers and the rates used for the collective approach valuation.

(4) Excluding revaluation allowance for debt restructuring as at December 31, 2019 of Baht 155 million and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2019 of Baht 331 million.

For the years ended December 31, 2020 and 2019, the Bank entered into agreements to sell non-performing loans (NPLs) to the third party as follows:

	<b>Unit: Million Baht</b>	
	<b>CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS</b>	
	<b>2020</b>	<b>2019</b>
Book value	1,797	930
Net book value	872	633
Sale price	872	633

As at December 31, 2020, non-performing loans are defined as Stage 3 Non-performing loan accounts in accordance with the BOT's Notification Sor.Nor.Sor. 23/2561, regarding the "Classification and provision criteria of financial institution", dated October 31, 2018.

As at December 31, 2020, the Bank and Krungsri Ayudhya AMC Limited ("AMC") had non-performing loans which included interbank and money market items as follows:

	<b>Unit: Million Baht</b>		
		<b>2020</b>	
	<b>The Bank</b>	<b>AMC</b>	<b>The Bank and AMC</b>
Non-performing loans	36,416	379	36,795
Percentage of total loans	1.72	100.00	1.74

As at December 31, 2019, the Bank and Krungsri Ayudhya AMC Limited ("AMC") had non-performing loans which included interbank and money market items as follows:

	<b>Unit: Million Baht</b>		
		<b>2019</b>	
	<b>The Bank</b>	<b>AMC</b>	<b>The Bank and AMC</b>
Non-performing loans	35,542	432	35,974
Percentage of total loans	1.84	100.00	1.86

As at December 31, 2020 and 2019, the Bank and its subsidiaries' non-performing loans are Baht 45,672 million and Baht 41,334 million, respectively.

(4) Modified loans to customers and trouble debt restructuring

For the year ended December 31, 2020, loans to customers that were modified while they had a loss allowance measured at an amount equal to lifetime ECL as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2020	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2020
<b>Loans to customers modified during the year *</b>		
Amortised cost before modification	21,405	18,061
Net modification loss	197	115
<b>Loans to customers modified since initial recognition</b>		
Gross carrying amount of loans to customers for which loss allowance has changed in the year from lifetime to 12-month ECL cost after modification	1,972	1,912

\* This excluded loans to customers modified under BOT's relief program.

(5) Lease receivables (Included hire-purchase and finance lease receivables)

	Unit: Million Baht CONSOLIDATED FINANCIAL STATEMENTS 2020			
	Within 1 Year	Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	122,191	330,917	62,675	515,783
<u>Less</u> Unearned interest income				(84,741)
Present value of the minimum lease payments				431,042
<u>Less</u> Allowance for expected credit loss				(23,866)
Total lease receivables, net				407,176

	Unit: Million Baht CONSOLIDATED FINANCIAL STATEMENTS 2019			
	Within 1 Year	Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	122,617	326,983	66,153	515,753
<u>Less</u> Unearned interest income				(91,430)
Present value of the minimum lease payments				424,323
<u>Less</u> Allowance for doubtful accounts				(14,455)
Total lease receivables, net				409,868

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2020

	Within 1 Year	Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	97,804	297,605	58,103	453,512
<u>Less</u> Unearned interest income				(74,399)
Present value of the minimum lease payments				379,113
<u>Less</u> Allowance for expected credit loss				(20,030)
Total lease receivables, net				359,083

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2019

	Within 1 Year	Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	97,083	294,058	57,193	448,334
<u>Less</u> Unearned interest income				(78,865)
Present value of the minimum lease payments				369,469
<u>Less</u> Allowance for doubtful accounts				(11,073)
Total lease receivables, net				358,396

## 7.9 Allowance for expected credit loss

Allowance for expected credit loss as at December 31, 2020 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2020

Allowance for expected credit loss

Loans to customers measured at amortised cost	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Allowance for doubtful accounts	Total
Balance as at December 31, 2019	-	-	-	65,710	65,710
Impact of adoption of TFRS 9	22,030	19,622	25,978	(65,710)	1,920
Balance as at January 1, 2020	22,030	19,622	25,978	-	67,630
Transfer between stage	13,735	(21,854)	8,119	-	-
Net remeasurement of loss allowance	(6,330)	24,970	11,893	-	30,533
New financial assets originated or purchased	7,408	208	758	-	8,374
Financial assets that have been derecognised	(3,861)	(4,732)	(21,537)	-	(30,130)
Balance as at December 31, 2020	32,982	18,214	25,211	-	76,407

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2020

Allowance for expected credit loss

Loans to customers measured at amortised cost	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Allowance for doubtful accounts	Total
Balance as at December 31, 2019	-	-	-	51,243	51,243
Impact of adoption of TFRS 9	15,922	15,462	20,156	(51,243)	297
Balance as at January 1, 2020	15,922	15,462	20,156	-	51,540
Transfer between stage	10,755	(14,086)	3,331	-	-
Net remeasurement of loss allowance	(3,304)	16,558	9,741	-	22,995
New financial assets originated or purchased	5,824	206	754	-	6,784
Financial assets that have been derecognised	(2,841)	(3,855)	(15,414)	-	(22,110)
Balance as at December 31, 2020	26,356	14,285	18,568	-	59,209

Allowance for doubtful accounts as at December 31, 2019 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2019

	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	12,418	6,375	5,148	2,787	13,322	19,741	59,791
Doubtful accounts	1,496	3,276	7,990	5,921	5,294	3,186	27,163
Bad debts written off	(138)	(1,852)	(6,829)	(5,487)	(6,444)	(100)	(20,850)
Bad debts written off from sales of NPLs	-	-	-	-	(298)	-	(298)
Others	(18)	-	(3)	(4)	(3)	(68)	(96)
Ending balance	13,758	7,799	6,306	3,217	11,871	22,759	65,710

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2019

	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	10,911	5,811	3,494	2,409	11,457	11,614	45,696
Doubtful accounts	999	3,273	3,023	6,152	2,282	2,913	18,642
Bad debts written off	(138)	(1,852)	(2,199)	(5,487)	(3,120)	-	(12,796)
Bad debts written off from sales of NPLs	-	-	-	-	(298)	-	(298)
Others	-	-	-	-	-	(1)	(1)
Ending balance	11,772	7,232	4,318	3,074	10,321	14,526	51,243

The Bank and its subsidiaries recorded allowance for expected credit loss / allowance for doubtful accounts in the financial statements as follows:

	<b>Allowance for expected credit loss*</b> <b>2020</b>	<b>Unit: Million Baht Allowance for doubtful accounts** 2019</b>
Consolidated financial statements	79,981	67,715
The Bank and Krungsri Ayudhya AMC Limited	62,261	52,016
The Bank's financial statements	61,997	51,729

\* Such allowance for expected credit loss consists of allowance for expected credit loss for loans to customers and accrued interest receivables, allowance for expected credit loss for interbank and money market items and allowance for expected credit loss for loan commitments and financial guarantee contracts.

\*\* Such allowance for doubtful accounts consists of allowance for doubtful accounts for loans to customers and accrued interest receivables, allowance for doubtful accounts for interbank and money market items and revaluation allowance for debt restructuring.

As at December 31, 2020 and 2019, the Bank and its subsidiaries had loans to customers and accrued interest receivables to companies which have certain problems in financial position and result of operations as defined in the Guideline of SET dated July 8, 1998 regarding the disclosure of asset quality and related party transactions and the allowance for such loans as follows:

				Unit: Million Baht
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS				
2020				
	Number	Outstanding Balance	Collateral	Allowance for Expected Credit Loss
Companies subject to be delisted by SET	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>

Unit: Million Baht				
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS				
2019				
	Number	Outstanding Balance	Collateral	Allowance for Doubtful Accounts
Companies subject to be delisted by SET	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>

## 7.10 Properties for sale, net

Properties for sale, net as at December 31, 2020 and 2019 are as follows:

CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties for Sale	Balance as at January 1, 2020	Acquisition	Disposition	Balance as at December 31, 2020
1. Assets acquired from debt repayment				
1.1 Immovable	3,543	329	(494)	3,378
1.2 Movable	1,237	21,363	(21,252)	1,348
Total	4,780	21,692	(21,746)	4,726
2. Others	283	116	(58)	341
Total properties for sale	5,063	21,808	(21,804)	5,067
<u>Less</u> Provision for impairment	(1,563)	(7,596)	7,458	(1,701)
Total properties for sale	<u>3,500</u>	<u>14,212</u>	<u>(14,346)</u>	<u>3,366</u>

CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties for Sale	Balance as at January 1, 2019	Acquisition	Disposition	Balance as at December 31, 2019
1. Assets acquired from debt repayment				
1.1 Immovable	3,702	232	(391)	3,543
1.2 Movable	1,208	16,477	(16,448)	1,237
Total	4,910	16,709	(16,839)	4,780
2. Others	160	176	(53)	283
Total properties for sale	5,070	16,885	(16,892)	5,063
<u>Less</u> Provision for impairment	(1,592)	(943)	972	(1,563)
Total properties for sale	<u>3,478</u>	<u>15,942</u>	<u>(15,920)</u>	<u>3,500</u>

THE BANK'S FINANCIAL STATEMENTS				
Type of Properties for Sale	Balance as at January 1, 2020	Acquisition	Disposition	Balance as at December 31, 2020
1. Assets acquired from debt repayment				
1.1 Immovable	2,232	330	(143)	2,419
1.2 Movable	1,100	19,580	(19,477)	1,203
Total	3,332	19,910	(19,620)	3,622
2. Others	282	116	(58)	340
Total properties for sale	3,614	20,026	(19,678)	3,962
<u>Less</u> Provision for impairment	(1,219)	(6,457)	6,378	(1,298)
Total properties for sale	<u>2,395</u>	<u>13,569</u>	<u>(13,300)</u>	<u>2,664</u>



Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
Type of Properties for Sale	Balance as at January 1, 2019	Acquisition	Disposition	Balance as at December 31, 2019
1. Assets acquired from debt repayment				
1.1 Immovable	2,210	226	(204)	2,232
1.2 Movable	975	14,495	(14,370)	1,100
Total	3,185	14,721	(14,574)	3,332
2. Others	160	176	(54)	282
Total properties for sale	3,345	14,897	(14,628)	3,614
<u>Less</u> Provision for impairment	(1,157)	(122)	60	(1,219)
Total properties for sale	<u>2,188</u>	<u>14,775</u>	<u>(14,568)</u>	<u>2,395</u>

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

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Immovable assets-Foreclosed assets				
Appraised by external appraisers	1,394	1,394	1,339	1,339
Appraised by internal appraisers	1,984	2,149	1,080	893
Total	<u>3,378</u>	<u>3,543</u>	<u>2,419</u>	<u>2,232</u>

## 7.11 Premises and equipment, net

Premises and equipment, net as at December 31, 2020 and 2019 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Balance as at January 1, 2020	Effect from adoption TFRS 16	Increase	Decrease	Other	Balance as at December 31, 2020
Land						
Cost	4,246	5	900	(11)	31	5,171
Appraisal increase (Year 2019)	9,434	-	-	(88)	-	9,346
Appraisal decrease (Year 2019)	(20)	-	-	-	-	(20)
Premises						
Cost	9,785	2,325	1,198	(340)	27	12,995
Appraisal increase (Year 2019)	16,305	-	-	(415)	-	15,890
Appraisal decrease (Year 2019)	(55)	-	-	-	-	(55)
Equipment	14,861	40	971	(833)	(29)	15,010
Leasehold improvement	3,375	-	253	(87)	-	3,541
Total	<u>57,931</u>	<u>2,370</u>	<u>3,322</u>	<u>(1,774)</u>	<u>29</u>	<u>61,878</u>
<u>Less</u> Accumulated depreciation						
Land	-	-	(3)	-	-	(3)
Premises						
- Cost	(4,987)	-	(1,360)	312	(24)	(6,059)
- Appraisal increase (Year 2019)	(12,456)	-	(311)	403	-	(12,364)
Equipment	(10,040)	-	(1,602)	605	10	(11,027)
Leasehold improvement	(2,093)	-	(284)	68	-	(2,309)
Total	<u>(29,576)</u>	<u>-</u>	<u>(3,560)</u>	<u>1,388</u>	<u>(14)</u>	<u>(31,762)</u>
Construction in progress	674	-	408	-	(1)	1,081
Premises and equipment, net	<u>29,029</u>					<u>31,197</u>

Unit: Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2019	Increase	Decrease	Other	Balance as at December 31, 2019
Land					
Cost	4,276	-	(30)	-	4,246
Appraisal increase (Year 2019)	7,061	2,485	(112)	-	9,434
Appraisal decrease (Year 2019)	(37)	-	17	-	(20)
Premises					
Cost	9,746	144	(75)	(30)	9,785
Appraisal increase (Year 2019)	11,624	4,917	(236)	-	16,305
Appraisal decrease (Year 2019)	(84)	-	29	-	(55)
Equipment	15,928	940	(1,944)	(63)	14,861
Leasehold improvement	3,191	218	(82)	48	3,375
Total	51,705	8,704	(2,433)	(45)	57,931
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(4,681)	(367)	53	8	(4,987)
- Appraisal increase (Year 2019)	(8,814)	(3,865)	224	(1)	(12,456)
Equipment	(10,256)	(1,681)	1,832	65	(10,040)
Leasehold improvement	(1,843)	(278)	72	(44)	(2,093)
Total	(25,594)	(6,191)	2,181	28	(29,576)
Construction in progress	128	548	-	(2)	674
Premises and equipment, net	26,239				29,029
Unit: Million Baht					
	2020	2019			
Depreciation for the years	3,560	2,605			

As at December 31, 2020 and 2019, the Bank and its subsidiaries had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 10,515 million and Baht 9,577 million, respectively.

