

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
AND FINANCIAL STATEMENTS
EXPORT – IMPORT BANK OF THAILAND
FOR THE THREE – MONTH PERIOD AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(TRANSLATION)

(TRANSLATION)

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO : MINISTER OF FINANCE

The State Audit Office of the Kingdom of Thailand has reviewed the statement of financial position of the Export-Import Bank of Thailand, as at September 30, 2020, and the statement of profit or loss and other comprehensive income for the three-month and nine-month period ended September 30, 2020, statement of changes in equity and statement of cash flows for the nine-month period then ended, and the condensed notes to the financial statements. The Bank's management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard No. 34: Interim Financial Reporting. The responsibility of the State Audit Office of the Kingdom of Thailand is to express a conclusion on this interim financial information based on the review.

Scope of review

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

Conclusion

Based on the review, nothing has come to the attention that causes the State Audit Office of the Kingdom of Thailand to believe that the interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard No. 34: Interim Financial Reporting.

.....

(Ms. Kanitha Siriwathanatakul)

Director of Financial and

Procurement Audit Office No.3

.....

(Ms. Sunita Charounsilpa)

Auditor, Expert Level

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		Unit : Thousand Baht	
	Notes	September 30, 2020	December 31, 2019
		"Unaudited" "Reviewed"	"Audited"
<u>Assets</u>			
Cash		337	168
Interbank and money market items, net	7.3	7,970,246	2,972,888
Financial assets measured at fair value through profit or loss		920	-
Derivatives assets	7.4	439,281	549,269
Investments, net	7.5	4,196,035	2,493,157
Loans to customers and accrued interest receivables, net	7.6	116,081,066	111,055,181
Loans to customers from public service account and accrued interest receivables, net	7.32.2	660,252	-
Receivable eligible for government reimbursement	7.32.4	2,746	-
Properties for sale, net	7.9	315,071	310,878
Premises and equipment, net	7.10	821,752	799,068
Intangible assets, net	7.11	231,764	152,818
Reinsurance assets	7.12	422,345	237,310
Prepaid public revenue		-	203,200
Prepaid expenses		48,441	59,527
Other assets, net	7.13	107,481	13,339
Total assets		<u>131,297,737</u>	<u>118,846,803</u>

Notes to the interim financial statements are an integral part of these interim financial statements.

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		Unit : Thousand Baht	
	Notes	September 30, 2020	December 31, 2019
		"Unaudited"	"Audited"
		"Reviewed"	
Liabilities and Equity			
Deposits	7.14	43,567,497	32,812,593
Interbank and money market items	7.15	21,112,782	19,636,671
Liabilities payable on demand		263,404	462,609
Derivatives liabilities	7.4	545,475	84,282
Debt issued and borrowings	7.16	43,158,233	42,304,561
Provisions	7.17	727,769	395,099
Accrued interest payables		378,440	363,755
Reserves for insurance service	7.18	819,202	510,382
Other liabilities	7.19	737,742	852,116
Total liabilities		111,310,544	97,422,068
Equity			
Capital	7.20	12,800,000	12,800,000
Paid-up capital		12,800,000	12,800,000
Other components of equity		(2,323)	(886)
Retained earnings			
Appropriated			
Legal reserve		8,120,000	7,866,000
Unappropriated		(930,484)	759,621
Total equity		19,987,193	21,424,735
Total liabilities and equity		131,297,737	118,846,803

Notes to the interim financial statements are an integral part of these interim financial statements.

(Mrs. Wantana Mongkolsri)

Acting President

(Mrs. Wanpen Unchundacha)

Executive Vice President

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	Unit : Thousand Baht	
	<u>2020</u>	<u>2019</u>
Interest income	1,159,805	1,403,080
Interest expenses	372,528	571,888
Interest income, net	<u>787,277</u>	<u>831,192</u>
Fees and service income	130,895	104,070
Fees and service expenses	33,116	42,060
Fees and service income, net	<u>97,779</u>	<u>62,010</u>
Gains on financial instruments measured at fair value through profit or loss	15,040	-
Gains on trading and foreign exchange transactions	-	60,015
Loss on investments, net	-	(576)
Other operating income	6,444	14,044
Income from public service account	4,688	-
Total operating income	<u>911,228</u>	<u>966,685</u>
Other operating expenses		
Employee's expenses	275,404	308,003
Directors' remuneration	1,344	2,057
Premises and equipment expenses	32,028	29,479
Bad debt and doubtful accounts for insurance services	48,717	(1,291)
Loss on impairment of properties for sale	-	6,479
Doubtful account for contingent liabilities and other reserve	86,181	34,386
Others	59,307	70,189
Total other operating expenses	<u>502,981</u>	<u>449,302</u>
Expenses from public service account	6,999	-
Impairment loss of loans and debt securities	-	493,058
Expected credit losses	270,749	-
Net profit	<u>130,499</u>	<u>24,325</u>
Other comprehensive loss		
Item that will not be reclassified subsequently to profit or loss		
Loss on investments in equity designated to be measured at fair value through other comprehensive income	(1,341)	-
Total net other comprehensive loss	<u>(1,341)</u>	<u>-</u>
Total comprehensive income	<u>129,158</u>	<u>24,325</u>

Notes to the interim financial statements are an integral part of these interim financial statements.