As at December 31, 2020 and 2019, the Bank and its subsidiaries had equipment which are under right-of-use asset / finance leases, with the original costs amounting to Baht 4,236 million and Baht 1,090 million, respectively.

Land and premises of the Bank was revalued in 2019 by the independent professional qualified appraisers. The basis of revaluation for land and premises are market value and depreciated replacement cost. The fair value of land and premises are determined as level 3 hierarchy.

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS						
	Balance as at January 1, 2020	Effect from adoption TFRS 16	Increase	Decrease	Other	Balance as at December 31, 2020
Land						
Cost	4,246	5	(1)	(10)	43	4,283
Appraisal increase (Year 2019)	9,434	-	-	(88)	-	9,346
Appraisal decrease (Year 2019)	(20)	-	-	-	-	(20)
Premises						
Cost	9,785	1,930	922	(251)	31	12,417
Appraisal increase (Year 2019)	16,305	-	-	(415)	-	15,890
Appraisal decrease (Year 2019)	(55)	-	-	-	-	(55)
Equipment	10,797	772	726	(440)	(19)	11,836
Leasehold improvement	2,508	-	164	(72)	-	2,600
Total	53,000	2,707	1,811	(1,276)	55	56,297
<u>Less</u> Accumulated depreciation						
Land	-	-	(2)	-	-	(2)
Premises						
- Cost	(4,987)	-	(1,170)	232	(28)	(5,953)
- Appraisal increase (Year 2019)	(12,456)	-	(311)	403	-	(12,364)
Equipment	(7,735)	-	(1,435)	365	5	(8,800)
Leasehold improvement	(1,413)	-	(215)	53	-	(1,575)
Total	(26,591)	-	(3,133)	1,053	(23)	(28,694)
Construction in progress	666	-	391	-	-	1,057
Premises and equipment, net	27,075					28,660

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS					
	Balance as at January 1, 2019	Increase	Decrease	Other	Balance as at December 31, 2019
Land					
Cost	4,276	-	(30)	-	4,246
Appraisal increase (Year 2019)	7,061	2,485	(112)	-	9,434
Appraisal decrease (Year 2019)	(37)	-	17	-	(20)
Premises					
Cost	9,746	144	(75)	(30)	9,785
Appraisal increase (Year 2019)	11,624	4,917	(236)	-	16,305
Appraisal decrease (Year 2019)	(84)	-	29	-	(55)
Equipment	11,900	423	(1,542)	16	10,797
Leasehold improvement	2,383	173	(56)	8	2,508
Total	46,869	8,142	(2,005)	(6)	53,000
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(4,682)	(367)	53	9	(4,987)
- Appraisal increase (Year 2019)	(8,815)	(3,865)	224	-	(12,456)
Equipment	(8,009)	(1,250)	1,528	(4)	(7,735)
Leasehold improvement	(1,239)	(214)	45	(5)	(1,413)
Total	(22,745)	(5,696)	1,850	-	(26,591)
Construction in progress	123	543	-	-	666
Premises and equipment, net	24,247				27,075

Unit: Million Baht

	2020	2019
Depreciation for the years	3,133	2,110

As at December 31, 2020 and 2019, the Bank had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 8,365 million and Baht 7,525 million, respectively.

As at December 31, 2020 and 2019, the Bank had equipment which are under right-of-use asset / finance leases, with the original costs amounting to Baht 3,426 million and Baht 892 million, respectively.

## 7.12 Goodwill and other intangible assets, net

Goodwill and other intangible assets, net as at December 31, 2020 and 2019 are as follows:

					Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2020	Increase	Decrease	Other	Balance as at December 31, 2020
<b>Cost</b>					
Goodwill	12,355	-	-	(9)	12,346
Software	10,957	1,593	(57)	(1)	12,492
Other intangible assets	5,696	3	-	(1)	5,698
<b>Total</b>	<b>29,008</b>	<b>1,596</b>	<b>(57)</b>	<b>(11)</b>	<b>30,536</b>
<b>Accumulated amortization</b>					
Software	(7,057)	(1,296)	45	1	(8,307)
Other intangible assets	(5,028)	(151)	-	1	(5,178)
<b>Total</b>	<b>(12,085)</b>	<b>(1,447)</b>	<b>45</b>	<b>2</b>	<b>(13,485)</b>
<b>Allowance for impairment</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>
<b>Goodwill and other intangible assets, net</b>	<b>16,903</b>				<b>17,031</b>

					Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2019	Increase	Decrease	Other	Balance as at December 31, 2019
<b>Cost</b>					
Goodwill	12,539	-	-	(184)	12,355
Software	9,514	1,718	(266)	(9)	10,957
Other intangible assets	5,741	3	(38)	(10)	5,696
<b>Total</b>	<b>27,794</b>	<b>1,721</b>	<b>(304)</b>	<b>(203)</b>	<b>29,008</b>
<b>Accumulated amortization</b>					
Software	(6,217)	(1,104)	257	7	(7,057)
Other intangible assets	(4,915)	(154)	38	3	(5,028)
<b>Total</b>	<b>(11,132)</b>	<b>(1,258)</b>	<b>295</b>	<b>10</b>	<b>(12,085)</b>
<b>Allowance for impairment</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>
<b>Goodwill and other intangible assets, net</b>	<b>16,642</b>				<b>16,903</b>

	2020	2019
Amortization for the year	1,447	1,258

As at December 31, 2020 and 2019, the Bank and its subsidiaries had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 5,225 million and Baht 3,774 million, respectively.

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2020	Increase	Decrease	Balance as at December 31, 2020
<b>Cost</b>				
Goodwill	1,054	-	-	1,054
Software	8,969	1,368	(3)	10,334
Other intangible assets	19	-	-	19
<b>Total</b>	<b>10,042</b>	<b>1,368</b>	<b>(3)</b>	<b>11,407</b>
<b>Accumulated amortization</b>				
Software	(5,829)	(1,089)	3	(6,915)
Other intangible assets	(14)	-	-	(14)
<b>Total</b>	<b>(5,843)</b>	<b>(1,089)</b>	<b>3</b>	<b>(6,929)</b>
<b>Allowance for impairment</b>	<b>-</b>	<b>(485)</b>	<b>-</b>	<b>(485)</b>
<b>Goodwill and other intangible assets, net</b>	<b>4,199</b>			<b>3,993</b>

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2019	Increase	Decrease	Balance as at December 31, 2019
<b>Cost</b>				
Goodwill	1,054	-	-	1,054
Software	7,851	1,368	(250)	8,969
Other intangible assets	57	-	(38)	19
<b>Total</b>	<b>8,962</b>	<b>1,368</b>	<b>(288)</b>	<b>10,042</b>
<b>Accumulated amortization</b>				
Software	(5,147)	(924)	242	(5,829)
Other intangible assets	(48)	(4)	38	(14)
<b>Total</b>	<b>(5,195)</b>	<b>(928)</b>	<b>280</b>	<b>(5,843)</b>
<b>Goodwill and other intangible assets, net</b>	<b>3,767</b>			<b>4,199</b>

Unit: Million Baht		
	2020	2019
Amortization for the year	1,089	928

As at December 31, 2020 and 2019, the Bank had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 4,434 million and Baht 3,072 million, respectively.

### 7.13 Deferred tax

Deferred tax assets and deferred tax liabilities as at December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Deferred tax assets	4,890	4,479	587	-
Deferred tax liabilities	(686)	(1,823)	-	(803)
Net	<u>4,204</u>	<u>2,656</u>	<u>587</u>	<u>(803)</u>

Movements of deferred tax assets and deferred tax liabilities during the years are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2020	Effect from adoption TFRS 9 and TFRS 16	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Others
Deferred tax assets					
Impairment of assets	347	(34)	51	(2)	-
Loans to customers and accrued interest receivables, net	5,374	200	(280)	-	(6)
Provisions	1,807	369	98	112	-
Others	909	33	56	54	(40)
Total	<u>8,437</u>	<u>568</u>	<u>(75)</u>	<u>164</u>	<u>(46)</u>
Deferred tax liabilities					
Asset appraisal surplus	2,657	-	(82)	-	-
Investments	155	37	(1)	68	-
Others	2,969	1	(970)	10	-
Total	<u>5,781</u>	<u>38</u>	<u>(1,053)</u>	<u>78</u>	<u>-</u>
Deferred tax assets, net	<u>2,656</u>	<u>530</u>	<u>978</u>	<u>86</u>	<u>(46)</u>

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2019	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Others	Balance at December 31, 2019
Deferred tax assets					
Impairment of assets	335	13	-	(1)	347
Loans to customers and accrued interest receivables, net	5,565	(186)	-	(5)	5,374
Provisions	1,421	180	206	-	1,807
Others	1,100	(276)	112	(27)	909
Total	<u>8,421</u>	<u>(269)</u>	<u>318</u>	<u>(33)</u>	<u>8,437</u>
Deferred tax liabilities					
Asset appraisal surplus	1,974	(81)	764	-	2,657
Investments	165	1	(11)	-	155
Others	2,012	959	-	(2)	2,969
Total	<u>4,151</u>	<u>879</u>	<u>753</u>	<u>(2)</u>	<u>5,781</u>
Deferred tax assets, net	<u>4,270</u>	<u>(1,148)</u>	<u>(435)</u>	<u>(31)</u>	<u>2,656</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2020	Effect from adoption TFRS 9 and TFRS 16	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income
Deferred tax assets				
Impairment of assets	252	(34)	101	(2)
Loans to customers and accrued interest receivables, net	1,364	-	(408)	-
Provisions	1,493	369	55	115
Others	487	33	(18)	35
Total	3,596	368	(270)	148
Deferred tax liabilities				
Asset appraisal surplus	2,657	-	(82)	-
Investments	155	32	(1)	43
Others	1,587	-	(1,136)	-
Total	4,399	32	(1,219)	43
Deferred tax assets (liabilities), net	(803)	336	949	105

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2019	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Balance at December 31, 2019
Deferred tax assets				
Impairment of assets	262	(10)	-	252
Loans to customers and accrued interest receivables, net	1,668	(304)	-	1,364
Provisions	1,233	105	155	1,493
Others	473	27	(13)	487
Total	3,636	(182)	142	3,596
Deferred tax liabilities				
Asset appraisal surplus	1,974	(81)	764	2,657
Investments	165	1	(11)	155
Others	1,241	346	-	1,587
Total	3,380	266	753	4,399
Deferred tax assets (liabilities), net	256	(448)	(611)	(803)

## 7.14 Other assets, net

Other assets, net as at December 31, 2020 and 2019 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020
Accrued income	2,450	2,733	1,270
Prepayment	1,122	1,754	742
Other receivables	9,326	10,982	6,696
Margin call to counterparty	8,906	6,344	8,906
Others	4,049	1,585	3,612
Total	25,853	23,398	21,226

## 7.15 Deposits

Deposits as at December 31, 2020 and 2019 are as follows:

### (1) Classified by product

	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>		<b>Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current deposit	41,711	37,336	42,889	38,279
Savings deposit	866,295	599,989	868,227	603,120
Time deposit				
- Less than 6 months	404,168	370,607	403,738	371,897
- 6 months and less than 1 year	64,812	88,673	61,386	86,877
- 1 year and over	457,519	470,280	442,983	458,607
Total	<u>1,834,505</u>	<u>1,566,885</u>	<u>1,819,223</u>	<u>1,558,780</u>

### (2) Classified by currency and residence of depositors

	<b>Unit: Million Baht CONSOLIDATED FINANCIAL STATEMENTS</b>					
	<b>2020</b>			<b>2019</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht	1,691,430	2,280	1,693,710	1,453,774	2,297	1,456,071
US Dollar	67,238	23,414	90,652	41,330	17,961	59,291
Other currencies	24,175	25,968	50,143	15,617	35,906	51,523
Total	<u>1,782,843</u>	<u>51,662</u>	<u>1,834,505</u>	<u>1,510,721</u>	<u>56,164</u>	<u>1,566,885</u>

	<b>Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS</b>					
	<b>2020</b>			<b>2019</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht	1,699,541	1,967	1,701,508	1,463,525	2,012	1,465,537
US Dollar	67,238	2,282	69,520	41,330	2,263	43,593
Other currencies	24,175	24,020	48,195	15,617	34,033	49,650
Total	<u>1,790,954</u>	<u>28,269</u>	<u>1,819,223</u>	<u>1,520,472</u>	<u>38,308</u>	<u>1,558,780</u>



## 7.16 Interbank and money market items (Liability)

Interbank and money market items (liability) as at December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
<b>Domestic items</b>				
Bank of Thailand and Financial Institution Development Fund	10,933	-	10,933	-
Commercial banks	41,921	41,830	37,418	38,825
Specialized financial institutions	24,896	5,244	14,828	5,244
Other financial institutions	17,643	10,575	22,431	18,370
Total domestic items	95,393	57,649	85,610	62,439
<b>Foreign items</b>				
US Dollar	141,406	188,952	137,604	187,716
Other currencies	6,771	5,520	1,760	1,922
Total foreign items	148,177	194,472	139,364	189,638
Total domestic and foreign items	243,570	252,121	224,974	252,077

## 7.17 Debt issued and borrowings

Debt issued and borrowings as at December 31, 2020 and 2019 are as follows:

Unit: Million Baht									
CONSOLIDATED FINANCIAL STATEMENTS									
	Currency	Interest rate (%)	Maturity	Domestic	2020 Foreign	Total	Domestic	2019 Foreign	Total
Subordinated									
debentures	THB	3.40 - 3.90	2027-2029	60,811	-	60,811	60,811	-	60,811
	USD	7.50 - 9.90	2022-2030	-	352	352	-	357	357
Senior debentures	THB	1.44 - 2.44	2021-2023	77,865	-	77,865	109,820	-	109,820
	USD	2.99	2026	-	2,103	2,103	-	-	-
	KHR	8.50	2021	-	713	713	-	710	710
Bill of exchange	THB	-	-	1	-	1	1	-	1
Structured note	THB	-	-	-	-	-	35	-	35
Other borrowings	THB	0.00 - 7.15	2021-2024	37	919	956	46	969	1,015
	USD	0.00 - 6.74	2021-2027	-	3,318	3,318	-	2,918	2,918
				138,714	7,405	146,119	170,713	4,954	175,667

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS									
	Currency	Interest rate (%)	Maturity	2020			2019		
				Domestic	Foreign	Total	Domestic	Foreign	Total
Subordinated									
debentures	THB	3.40 - 3.90	2027-2029	60,811	-	60,811	60,811	-	60,811
Senior debentures	THB	1.44 - 2.37	2021-2023	63,000	-	63,000	78,111	-	78,111
	USD	2.99	2026	-	2,102	2,102	-	-	-
Bill of exchange	THB	-	-	1	-	1	1	-	1
Structured note	THB	-	-	-	-	-	35	-	35
Other borrowings	THB	0.00	2023-2024	37	-	37	46	-	46
				<u>123,849</u>	<u>2,102</u>	<u>125,951</u>	<u>139,004</u>	<u>-</u>	<u>139,004</u>

Additional information on debts issued and borrowings is as follows:

1. On August 11, 2016, the Bank issued subordinated debentures No. 1/2016 in amount of Baht 10,000 million for a 10-year and 6-month tenor at the fixed interest rate of 3.5% per annum, payable quarterly in February, May, August and November of each year. The Bank has the right to redeem subordinated debentures on any interest payment date after the fifth anniversary subject to the approval of the BOT.
2. On May 24, 2017, the Bank issued subordinated debentures No. 1/2017 in amount of Baht 17,007 million for a 10-year and 6-month tenor at the fixed interest rate of 3.9% per annum, payable quarterly in February, May, August and November of each year. The Bank has the right to redeem subordinated debentures on any interest payment date after the fifth anniversary subject to the approval of the BOT.
3. On November 17, 2017, the Bank issued subordinated debentures No. 2/2017 in the amount of Baht 14,978 million for a 10-year tenor at the fixed interest rate of 3.4% per annum, payable quarterly in February, May, August, and November of each year. The Bank has the right to redeem subordinated debentures on the fifth anniversary of the issued date or any interest payment date thereafter subject to the approval of the BOT.
4. On June 14, 2019, the Bank issued subordinated debentures No. 1/2019 in the amount of Baht 18,826 million for a 10-year tenor at the fixed interest rate of 3.8% per annum, payable quarterly in March, June, September, and December of each year. The Bank has the right to redeem subordinated debentures on the fifth anniversary of the issued date or any interest payment date thereafter subject to the approval of the BOT.

## 7.18 Provisions

Provisions for the years ended December 31, 2020 and 2019 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Balance at January 1, 2019	Increase (Decrease)	Balance at December 31, 2019	Effect from TFRS 9 adoption	Increase (Decrease)	Balance at December 31, 2020
Allowance for expected credit loss for loan commitments and financial guarantee contracts	1,343	(798)	545	2,670	(90)	3,125
Provision for post-employment benefits obligation	5,617	2,583	8,200	-	967	9,167
Others	804	168	972	-	114	1,086
Total	7,764	1,953	9,717	2,670	991	13,378

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	Balance at January 1, 2019	Increase (Decrease)	Balance at December 31, 2019	Effect from TFRS 9 adoption	Increase (Decrease)	Balance at December 31, 2020
Allowance for expected credit loss for loan commitments and financial guarantee contracts	1,343	(798)	545	1,845	(49)	2,341
Provision for post-employment benefits obligation	4,871	2,018	6,889	-	864	7,753
Others	654	77	731	-	40	771
Total	6,868	1,297	8,165	1,845	855	10,865

### Post-employment benefits obligation

The Bank and its subsidiaries operate post-employment benefits plans under the Thai Labor Protection Act, which are considered as unfunded defined benefit plans. These plans are recognized as provision in the statement of financial position.

Movements in the present value of the defined benefits obligation for the years ended December 31, 2020 and 2019 are as follows:

	Unit: Million Baht			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Opening defined benefits obligation	8,200	5,617	6,889	4,871
Past service cost	-	1,125	-	918
Current service cost	657	516	515	412
Interest cost	134	183	112	155
Actuarial (gains) losses				
- Experience	209	113	222	39
- Demographic assumptions	95	(46)	71	(35)
- Financial assumptions	258	964	283	768
Benefit paid	(366)	(269)	(336)	(238)
Transfer in (out) employee from subsidiaries	(1)	(3)	10	(1)
Past service cost curtailments	(19)	-	(13)	-
Closing defined benefit obligation	9,167	8,200	7,753	6,889

On April 5, 2019, the Labor Protection Act (No. 7) B.E. 2562 announced in the Royal Gazette and is effective on May 5, 2019 onwards. This new Thai labor law amend the amount of severance pay for an employee who has worked at least 20 years in accordance with the entity's working rules and regulations to be increased to 400 days at the employee's last wage rate which impact on the post-employee benefit plan. The Bank and its subsidiaries have considered to amend the post-employee benefit plan and recognize the increase of the post-employment benefit obligation as at the financial reporting date and the increase in such severance pay of Baht 1,125 million and Baht 918 million as the expense for the year ended December 31, 2020, in the consolidated financial statements and the Bank's financial statements, respectively.

Actuarial (gains) losses are recognized in other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Included in retained earnings:				
As at 1 January	1,279	248	974	202
Recognized during the years	562	1,031	576	772
As at 31 December	<u>1,841</u>	<u>1,279</u>	<u>1,550</u>	<u>974</u>

Amounts recognized in the statements of profit or loss and other comprehensive income in respect of the defined benefit plans for the years ended December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Past service cost	-	1,125	-	918
Current service cost	657	516	515	412
Interest on obligation	134	183	112	155
	<u>791</u>	<u>1,824</u>	<u>627</u>	<u>1,485</u>

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2020 and 2019 are as follows:

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2020	2019
Financial assumptions		
Discount rate	0.51% - 2.98%	1.7% - 2.8%
Salary increase rate	6.0%	6.0%
Retirement age	55 and 60 years	55 and 60 years

Significant actuarial assumptions - Impact on increase (decrease) in defined benefit obligation as at December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Discount rate - 1% increase	(868)	(761)	(697)	(606)
Discount rate - 1% decrease	991	884	788	700
Salary increase rate - 1% increase	1,230	1,131	1,036	956
Salary increase rate - 1% decrease	(1,099)	(1,009)	(931)	(858)

Unit: Million Baht

## 7.19 Other liabilities

Other liabilities as at December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Accrued expenses	12,221	17,620	9,372	13,963
Tax payable	4,710	4,520	2,064	2,081
Deposit	3,203	2,954	854	1,126
Unearned income from customer				
loyalty program	3,118	3,079	-	-
Other payables	12,540	10,873	7,165	5,748
Margin call from counterparty	4,507	1,821	4,507	1,821
Others	3,088	3,356	2,863	2,410
Total	<u>43,387</u>	<u>44,223</u>	<u>26,825</u>	<u>27,149</u>

Unit : Million Baht

## 7.20 Advances received from electronic transactions

According to BOT's Notification No. Sor. Nor. Chor. 7/2561 regarding the "Regulations on Service Business Relating to Electronic Money (e-Money) Services" dated April 16, 2018, the Bank is required to disclose advances received from e-Money Services. As at December 31, 2020 and 2019, the Bank had advances received from e-Money Services, presented as other liabilities, amounting to Baht 137 million and Baht 74 million, respectively.

The BOT Notification No. Sor. Nor. Chor. 2/2562 regarding the "Regulations on Service Business Relating to Electronic Fund Transfer" dated December 20, 2019, the Bank is required to disclose cash advances received from electronic fund transfer transactions. As at December 31, 2020, the Bank had those advances received from electronic fund transfer transactions, presented as liabilities payable on demand amounting to Baht 1,388 million and other liabilities amounting to Baht 1,226 million.

The BOT Notification No. Sor. Nor. Chor. 8/2561 regarding the "Regulations on Service Business Relating to Electronic Fund Transfer" dated April 16, 2018, the Bank is required to disclose advances received from electronic fund transfer transactions. As of December 31, 2019, the Bank had those advances received from electronic fund transfer transactions, presented as liabilities payable on demand amounting to Baht 5 million and other liabilities amounting to Baht 560 million.

The bank has kept advance received from electronic transactions which is a part of cash in the statements of financial position as of December 31, 2020 in the amount of Baht 141 million.

## 7.21 Offsetting of financial assets and financial liabilities

- (1) Offsetting of financial assets and financial liabilities as at December 31, 2020 are as follows:

Unit: Million Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS				
	Gross amount	Gross amounts offset in statement of financial position	Net amount presented in statement of financial position	Amounts not offset in statement of financial position	Net amount
				Unqualified contractual offset amounts	Related financial collateral amount
<b>Financial assets:</b>					
Reverse repurchase agreements	422,293	-	422,293	-	422,293
Derivatives assets	28,963	-	28,963	13,646	3,693
Total	451,256	-	451,256	13,646	425,986
<b>Financial liabilities:</b>					
Repurchase agreements	36,496	-	36,496	-	36,496
Derivatives liabilities	27,102	-	27,102	13,646	8,606
Total	63,598	-	63,598	13,646	45,102

- (2) Reconciliation of offsetting transactions with line item in statement of financial position as at December 31, 2020 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	Net amount presented in the statement of financial position	Item in the statement of financial position	Notes	Carrying amount in the statement of financial position
<b>Financial assets:</b>				
Reverse repurchase agreements	422,293	Interbank and money market items, net (Asset)	7.3	523,385
Derivatives assets	28,963	Derivatives assets	7.5	30,445
Total	451,256			553,830
<b>Financial liabilities:</b>				
Repurchase agreements	36,496	Interbank and money market items (Liability)	7.16	243,570
Derivatives liabilities	27,102	Derivatives liabilities	7.5	32,941
Total	63,598			276,511

THE BANK'S FINANCIAL STATEMENTS					Unit: Million Baht
	Net amount presented in the statement of financial position	Item in the statement of statement of position	Notes	Carrying amount in the statement of financial position	Carrying amount of financial instruments not in scope of offsetting
<b>Financial assets:</b>					
		Interbank and money market items, net			
Reverse repurchase agreements	422,293	(Asset)	7.3	516,194	93,901
Derivatives assets	28,963	Derivatives assets	7.5	30,654	1,691
Total	<u>451,256</u>			<u>546,848</u>	<u>95,592</u>
<b>Financial liabilities:</b>					
		Interbank and money market items			
Repurchase agreements	36,496	(Liability)	7.16	224,974	188,478
Derivatives liabilities	27,102	Derivatives liabilities	7.5	33,118	6,016
Total	<u>63,598</u>			<u>258,092</u>	<u>194,494</u>

## 7.22 Fair value of Financial assets and Financial liabilities

Fair value is the price that would be received from sell an asset or paid for transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in the absence of a principal market, the most a liquid market where the Bank and its subsidiaries are able to access.

Fair value measurement of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 - Quoted price (unadjusted) in active market for identical assets or liabilities that the Bank and its subsidiaries can access at the measurement date
- Level 2 - Quoted price in active market for similar assets or liabilities, the quoted price for identical or similar assets in inactive market and other valuation technique where significant inputs used to measure the fair value are observable
- Level 3 - Using techniques where significant inputs used to measure the fair value are unobservable

A summary of carrying amount of financial assets and liabilities as at December 31, 2020 and 2019 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2020			2019		
	Measured at fair value	Not measured at fair value	Total carrying amount	Measured at fair value	Not measured at fair value	Total carrying amount
<b>Financial assets:</b>						
Cash	-	30,333	30,333	-	33,830	33,830
Interbank and money market items, net	-	523,385	523,385	-	331,431	331,431
Financial assets measured at fair value through profit or loss	786	-	786	-	-	-
Derivatives assets	30,421	24	30,445	21,838	3	21,841
Investments, net	155,639	6,461	162,100	104,926	13,414	118,340
Loans to customers and accrued interest receivables, net	-	1,765,623	1,765,623	-	1,754,976	1,754,976
<b>Total</b>	<b>186,846</b>	<b>2,325,826</b>	<b>2,512,672</b>	<b>126,764</b>	<b>2,133,654</b>	<b>2,260,418</b>
<b>Financial liabilities:</b>						
Deposits	-	1,834,505	1,834,505	-	1,566,885	1,566,885
Interbank and money market items	-	243,570	243,570	-	252,121	252,121
Liability payable on demand	-	5,607	5,607	-	3,802	3,802
Derivatives liabilities	30,477	2,465	32,942	19,221	4,105	23,326
Debt issued and borrowings	-	146,119	146,119	-	175,667	175,667
<b>Total</b>	<b>30,477</b>	<b>2,232,266</b>	<b>2,262,743</b>	<b>19,221</b>	<b>2,002,580</b>	<b>2,021,801</b>

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2020			2019		
	Measured at fair value	Not measured at fair value	Total carrying amount	Measured at fair value	Not measured at fair value	Total carrying amount
<b>Financial assets:</b>						
Cash	-	29,215	29,215	-	32,785	32,785
Interbank and money market items, net	-	516,194	516,194	-	325,690	325,690
Financial assets measured at fair value through profit or loss	736	-	736	-	-	-
Derivatives assets	30,630	24	30,654	21,893	3	21,896
Investments, net	149,079	6,461	155,540	104,923	12,985	117,908
Loans to customers and accrued interest receivables, net	-	1,609,830	1,609,830	-	1,612,854	1,612,854
<b>Total</b>	<b>180,445</b>	<b>2,161,724</b>	<b>2,342,169</b>	<b>126,816</b>	<b>1,984,317</b>	<b>2,111,133</b>
<b>Financial liabilities:</b>						
Deposits	-	1,819,223	1,819,223	-	1,558,780	1,558,780
Interbank and money market items	-	224,974	224,974	-	252,077	252,077
Liability payable on demand	-	5,606	5,606	-	3,802	3,802
Derivatives liabilities	30,654	2,464	33,118	19,221	4,104	23,325
Debt issued and borrowings	-	125,951	125,951	-	139,004	139,004
<b>Total</b>	<b>30,654</b>	<b>2,178,218</b>	<b>2,208,872</b>	<b>19,221</b>	<b>1,957,767</b>	<b>1,976,988</b>



## Financial assets and liabilities measured at fair value

Classification of financial assets and liabilities measured at fair value by the level of fair value hierarchy as at December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2020				THE BANK'S FINANCIAL STATEMENTS 2020			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	28	736	22	786	-	736	-	736
Derivatives assets	-	30,421	-	30,421	-	30,630	-	30,630
Investments in debt securities measured at fair value through other comprehensive income	-	148,792	-	148,792	-	143,641	-	143,641
Investments in equity securities designated at fair value through other comprehensive income	5,087	-	1,760	6,847	5,087	-	351	5,438
Derivative liabilities	-	30,477	-	30,477	-	30,654	-	30,654

	CONSOLIDATED FINANCIAL STATEMENTS 2019			THE BANK'S FINANCIAL STATEMENTS 2019		
	Fair value			Fair value		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Derivatives assets						
- trading book	-	21,838	21,838	-	21,893	21,893
Investments - trading	3	2,199	2,202	-	2,199	2,199
Investments						
- available-for-sale	5,377	97,347	102,724	5,377	97,347	102,724
Derivative liabilities						
- trading book	-	19,221	19,221	-	19,221	19,221

There are no transfers of financial assets and liabilities measured at fair value between level 1 and level 2 for the years ended December 31, 2020 and 2019.

Valuation technique for financial assets and liabilities measured at fair value are as follows:

#### Derivatives

The valuation techniques using to determine the fair value of derivatives is dependent on the type of instrument and available market data used to measure the fair value. These valuation techniques include discounted cash flow model, option pricing model and other standards model commonly used by market participants. The data used in the valuation is the observable input e.g. interest rate, forward exchange rate. Credit valuation adjustments are also made against the valuation of derivative products to reflect the possibility that the counterparty may default and the Bank may not receive the full market value of the transactions.

#### Investments

Investment in domestic debt securities listed in Thai Bond Market Association (“ThaiBMA”), discounted cash flow using ThaiBMA yield curve as the discounted rate to determine the fair value.

Equity securities traded in the SET, the fair value is determined by using the last bid price of SET.

Equity securities not listed in the SET, the fair value is determined by using the latest net book value of invested company.

Investment in unit trust not listed in SET, the fair value is determined by using the net asset value at the reporting date announced by the asset management company.

## Financial assets and liabilities not measured at fair value

Fair value of financial assets and liabilities which are not measured at fair value and their fair value hierarchy level classification is summarized as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					THE BANK'S FINANCIAL STATEMENTS				
	2020				Carrying amount	2020				Carrying amount
	Fair value					Fair value				
	Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value	Total fair value		Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value	Total fair value	
Financial assets:										
Cash	-	-	30,333	30,333	30,333	-	-	29,215	29,215	29,215
Interbank and money market items, net	-	-	523,385	523,385	523,385	-	-	516,194	516,194	516,194
Derivatives assets										
- dynamic hedge	24	-	-	24	24	24	-	-	24	24
Investments in debt securities measured at amortised cost	-	6,467	-	6,467	6,461	-	6,467	-	6,467	6,461
Loans to customers and accrued interest receivables, net	-	-	1,765,623	1,765,623	1,765,623	-	-	1,609,830	1,609,830	1,609,830
Total	24	6,467	2,319,341	2,325,832	2,325,826	24	6,467	2,155,239	2,161,730	2,161,724
Financial liabilities:										
Deposits	1,836,140	-	-	1,836,140	1,834,505	1,820,860	-	-	1,820,860	1,819,223
Interbank and money market items	-	-	243,570	243,570	243,570	-	-	224,974	224,974	224,974
Liability payable on demand	-	-	5,607	5,607	5,607	-	-	5,606	5,606	5,606
Derivatives liabilities										
- dynamic hedge	2,666	-	-	2,666	2,465	2,489	-	-	2,489	2,464
Debt issued and borrowings	140,642	5,197	2,141	147,980	146,119	125,688	-	2,141	127,829	125,951
Total	1,979,448	5,197	251,318	2,235,963	2,232,266	1,949,037	-	232,721	2,181,758	2,178,218

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					THE BANK'S FINANCIAL STATEMENTS				
	2019				Carrying amount	2019				Carrying amount
	Fair value			Total fair value		Fair value			Total fair value	
	Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value			Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value		
Financial assets:										
Cash	-	-	33,830	33,830	33,830	-	-	32,785	32,785	32,785
Interbank and money market items, net	-	-	331,431	331,431	331,431	-	-	325,690	325,690	325,690
Derivatives assets										
- banking book	33	-	-	33	3	33	-	-	33	3
Held to maturity and general investments	-	12,663	774	13,437	13,414	-	12,663	345	13,008	12,985
Loans to customers and accrued interest receivables, net	-	-	1,754,976	1,754,976	1,754,976	-	-	1,612,854	1,612,854	1,612,854
Total	33	12,663	2,121,011	2,133,707	2,133,654	33	12,663	1,971,674	1,984,370	1,984,317
Financial liabilities:										
Deposits	1,569,337	-	-	1,569,337	1,566,885	1,561,229	-	-	1,561,229	1,558,780
Interbank and money market items	-	-	252,121	252,121	252,121	-	-	252,077	252,077	252,077
Liability payable on demand	-	-	3,802	3,802	3,802	-	-	3,802	3,802	3,802
Derivatives liabilities										
- banking book	4,184	-	-	4,184	4,105	4,183	-	-	4,183	4,104
Debt issued and borrowings	171,504	4,870	2,193	178,567	175,667	139,709	-	2,193	141,902	139,004
Total	1,745,025	4,870	258,116	2,008,011	2,002,580	1,705,121	-	258,072	1,963,193	1,957,767

Valuation technique for financial assets and liabilities not measured at fair value are as follows:

Cash and interbank and money market items (assets)

The carrying amounts of cash and interbank and money market items (assets) presented in the statement of financial position are the approximated fair value.

Investments in debt securities measured at amortised cost

The carrying amount of investments in debt securities measured at amortised cost presented in the statement of financial position is the approximated fair value, except for investment in asset-backed security which fair value calculated based on discounted cash flows.

#### Held to maturity and general investments

The carrying amount of held to maturity and general investments presented in the statement of financial position is the approximated fair value, except for investment in asset-backed security which fair value calculated based on discounted cash flows.

#### Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables include variable interest rate loans, fixed rate loans with relatively short maturities and non-performing loans. Most loans carry a floating interest rate. The fair value is approximated by the outstanding balance of loans to customers and accrued interest receivables less allowance for expected credit loss/ allowance for doubtful accounts.

#### Deposits

The fair value of deposits is calculated based on discounted cash flows.

#### Interbank and money market items (liabilities)

The carrying amount of interbank and money market items (liabilities) presented in the statement of financial position is the approximated fair value.

#### Liabilities payable on demand

The carrying amount of liabilities payable on demand presented in the statement of financial position is the approximated fair value.

#### Debt issued and borrowings

The carrying amount of debt issued and borrowings presented in the statement of financial position is the approximated fair value, except for subordinated and long-term senior securities which fair values are based on the actual market prices and subordinated long-term senior securities and other borrowing of foreign subsidiary which fair value calculated based on discounted cash flows.

#### Derivatives

The valuation techniques using to determine the fair value of derivatives is dependent on the type of instrument and available market data used to measure the fair value. These valuation techniques include discounted cash flow model, option pricing model and other standards model commonly used by market participants. The data used in the valuation is the observable input e.g. interest rate, forward exchange rate. Credit valuation adjustments are also made against the valuation of derivative products to reflect the possibility that the counterparty may default and the Bank and its subsidiaries may not receive the full market value of the transactions.

## **7.23 Share capital**

### **7.23.1 Legal reserve**

Pursuant to the Public Limited Companies Act, the Bank must allocate to a reserve fund from the annual net profit, not less than five percent of the annual net profit deducted by the total accumulated loss brought forward (if any), until the reserve fund reaches an amount not less than ten percent of the registered capital. The reserve fund is not available for dividend distribution.

### **7.23.2 Dividend payment**

The Annual General Meeting of Shareholders No. 107 held on April 25, 2019, approved the dividend payment for the six-month period ended December 31, 2018 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.45 per share totaling Baht 3,310 million with payment date on May 23, 2019.

The Board of Directors' Meeting No. 8/2019 held on August 28, 2019, approved the interim dividend payment for the six-month period ended June 30, 2019 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.40 per share totaling Baht 2,942 million with payment date on September 26, 2019.

The Board of Directors' Meeting No. 3/2020 held on March 25, 2020, approved the interim dividend payment for the six-month period ended December 31, 2019 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.45 per share totaling Baht 3,310 million with payment date on April 23, 2020.

## **7.24 Assets with obligations and restrictions**

As at December 31, 2020 and 2019, government and state enterprise securities with book value of Baht 20,130 million and Baht 38,828 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

As at December 31, 2020 and 2019, the Bank and its subsidiaries had claim on security amounting to Baht 16,859 million and Baht 9,612 million, respectively.

As at December 31, 2020, time deposit placement at other bank of a subsidiary with book value of Baht 885 million is used as collateral for borrowing.

## 7.25 Contingencies

Contingencies as at December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Avals to bills	1,200	3,434	1,200	3,434
Guarantees of loans	2,455	2,513	2,455	2,513
Liability under unmatured import bills	1,401	1,216	1,401	1,216
Letters of credit	5,005	3,965	5,005	3,965
Other contingencies				
- Unused overdraft limit	5,276	5,107	5,276	5,107
- Unused credit line	48,261	39,623	49,203	42,994
- Other guarantees	52,219	53,297	52,219	53,297
- Others	17,123	68	17,123	68
Total	<u>132,940</u>	<u>109,223</u>	<u>133,882</u>	<u>112,594</u>

The Bank and its subsidiaries have entered into a long-term information technology service agreement, which will be expired in 2025 with a local company. As at December 31, 2020 and 2019, the Bank and its subsidiaries have commitments to pay in the amounts of Baht 2,375 million and Baht 3,030 million, respectively.

As at December 31, 2020 and 2019, the Bank and its subsidiaries have commitments to pay regarding the information technology services in the amount of Baht 2,100 million and Baht 1,366 million, respectively.

As at December 31, 2020 and 2019, the Bank has commitment payment in the amount of Baht 2,216 million and Baht 2,555 million as a result of entering to the construction agreement of the office building, respectively.

## **7.26 Related party transactions**

The Bank has business transactions with subsidiaries, joint ventures and related companies. These transactions are with companies that have shareholding and/or major shareholders and/or joint directors with the Bank and with related persons. Such loans to related party have the allowance for expected credit loss / allowance for doubtful accounts policy which comply with the same BOT regulations as those granted to other debtors.

According to the BOT's Notification Sor.Nor.Sor. 12/2561 regarding the "Regulations on Risk Supervision of Financial Business Group" dated May 22, 2018, the Bank is required to disclose the Inter-Group Transactions in the Financial Business Group Policy and the Risk Management for Inter-Group Transactions in the Financial Business Group Policy as follows:

### **1. The Inter-Group Transactions in the Financial Business Group Policy**

The inter-group transactions shall have the same conditions or criteria, including interest rate or service fee charged, as applied when the Bank conducts the transactions with general customers with the same risk level.

### **2. The Risk Management for Inter-Group Transactions in the Financial Business Group Policy**

The Bank manages risk for all inter-group transactions based on the Credit Risk Management for the Financial Business Policy which covers the key credit risk management processes, namely credit risk control, credit risk measurement, and credit risk monitoring, in accordance with the Bank's policy and the BOT's requirements.

Related party transactions are as follows:

- 7.26.1 Assets, liabilities and contingencies with key management personnel<sup>(\*)</sup> and the companies in which key management personnel and/or the Bank owned and the companies in which key management personnel and/or shareholders of the Bank have significant voting right either directly and indirectly, as at December 31, 2020 and 2019 are as follows:



Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS													
	2020												
	Interbank and money market items (Assets)	Investment	Loans and accrued interest receivables	Derivative assets	Premises and equipment, net	Other assets	Deposits	Interbank and money market items (Liabilities)	Derivative liabilities	Provisions	Other liabilities	Derivative (Notional amount)	Contingencies
<b>Parent company</b>													
MUFG Bank, Ltd.	33,712	-	-	3,136	-	4,030	-	132,495	7,077	-	605	412,778	3,929
<u>Less</u> Allowance for expected credit loss	(4)	-	-	-	-	-	-	-	-	-	-	-	-
Total	33,708	-	-	3,136	-	4,030	-	132,495	7,077	-	605	412,778	3,929
<b>Joint ventures</b>													
Ngern Tid Lor Public Company Limited (formerly Ngern Tid Lor Company Limited)	-	1,145	12,782	-	-	21	947	-	-	2	2	500	6
SB Finance Company, Inc.	-	-	-	-	-	2	-	-	-	-	-	-	-
Tesco Lotus Money Services Limited	-	-	6,116	-	-	150	464	-	-	-	3	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	1	201	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	-	5	589	-	-	-	3	-	-
Total	-	1,145	18,898	-	-	179	2,201	-	-	2	8	500	6
<u>Less</u> Allowance for expected credit loss	-	-	(7)	-	-	-	-	-	-	-	-	-	-
Total	-	1,145	18,891	-	-	179	2,201	-	-	2	8	500	6
<b>Related companies having joint major shareholders or directors</b>	11	-	19,045	776	99	32	26,309	2,833	154	-	338	23,093	482
<u>Less</u> Allowance for expected credit loss	-	-	(129)	-	-	-	-	-	-	-	-	-	-
Total	11	-	18,916	776	99	32	26,309	2,833	154	-	338	23,093	482
<b>Individual and related parties</b>	-	-	347	-	7	-	1,973	-	-	-	943	-	-
<u>Less</u> Allowance for expected credit loss	-	-	(7)	-	-	-	-	-	-	-	-	-	-
Total	-	-	340	-	7	-	1,973	-	-	-	943	-	-
Total	33,719	1,145	38,147	3,912	106	4,241	30,483	135,328	7,231	2	1,894	436,371	4,417

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS											
	2019										
	Interbank and money market items (Assets)	Investment	Loans and accrued interest receivables	Derivative assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Derivative liabilities	Other liabilities	Derivative (Notional amount)	Contingencies
<b>Parent company</b>											
MUFG Bank, Ltd.	24,584	-	-	2,173	1,153	-	181,238	3,147	1,480	457,285	2,982
Total	24,584	-	-	2,173	1,153	-	181,238	3,147	1,480	457,285	2,982
<b>Joint ventures</b>											
Ngern Tid Lor Company Limited	-	1,171	20,515	-	19	355	-	-	5	-	6
Tesco Lotus Money Services Limited	-	-	8,842	-	437	746	-	-	3	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	5	172	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	20	548	-	-	2	-	-
Total	-	1,171	29,357	-	481	1,821	-	-	10	-	6
<u>Less</u> Allowance for doubtful accounts	-	-	(293)	-	-	-	-	-	-	-	-
Total	-	1,171	29,064	-	481	1,821	-	-	10	-	6
<b>Related companies having joint major shareholders or directors</b>	9	-	11,417	817	14	6,953	259	17	26	17,138	308
<u>Less</u> Allowance for doubtful accounts	-	-	(97)	-	-	-	-	-	-	-	-
Total	9	-	11,320	817	14	6,953	259	17	26	17,138	308
<b>Individual and related parties</b>	-	-	505	-	-	2,090	-	-	998	-	-
<u>Less</u> Allowance for doubtful accounts	-	-	(1)	-	-	-	-	-	-	-	-
Total	-	-	504	-	-	2,090	-	-	998	-	-
Total	24,593	1,171	40,888	2,990	1,648	10,864	181,497	3,164	2,514	474,423	3,296

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS													
	2020												
	Interbank and money market items (Assets)	Investment	Loans and accrued interest receivables	Derivative assets	Premises and equipment, net	Other assets	Deposits	Interbank and money market items (Liabilities)	Derivative liabilities	Provisions	Other liabilities	Derivative (Notional amount)	Contingencies
<b>Parent company</b>													
MUFG Bank, Ltd.	33,712	-	-	3,136	-	4,030	-	132,495	7,077	-	605	412,778	3,929
<u>Less</u> Allowance for expected credit loss	(4)	-	-	-	-	-	-	-	-	-	-	-	-
Total	33,708	-	-	3,136	-	4,030	-	132,495	7,077	-	605	412,778	3,929
<b>Subsidiaries</b>													
Ayudhya Development Leasing Company Limited	-	-	5,930	-	-	-	10	-	-	17	2	-	1
Ayudhya Capital Auto Lease Public Company Limited	-	-	495	-	-	416	808	-	-	-	246	-	-
Ayudhya Capital Services Company Limited	-	-	18,699	-	-	83	1,270	-	-	-	27	-	3
General Card Services Limited	-	-	9,923	-	-	52	475	-	-	-	2	-	-
Krungsriayudhya Card Company Limited	-	-	12,951	-	-	397	855	-	-	-	11	-	1
Siam Realty and Services Security Company Limited	-	-	360	-	711	1	84	-	-	1	758	-	-
Total Services Solutions Public Company Limited	-	-	-	-	-	-	678	-	-	-	8	-	-
Krungsri Asset Management Company Limited	-	-	-	-	-	98	-	1,872	-	-	1	-	-
Krungsri Ayudhya AMC Limited	-	-	-	-	-	-	2,513	-	-	-	24	-	35
Krungsri Securities Public Company Limited	-	-	-	-	-	2	3	2,917	-	-	7	-	-
Krungsri Nimble Company Limited	-	-	-	-	-	2	198	-	-	-	27	-	-
Krungsri Life Assurance Broker Limited	-	-	-	-	-	-	599	-	-	-	-	-	-
Krungsri General Insurance Broker Limited	-	-	-	-	-	-	392	-	-	-	-	-	-
Krungsri Leasing Services Company Limited	-	-	4,117	-	-	1	305	-	-	-	-	-	-
Hattha Bank Plc. (formerly Hattha Kaksekar Limited)	87	-	-	218	-	2	-	-	-	-	-	3,197	-
Krungsri Finnovate Company Limited	-	-	-	-	-	1	226	-	-	-	-	-	-
Krungsri Non-Deposit Taking Microfinance Institution Co.,Ltd.	-	-	-	-	-	-	9	-	-	-	-	-	-
Total	87	-	52,475	218	711	1,055	8,425	4,789	-	18	1,113	3,197	40
<u>Less</u> Allowance for expected credit loss	-	-	(42)	-	-	-	-	-	-	-	-	-	(1)
Total	87	-	52,433	218	711	1,055	8,425	4,789	-	18	1,113	3,197	39

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS (CONTINUED)													
	2020												
	Interbank and money market items (Assets)	Investment	Loans and accrued interest receivables	Derivative assets	Premises and equipment, net	Other assets	Deposits	Interbank and money market items (Liabilities)	Derivative liabilities	Provisions	Other liabilities	Derivative (Notional amount)	Contingencies
<b>Joint ventures</b>													
Ngern Tid Lor Public Company Limited (formerly Ngern Tid Lor Company Limited)	-	1,145	12,782	-	-	21	947	-	-	2	2	500	6
SB Finance Company, Inc.	-	-	-	-	-	2	-	-	-	-	-	-	-
Tesco Lotus Money Services Limited	-	-	6,116	-	-	20	464	-	-	-	3	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	-	201	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	-	-	589	-	-	-	-	-	-
Total	-	1,145	18,898	-	-	43	2,201	-	-	2	5	500	6
<u>Less</u> Allowance for expected credit loss	-	-	(7)	-	-	-	-	-	-	-	-	-	-
Total	-	1,145	18,891	-	-	43	2,201	-	-	2	5	500	6
<b>Related companies having joint major shareholders or directors</b>													
	11	-	19,045	776	-	8	26,309	2,833	154	-	236	23,093	482
<u>Less</u> Allowance for expected credit loss	-	-	(129)	-	-	-	-	-	-	-	-	-	-
Total	11	-	18,916	776	-	8	26,309	2,833	154	-	236	23,093	482
<b>Individual and related parties</b>													
	-	-	283	-	-	-	1,848	-	-	-	653	-	-
<u>Less</u> Allowance for expected credit loss	-	-	(5)	-	-	-	-	-	-	-	-	-	-
Total	-	-	278	-	-	-	1,848	-	-	-	653	-	-
Total	33,806	1,145	90,518	4,130	711	5,136	38,783	140,117	7,231	20	2,612	439,568	4,456

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS											
	2019										
	Interbank and money market items  (Assets)	Investment	Loans and accrued interest receivables	Derivative assets	Other assets	Deposits	Interbank and money market items  (Liabilities)	Derivative liabilities	Other liabilities	Derivative (Notional amount)	Contingencies
Parent company											
MUFG Bank, Ltd.	24,584	-	-	2,173	1,153	-	181,238	3,147	1,480	457,285	2,982
Total	24,584	-	-	2,173	1,153	-	181,238	3,147	1,480	457,285	2,982
Subsidiaries											
Ayudhya Development Leasing Company Limited	-	-	8,085	-	1	9	-	-	2	-	7
Ayudhya Capital Auto Lease Public Company Limited	-	-	6,494	-	296	1,127	-	-	304	-	-
Ayudhya Capital Services Company Limited	-	-	27,415	-	141	1,242	-	-	24	-	3
General Card Services Limited	-	-	13,762	-	70	606	-	-	2	-	-
Krungsriayudhya Card Company Limited	-	-	6,802	-	576	1,221	-	-	18	-	1
Siam Realty and Services Security Company Limited	-	-	500	-	1	78	-	-	45	-	-
Total Services Solutions Public Company Limited	-	-	-	-	-	1,530	-	-	15	-	-
Krungsri Asset Management Company Limited	-	-	-	-	86	-	5,571	-	105	-	-
Krungsri Ayudhya AMC Limited	-	-	-	-	1	2,037	-	-	42	-	35
Krungsri Securities Public Company Limited	-	-	-	-	2	3	2,224	-	5	-	-
Krungsri Nimble Company Limited	-	-	-	-	8	169	-	-	28	-	-
Krungsri Life Assurance Broker Limited	-	-	-	-	-	407	-	-	-	-	-
Krungsri General Insurance Broker Limited	-	-	-	-	-	313	-	-	1	-	-
Krungsri Leasing Services Company Limited	-	-	5,367	-	1	177	-	-	-	-	-
Hattha Kaksekar Limited	-	-	866	56	1,209	-	-	-	-	4,006	-
Krungsri Finnovate Company Limited	-	-	-	-	3	1,010	-	-	-	-	-
Total	-	-	69,291	56	2,395	9,929	7,795	-	591	4,006	46
Less Allowance for doubtful accounts	-	-	(691)	-	-	-	-	-	-	-	-
Total	-	-	68,600	56	2,395	9,929	7,795	-	591	4,006	46

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

	2019										
	Interbank and money market items (Assets)	Investment	Loans and accrued interest receivables	Derivative assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Derivative liabilities	Other liabilities	Derivative (Notional amount)	Contingencies
Joint ventures											
Ngern Tid Lor Company Limited	-	1,171	20,514	-	19	355	-	-	5	-	6
Tesco Lotus Money Services Limited	-	-	8,842	-	32	746	-	-	3	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	172	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	-	548	-	-	1	-	-
Total	-	1,171	29,356	-	51	1,821	-	-	9	-	6
<u>Less</u> Allowance for doubtful accounts	-	-	(293)	-	-	-	-	-	-	-	-
Total	-	1,171	29,063	-	51	1,821	-	-	9	-	6
Related companies having joint major shareholders or directors											
	9	-	11,416	817	-	6,953	259	17	23	17,138	308
<u>Less</u> Allowance for doubtful accounts	-	-	(97)	-	-	-	-	-	-	-	-
Total	9	-	11,319	817	-	6,953	259	17	23	17,138	308
Individual and related parties											
	-	-	405	-	-	1,858	-	-	712	-	-
Total	24,593	1,171	109,387	3,046	3,599	20,561	189,292	3,164	2,815	478,429	3,342

(\*) Key management personnel:

- Since December 1, 2020, key management means officers from the levels of Bank's Directors, Executive Vice President and higher.

- Prior December 1, 2020, key management means officers from the levels of Bank's Directors, Executive Vice President and higher, and Vice Presidents/ equivalent positions and higher in the Finance and Accounting Functions.

As at December 31, 2020 and 2019, the Bank charges interest rates to related parties at 1.00% - 25.00% p.a. and 1.00% - 25.05% p.a., respectively.

As at December 31, 2019, the allowance for doubtful accounts of loans granted to subsidiaries of Baht 691 million are not eliminated but treated as surplus reserve in the consolidated financial statements.

7.26.2 The Bank has investments in subsidiaries and joint ventures as disclosed in Note 7.7 and has investments in related companies as at December 31, 2020 and 2019 are as follows:

Unit: Million Baht					
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS					
2020					
	Business Type	Registered Share Capital	Ownership (%)	Investment Fair Value	Dividend Amount
<b>Related company</b>					
Allianz Ayudhya Capital Public Company Limited	Investment holding company	389	3.11	400	18
<b>Investment in related company, net</b>				<u>400</u>	<u>18</u>

Unit: Million Baht					
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS					
2019					
	Business Type	Registered Share Capital	Ownership (%)	Investment Cost	Dividend Amount
<b>Related company</b>					
Allianz Ayudhya Capital Public Company Limited	Investment holding company	385	3.15	186	9
Less Allowance for impairment				(3)	-
<b>Investment in related company, net</b>				<u>183</u>	<u>9</u>

7.26.3 Income and expenses between the Bank and its subsidiaries, joint ventures and related companies for the years ended December 31, 2020 and 2019 are as follows:

Unit: Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
2020				2019				
Income		Expenses		Income		Expenses		
Interest income	Non-interest income	Interest expenses	Non-interest expenses	Interest income	Non-interest income	Interest expenses	Non-interest expenses	
<b>Parent company</b>								
MUFG Bank, Ltd.	5	(3,755)	1,777	375	-	(3,127)	4,534	482
Total	5	(3,755)	1,777	375	-	(3,127)	4,534	482
<b>Joint ventures</b>								
Ngern Tid Lor Public Company Limited (formerly Ngern Tid Lor Company Limited)	494	163	8	4	536	100	-	8
Tesco Lotus Money Services Limited	159	556	-	(11)	151	595	-	(9)
Tesco Life Assurance Broker Company Limited	-	7	1	-	-	6	1	-
Tesco General Insurance Broker Limited	-	37	2	-	-	34	4	-
Total	653	763	11	(7)	687	735	5	(1)
<b>Related companies having joint major shareholders or directors</b>								
	235	87	59	263	254	476	71	290
Total	235	87	59	263	254	476	71	290
<b>Individual and related parties</b>								
	17	4	20	45	19	6	22	19
Total	910	(2,901)	1,867	676	960	(1,910)	4,632	790

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2020				2019			
	Income		Expenses		Income		Expenses	
	Interest income	Non-interest income	Interest expenses	Non-interest expenses	Interest income	Non-interest income	Interest expenses	Non-interest expenses
<b>Parent company</b>								
MUFG Bank, Ltd.	5	(3,755)	1,777	375	-	(3,127)	4,534	482
Total	5	(3,755)	1,777	375	-	(3,127)	4,534	482
<b>Subsidiaries</b>								
Ayudhya Development Leasing Company Limited	201	19	-	(7)	236	19	-	(8)
Ayudhya Capital Auto Lease Public Company Limited	96	1,589	6	833	287	1,403	6	824
Ngern Tid Lor Public Company Limited (formerly Ngern Tid Lor Company Limited)	-	-	-	-	104	10	-	-
Ayudhya Capital Services Company Limited	571	301	1	(66)	729	368	1	(73)
General Card Services Limited	201	33	1	(6)	261	35	-	(1)
Krungsriayudhya Card Company Limited	53	103	1	146	53	162	7	208
Siam Realty and Services Security Company Limited	6	7	12	516	12	8	-	557
Total Services Solutions Public Company Limited	-	2	7	43	-	2	20	46
Krungsri Asset Management Company Limited	-	955	(89)	9	-	934	78	12
Krungsri Ayudhya AMC Limited	-	5	2	(4)	-	5	2	(4)
Krungsri Securities Public Company Limited	-	14	13	2	-	22	26	7
Krungsri Nimble Company Limited	-	30	-	19	-	9	-	5
Krungsri Life Assurance Broker Limited	-	2	2	-	-	1	4	-
Krungsri General Insurance Broker Limited	-	1	1	-	-	1	5	-
Krungsri Leasing Services Company Limited	339	1	3	-	350	-	2	-
Hattha Bank Plc. (formerly Hattha Kaksekar Limited)	43	216	-	-	41	68	-	-
Krungsri Finnovate Company Limited	-	21	-	-	-	18	-	-
Total	1,510	3,299	(40)	1,485	2,073	3,065	151	1,573
<b>Joint ventures</b>								
Ngern Tid Lor Public Company Limited (formerly Ngern Tid Lor Company Limited)	494	46	8	4	536	42	-	8
Tesco Lotus Money Services Limited	159	30	-	(11)	151	33	-	(9)
Tesco Life Assurance Broker Limited	-	2	1	-	-	1	1	-
Tesco General Insurance Broker Limited	-	17	2	-	-	16	4	-
Total	653	95	11	(7)	687	92	5	(1)
<b>Related companies having joint major shareholders or directors</b>	235	75	59	181	254	468	71	214
Total	235	75	59	181	254	468	71	214
<b>Individual and related parties</b>	17	4	20	45	17	6	15	-
Total	2,420	(282)	1,827	2,079	3,031	504	4,776	2,268

7.26.4 For the years ended December 31, 2020 and 2019, compensations paid to key management personnel under TAS 24 “Related Party Disclosures” are as follows:

	Unit: Million Baht			
	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Short-term employee benefits	2,107	2,224	1,336	1,430
Post-employment benefits	69	68	46	46
Other long-term benefits	2	1	1	1
Total	2,178	2,293	1,383	1,477



- 7.26.5 For the years ended December 31, 2020 and 2019, related party transactions among subsidiaries included collection services and other services of Baht 848 million and Baht 954 million, respectively, and office and vehicle rental and facilities service of Baht 36 million and Baht 39 million, respectively.
- 7.26.6 For the year ended December 31, 2020, subsidiaries have no related party transactions from the information technology services and for the year ended December 31, 2019, subsidiaries had related party transactions from the information technology services of Baht 3 million, and for the years ended December 31, 2020 and 2019, a subsidiary had related party transactions with the Bank to provide the information technology services of Baht 157 million and Baht 28 million, respectively.
- 7.26.7 For the years ended December 31, 2020 and 2019, related party transactions among subsidiaries from other services were Baht 1,745 million and Baht 1,778 million, respectively.
- 7.26.8 For the year ended December 31, 2020, the expected credit loss of loans granted and loan commitments and financial guarantee contracts to subsidiaries are reversed of Baht 15 million and the expected credit loss of loans granted and loan commitments and financial guarantee contracts to joint ventures of Baht 9 million.
- 7.26.9 The Extraordinary General Meeting of Shareholders No. 1/2013, held on October 31, 2013, approved the integration of the Bank and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU's Bangkok Branch) by acquisition of the business of BTMU's Bangkok Branch and the entering into a Conditional Branch Purchase Agreement between the Bank as transferee and MUFG Bank, Ltd. (MUFG) as transferor and other related agreements which are asset acquisition and connected transactions.

From the date of the business transfer of BTMU's Bangkok Branch under the Conditional Branch Purchase Agreement, MUFG shall provide various services to the Bank as agreed between the Bank and MUFG prior to the transfer. Such services shall include existing services provided by MUFG to BTMU's Bangkok Branch and other services as necessary and appropriate to ensure continued service to BTMU's Bangkok Branch's customers after the transfer of the assets. The Bank and MUFG will also enter into a Master Service Agreement to provide various services to the Bank which will include but not be limited to (a) General Services Agreement (b) Trademark License Agreement (c) Software License Agreement (d) Other ancillary agreements as may be agreed between the parties under the Master Service Agreement.

From the date of the business transfer of BTMU's Bangkok Branch under the Conditional Branch Purchase Agreement until (1) the lapse of 10 years from the date of the transfer or (2) the date MUFG holds shares in the Bank less than 50 percent of all issued shares (whichever occurs later), the Bank may request for MUFG to provide funding assistance to the Bank and MUFG shall use its best efforts to provide such funding assistance after confirming that: (a) the price and condition for the funding assistance is on an Arm's Length Basis and is beneficial to both parties; (b) such funding assistance is aligned with the Bank's Asset and Liability Policy and Funding Policy; (c) such funding assistance complies with the legal requirements (including tax concerning transfer pricing). If MUFG agrees to provide funding assistance as requested by the Bank, the parties shall further agree on the type, amount, tenor and interest rate of such assistance.

On January 5, 2015, the Bank has entered into the borrowing agreement with MUFG under (1) Uncommitted Revolving Facility or (2) Interbank and Money Market Facility. Total facility amount is JPY 900,000 million.

#### **7.27 Management compensation**

The Bank and its subsidiaries have no special benefits given to the directors and executive officers beyond the general benefits made as usual, including contingency benefits from employment compensation agreements and other benefits for those persons.

The Bank and its subsidiaries did not sell, give or lease any properties to directors, executive officers, or their related parties, or did not purchase or lease any assets from those persons, except, during the years ended December 31, 2020 and 2019, the subsidiary had sold assets to managements in the amount of Baht 2 million and Baht 5 million with the book value of Baht 2 million and Baht 4 million, respectively.

## 7.28 Lease liabilities

Lease liabilities as at December 31, 2020 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2020	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2020
Within one year	1,040	1,104
One year to five years	1,464	1,546
Over five years	598	544
Total	3,102	3,194

Finance lease liabilities as at December 31, 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2019			Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2019		
	Principal	Interest	Payment	Principal	Interest	Payment
Within one year	214	14	228	164	12	176
One year to five years	525	15	540	426	14	440
Total	739	29	768	590	26	616

## 7.29 Operating segments

The business segment results are prepared based on the Bank and its subsidiaries' internal management reporting which reflects the organizational management structure. The operating results by business segment provided to Chief Operating Decision Maker to make decision about resources allocations, and assess the performance of operating segments. The operating segment results are measured in accordance with Thai Financial Reporting Standards, which are also adjusted in accordance with internal management accounting rules and practices. Amounts for each business segment are shown after the allocation of certain centralized costs, income from investment, and the application of transfer pricing, where appropriate. Transactions between segments are recorded on the same basis as the transaction conducted with the third party. Transactions between segments are eliminated on consolidation.

The business segments are described below:

**Retail:** provides individual customers with a diverse range of banking and related financial services. The products and services available to customers include current and savings accounts, fixed deposits, bill of exchange, housing loan, credit cards, personal loans and sale finance loans, hire-purchase and leasing, wealth management and bancassurance products.

**Commercial:** provides financial services and products to institutional clients including corporate, small and medium-sized businesses and financial institutions. Products and services comprise the full range of credit facilities from short term working capital, cash management, trade finance, transactional banking, advisory services, and treasury and money markets products.

Others: encompasses other income and expenses generating activities that are not attributed to the business segments described above.

During the years ended December 31, 2020 and 2019, no revenue from transactions with a single external customer or counter party amounted to 10% or more of the Bank's total revenue.

Operating segment by businesses for the years ended December 31, 2020 and 2019 are as follows:

Unit: Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
2020					
	Retail	Commercial	Others	Elimination	Total
Interest income, net	59,794	21,436	5	69	81,304
Other operating income	27,939	7,177	2,418	(4,851)	32,683
Total operating income	87,733	28,613	2,423	(4,782)	113,987
Operating expenses	35,307	11,039	6,664	(4,545)	48,465
Expected credit loss	31,264	5,493	(128)	15	36,644
Profit (loss) before tax	21,162	12,081	(4,113)	(252)	28,878
Taxation	3,901	2,200	(563)	-	5,538
Net profit (loss)	17,261	9,881	(3,550)	(252)	23,340

Unit: Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
2019					
	Retail	Commercial	Others	Elimination	Total
Interest income, net	55,816	20,565	10	32	76,423
Other operating income	31,088	7,662	11,040	(4,605)	45,185
Total operating income	86,904	28,227	11,050	(4,573)	121,608
Operating expenses	37,973	12,313	6,410	(4,527)	52,169
Impairment loss of loans and debt securities	22,483	2,818	2,902	-	28,203
Profit (loss) before tax	26,448	13,096	1,738	(46)	41,236
Taxation	5,065	2,478	561	-	8,104
Net profit (loss)	21,383	10,618	1,177	(46)	33,132

Unit: Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
	Retail	Commercial	Others	Elimination	Total
Total assets					
As at December 31, 2020	998,231	1,725,514	21,584	(135,955)	2,609,374
As at December 31, 2019	980,900	1,516,186	19,979	(157,473)	2,359,592

### 7.30 Position and results of operations classified by domestic and foreign business

#### (1) Position classified by type of business

Position classified by domestic and foreign business as at December 31, 2020 and 2019 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2020				
	Domestic	Foreign	Elimination	Total
Total assets	2,554,809	62,430	(7,865)	2,609,374
Interbank and money market items, net (Assets)	514,182	9,203	-	523,385
Financial assets measured at fair value through profit or loss	786	-	-	786
Investments, net*	176,435	30	-	176,465
Loans to customers and accrued interest receivable, net	1,720,318	45,305	-	1,765,623
Deposits	1,808,206	26,299	-	1,834,505
Interbank and money market items (Liabilities)	229,578	13,992	-	243,570
Debt issued and borrowings	140,816	5,303	-	146,119

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2019				
	Domestic	Foreign	Elimination	Total
Total assets	2,316,521	54,802	(11,731)	2,359,592
Interbank and money market items, net (Assets)	323,273	8,158	-	331,431
Investments, net*	130,291	1	-	130,292
Loans to customers and accrued interest receivable, net	1,715,933	39,043	-	1,754,976
Deposits	1,546,159	20,726	-	1,566,885
Interbank and money market items (Liabilities)	240,075	12,046	-	252,121
Debt issued and borrowings	170,454	5,213	-	175,667

\*Includes investments in subsidiaries and joint ventures, net

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2020				
	Domestic	Foreign	Elimination	Total
Total assets	2,457,094	6,982	(3,345)	2,460,731
Interbank and money market items, net (Assets)	512,743	3,451	-	516,194
Financial assets measured at fair value through profit or loss	736	-	-	736
Investments, net*	216,973	-	-	216,973
Loans to customers and accrued interest receivable, net	1,608,166	1,664	-	1,609,830
Deposits	1,816,649	2,574	-	1,819,223
Interbank and money market items (Liabilities)	223,999	975	-	224,974
Debt issued and borrowings	125,951	-	-	125,951

**Unit: Million Baht**  
**THE BANK'S FINANCIAL STATEMENTS**  
**2019**

	<b>Domestic</b>	<b>Foreign</b>	<b>Elimination</b>	<b>Total</b>
Total assets	2,230,734	8,101	(4,110)	2,234,725
Interbank and money market items, net (Assets)	321,811	3,879	-	325,690
Investments, net*	177,865	-	-	177,865
Loans to customers and accrued interest receivable, net	1,610,888	1,966	-	1,612,854
Deposits	1,556,087	2,693	-	1,558,780
Interbank and money market items (Liabilities)	250,836	1,241	-	252,077
Debt issued and borrowings	139,004	-	-	139,004

\*Includes investments in subsidiaries and joint ventures, net

**(2) Results of operations classified by business**

Results of operations classified by domestic and foreign business for the years ended December 31, 2020 and 2019 are as follows:

**Unit: Million Baht**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**2020**

	<b>Domestic</b>	<b>Foreign</b>	<b>Elimination</b>	<b>Total</b>
Interest income	102,469	5,978	(385)	108,062
Interest expenses	24,509	2,634	(385)	26,758
Net interest income	77,960	3,344	-	81,304
Fees and service income, net	17,393	171	-	17,564
Other operating income	20,732	(105)	(5,508)	15,119
Other operating expenses	52,009	1,964	(5,508)	48,465
Profit from operating before expected credit loss and income tax	64,076	1,446	-	65,522

**Unit: Million Baht**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**2019**

	<b>Domestic</b>	<b>Foreign</b>	<b>Elimination</b>	<b>Total</b>
Interest income	105,559	5,289	(393)	110,455
Interest expenses	32,230	2,195	(393)	34,032
Net interest income	73,329	3,094	-	76,423
Fees and service income, net	21,615	162	-	21,777
Other operating income	27,833	58	(4,483)	23,408
Other operating expenses*	82,845	2,010	(4,483)	80,372
Profit from operating before tax	39,932	1,304	-	41,236

\*Includes allowance for doubtful accounts

**Unit: Million Baht**  
**THE BANK'S FINANCIAL STATEMENTS**  
**2020**

	<b>Domestic</b>	<b>Foreign</b>	<b>Elimination</b>	<b>Total</b>
Interest income	76,142	133	-	76,275
Interest expenses	23,853	87	-	23,940
Net interest income	52,289	46	-	52,335
Fees and service income, net	8,409	15	-	8,424
Other operating income	14,571	30	(5,508)	9,093
Other operating expenses	39,957	56	(5,508)	34,505
Profit from operating before expected credit loss and income tax	35,312	35	-	35,347

**Unit: Million Baht**  
**THE BANK'S FINANCIAL STATEMENTS**  
**2019**

	<b>Domestic</b>	<b>Foreign</b>	<b>Elimination</b>	<b>Total</b>
Interest income	80,854	92	-	80,946
Interest expenses	31,655	44	-	31,699
Net interest income	49,199	48	-	49,247
Fees and service income, net	9,935	17	-	9,952
Other operating income	22,543	37	(4,483)	18,097
Other operating expenses*	58,468	80	(4,483)	54,065
Profit from operating before tax	23,209	22	-	23,231

\*Includes allowance for doubtful accounts

Income and expenses between the head office and branches or inter-branches are determined by the head office at the rate which approximates actual cost.

### 7.31 Interest income

Interest income for the years ended December 31, 2020 and 2019 are as follows:

	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>		<b>Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interbank and money market items	2,720	4,681	2,702	4,666
Investment and trading transactions	61	91	60	91
Investment in debt securities	1,561	2,279	1,561	2,284
Loans to customers	69,158	72,244	44,431	50,165
Hire purchase and finance lease	34,526	31,073	27,485	23,653
Other	36	87	36	87
Total interest income	108,062	110,455	76,275	80,946

### 7.32 Interest expenses

Interest expenses for the years ended December 31, 2020 and 2019 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Deposits	15,521	18,226	14,286	17,169
Interbank and money market items	2,603	4,168	1,823	3,940
Contributions to Financial Institution Development Fund and Deposit Protection Agency	4,011	7,089	4,011	7,089
Debt issued and borrowings				
- Subordinated debenture	2,271	2,447	2,244	1,514
- Other	2,251	1,968	1,505	1,917
Borrowing fee expense	-	74	-	23
Other	101	60	71	47
Total interest expenses	<u>26,758</u>	<u>34,032</u>	<u>23,940</u>	<u>31,699</u>

On April 9, 2020, the BOT announced to reduce the rate of contributions to Financial Institution Development Fund (FIDF) from 0.46% to 0.23% per year which is effective for the years 2020-2021. Therefore, the Bank has reduced FIDF fee with the rate of 0.23% per year for the year ended December 31, 2020.

### 7.33 Fees and service income, net

Fees and service income, net for the years ended December 31, 2020 and 2019 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Fees and service income				
- Acceptances, aval and guarantees	500	524	501	526
- Other	24,312	29,128	13,034	15,329
Total fees and service income	<u>24,812</u>	<u>29,652</u>	<u>13,535</u>	<u>15,855</u>
Fees and service expenses	<u>7,248</u>	<u>7,875</u>	<u>5,111</u>	<u>5,903</u>
Total fees and service income, net	<u>17,564</u>	<u>21,777</u>	<u>8,424</u>	<u>9,952</u>



### 7.34 Gains on financial instruments measured at fair value through profit or loss

Gains on financial instruments measured at fair value through profit or loss for the year ended December 31, 2020 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2020	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2020
Gains (losses) on trading and foreign exchange transactions		
- Foreign currency and derivative of currency	4,051	4,388
- Derivative of interest rates	67	108
- Debt securities	38	38
- Equity securities	(15)	(6)
Total	<u>4,141</u>	<u>4,528</u>
Gains on financial instruments designated at FVTPL		
- Net change in fair value of other	5	5
Gains (losses) on hedge accounting	<u>(34)</u>	<u>(34)</u>
Total	<u><u>4,112</u></u>	<u><u>4,499</u></u>

Gains on trading and foreign exchange transactions, net for the year ended December 31, 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2019	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2019
Gains (losses) on trading and foreign exchange transactions		
- Foreign currency and derivative of currency	4,232	4,216
- Derivative of interest rates	132	189
- Debt securities	69	69
- Equity securities	(83)	(6)
Total	<u><u>4,350</u></u>	<u><u>4,468</u></u>

### 7.35 Gains (losses) on investments, net

Gains (losses) on investments, net for the year ended December 31, 2020 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2020	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2020
Gains on derecognition of investments		
- Debt securities measured at FVOCI	109	109
Losses on impairments		
- Investments in subsidiaries	-	(720)
Total	109	(611)

Gains on investments, net for the year ended December 31, 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2019	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2019
Gains on sales of investments		
- Available-for-sale	607	607
- Investments in subsidiaries	8,625	5,019
	9,232	5,626
Losses on impairments		
- Investments in subsidiaries	-	(510)
Total	9,232	5,116

### 7.36 Expected credit loss

Expected credit loss (reversal) for the year ended December 31, 2020 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS 2020	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS 2020
Interbank and money market items	259	254
Investment in debt securities measured at fair value through other comprehensive income	7	7
Investment in debt securities measured at amortized cost (reversal)	(2)	(2)
Loans to customers and accrued interest receivable	36,470	25,143
Loan commitments and financial guarantees (reversal)	(90)	(50)
Total	36,644	25,352

Impairment loss on loans and debt securities (reversal) for the year ended December 31, 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS
	2019	2019
Interbank and money market items (reversal)	(117)	(117)
Impairment loss on debt instrument (reversal)	(12)	(12)
Loans to customers	27,163	18,641
Loss on troubled debt restructuring	1,169	113
Total	<u>28,203</u>	<u>18,625</u>

### 7.37 Income tax expenses

Income tax expenses for the years ended December 31, 2020 and 2019 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2020	2019	2020	2019
Current tax for the years	6,516	6,957	2,784	3,198
Deferred tax	(978)	1,148	(949)	448
Total income tax expenses	<u>5,538</u>	<u>8,105</u>	<u>1,835</u>	<u>3,646</u>

### Reconciliation of effective tax rate

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2020		2019		2020		2019	
	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)
Profit before tax	<u>28,878</u>		<u>41,236</u>		<u>9,995</u>		<u>23,231</u>	
Income tax at the domestic tax rate	5,776	20.00	8,247	20.00	1,999	20.00	4,646	20.00
<u>Add</u> Tax effect of income and expense that are not exempt for tax purposes	563	1.95	1,575	3.82	186	1.86	457	1.97
<u>Less</u> Tax effect of income and expense that are exempt for tax purposes	<u>(801)</u>	<u>(2.78)</u>	<u>(1,717)</u>	<u>(4.17)</u>	<u>(350)</u>	<u>(3.51)</u>	<u>(1,457)</u>	<u>(6.28)</u>
Income tax expenses as per statements of profit or loss and other comprehensive income	<u>5,538</u>	<u>19.17</u>	<u>8,105</u>	<u>19.65</u>	<u>1,835</u>	<u>18.35</u>	<u>3,646</u>	<u>15.69</u>

### 7.38 Income tax relating to components of other comprehensive income

Income tax relating to components of other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
2020			2019			
Amount before tax	Tax income (expenses)	Net amount After tax	Amount before tax	Tax income (expenses)	Net amount After tax	
Item that will be reclassified subsequently to profit or loss						
Gains on investment in debt instruments at fair value through other comprehensive income	303	(61)	242	-	-	-
Losses on cash flow hedges	(161)	32	(129)	-	-	-
Gains on remeasuring available-for-sale investment	-	-	-	10	(2)	8
Losses arising from translating the financial statements of a foreign operation	(91)	20	(71)	(702)	125	(577)
Share of other comprehensive income of joint venture	(6)	-	(6)	-	-	-
Item that will not be reclassified subsequently to profit or loss						
Gains on remeasuring investment in equity instruments designated at FVOCI	86	(17)	69	-	-	-
Change in assets revaluation surplus	-	-	-	3,821	(764)	3,057
Actuarial losses on defined benefit plans	(561)	112	(449)	(1,031)	206	(825)
Share of other comprehensive income of joint venture	(1)	-	(1)	(10)	-	(10)
Other comprehensive income	(431)	86	(345)	2,088	(435)	1,653

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2020			2019			
Amount before tax	Tax income (expenses)	Net amount After tax	Amount before tax	Tax income (expenses)	Net amount After tax	
Item that will be reclassified subsequently to profit or loss						
Gains on investment in debt instruments at fair value through other comprehensive income	303	(61)	242	-	-	-
Losses on cash flow hedges	(161)	32	(129)	-	-	-
Gains on remeasuring available-for-sale investment	-	-	-	10	(2)	8
Item that will not be reclassified subsequently to profit or loss						
Losses on remeasuring investment in equity instruments designated at FVOCI	(93)	19	(74)	-	-	-
Change in assets revaluation surplus	-	-	-	3,821	(764)	3,057
Actuarial losses on defined benefit plans	(576)	115	(461)	(772)	154	(618)
Other comprehensive income	(527)	105	(422)	3,059	(612)	2,447

### **7.39 The relief measures to alleviate the impact of COVID-19 outbreak on households and businesses announced by Bank of Thailand (BOT)**

#### The relief measures to alleviate the impact of COVID -19 Phase I

On February 28, 2020, the BOT announced the relief measures to classify non-NPL debtors with quality loans. In case of the bank believes that the debtor is able to proceed with the debt restructuring plan or debtors without a significant increase in credit risk, it will be classified debtors as Loan Stage 1 which are considered as a preventative debt restructuring (Pre-emptive) not considered as a Troubled Debt Restructuring (TDR) in accordance with the time frame during January 1, 2020 to December 31, 2021 as scheduled by the BOT.

In addition, the BOT has reduced the rate of contribution from financial institutions to the FIDF “the FIDF fee” from 0.46% to 0.23% per year for a period of 2 years including the relief measures for Mutual Fund Liquidity Facility (MFLF) as disclosed in Note 7.32 and 7.6, respectively.

#### The relief measures to alleviate the impact of COVID -19 Phase II

On June 19, 2020, the BOT announced the relief measures to alleviate the impact of COVID-19 Phase II as follows:

- 1) Interest ceiling cuts and reduce service fees and penalties (interest) related with credit cards and personal loans 2%-4% per annum, effective from August 1, 2020.
- 2) Extending the credit limit for debtors whose average monthly income is less than Baht 30,000 from 1.5 times to 2 times temporarily from August 1, 2020 to December 31, 2021.
- 3) Retail debtor relief measures phase II by expanding the scope and period of providing assistance to Non-NPL retail debtors as at March 1, 2020.

Corresponding to the Bank of Thailand’s policy rate cuts in support of customer relief measures and to alleviate the negative impacts on the economy due to COVID-19 outbreak, the Bank cut its key lending rates for four consecutive times on February 8, 2020, March 24, 2020, April 10, 2020, and May 21, 2020 in accordance with the BOT’s policy rate cuts and the other immediate relief measures for all customer segments included a grace period for principal and/or interest payments, a reduction of interest payment, as well as installment period extension. In particular, for SME customers, assistance as per the above-mentioned measures are being offered in addition to the BOT’s soft loan program.

The relief measures to alleviate the impact of COVID -19 in the third quarter of 2020

The BOT announced the relief measures to alleviate the impact of COVID-19 in the third quarter of 2020 as follows:

- 1) The debt consolidation measure to support retail customers through consolidating and restructuring of mortgage loan and other retail loans while offering interest rate reductions, effective from September 1, 2020 to December 31, 2021.
- 2) The DR BIZ Program to support corporate customers with aggregated credit lines of Baht 50 to 500 million. The program provides a mechanism for multi-creditors businesses to lessen their debt burdens, while ensuring that an effective coordination framework is in place among multiple creditors. The program is effective from September 1, 2020 to December 31, 2021.
- 3) The relief measures to assist SME customers under the payment holiday per the Royal Decree whose loans are due on October 22, 2020 which are more targeted measures by considering customers' payment ability. Moreover, the BOT's soft loan program is extended the effective period for 6 months.

As of December 31, 2020, the loans outstanding that have been received the relief measure program accounted for approximately Baht 496 billion, of which 12% is granted to Corporate segment, 33% is granted to SME and Business Banking segment, and 55% is granted to Retail Segment. For SME, additional credit line of Baht 20.9 billion were offered to 6,758 SME customers to boost their liquidity under the Bank of Thailand (BOT)'s and the Government Saving Bank's soft loan programs.

As aforementioned, the Bank and its subsidiaries are continuing to closely monitor and evaluate impact on the significant relief measures to alleviate the impact of COVID-19 outbreak announced by the BOT.

**7.40 Approval of financial statements**

These financial statements have been approved for issue by the Board of Directors on February 24, 2021.