(Mrs. Wantana Mongkolsri)
Acting President

(Mrs. Wanpen Unchundacha)
Executive Vice President

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
			Unit : Thousand Baht
Interest income	7.26	3,765,739	4,303,915
Interest expenses	7.27	1,291,491	1,662,774
Interest income, net		2,474,248	2,641,141
Fees and service income		356,480	286,316
Fees and service expenses		112,139	96,853
Fees and service income, net	7.28	244,341	189,463
Gains on financial instruments measured at fair value through profit or loss	7.29	60,584	-
Gains on trading and foreign exchange transactions		-	131,875
Loss on investments, net		-	(2,211)
Other operating income		21,060	42,655
Income from public service account	7.32.5	5,506	-
Total operating income		2,805,739	3,002,923
Other operating expenses			
Employee's expenses		827,628	814,111
Directors' remuneration		6,887	5,778
Premises and equipment expenses		100,109	82,248
Bad debt and doubtful accounts for insurance services	7.30	206,534	101,239
Loss on impairment of properties for sale		3,749	10,286
Doubtful account for contingent liabilities and other reserve		84,107	75,431
Others		165,493	194,547
Total other operating expenses		1,394,507	1,283,640
Expenses from public service account	7.32.6	8,791	-
Impairment loss of loans and debt securities		-	1,172,131
Expected credit losses	7.31	2,673,528	-
Net profit (loss)		(1,271,087)	547,152
Other comprehensive loss			
Item that will be reclassified subsequently to profit or loss			
Loss on remeasuring available-for-sale securities		-	(322)
Item that will not be reclassified subsequently to profit or loss			
Loss on investments in equity designated to be measured at fair value through other comprehensive income		(5,703)	-
Total net other comprehensive loss		(5,703)	(322)
Total comprehensive income (loss)		(1,276,790)	546,830

Notes to the interim financial statements are an integral part of these interim financial statements.

(Mrs. Wantana Mongkolsri)
Acting President

(Mrs. Wanpen Unchundacha)
Executive Vice President

"Unaudited"

"Reviewed"

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

Notes	Capital	Other Components of Equity	Appropriated Retained Earnings	Unit : Thousand Baht	
				Unappropriated Retained Earnings	Total
		Revaluation Surplus (Deficit) on Investments			
Balance as at January 1, 2019	12,800,000	(537)	7,183,000	1,191,803	21,174,266
Legal reserve	-	-	683,000	(683,000)	-
Remittance as the public revenue	-	-	-	(231,500)	(231,500)
Total comprehensive income	-	(322)	-	547,152	546,830
Balance as at September 30, 2019	12,800,000	(859)	7,866,000	824,455	21,489,596
Balance as at January 1, 2020	12,800,000	(886)	7,866,000	759,621	21,424,735
Cumulative effects of changes in accounting policies	4	4,266	-	87,775	92,041
Balance as at January 1, 2020 - as restated	12,800,000	3,380	7,866,000	847,396	21,516,776
Legal reserve	-	-	254,000	(254,000)	-
Remittance as the public revenue	7.21	-	-	(252,793)	(252,793)
Total comprehensive loss	-	(5,703)	-	(1,271,087)	(1,276,790)
Balance as at September 30, 2020	12,800,000	(2,323)	8,120,000	(930,484)	19,987,193

Notes to the interim financial statements are an integral part of these interim financial statements.

(Mrs. Wantana Mongkolsri)

Acting President

(Mrs. Wanpen Unchundacha)

Executive Vice President

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	Unit : Thousand Baht	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Net profit (loss)	(1,271,087)	547,152
Adjustments to reconcile net profit to cash received (paid) from operating activities		
Depreciation and amortization	59,547	42,360
Bad debts and doubtful accounts	-	1,140,723
Expected credit losses	2,719,001	-
Loss on debt restructuring	-	36,970
Gain on disposal of assets	(903)	(251)
Gain on financial instruments measured at fair value through profit or loss	(23,711)	-
Loss on impairment of properties for sale	3,749	10,286
Loss (Gain) on foreign currency translation	435,039	(1,092,442)
Derivative revaluation	(251,958)	(113,094)
Loss on impairment of investments	-	2,211
Discount of premium on debt securities	(5,883)	(6,705)
Increase in provisions	109,506	64,457
Bad debts and provision for other receivables	-	72,202
Bad debt and doubtful accounts for insurance services	206,534	101,239
Decrease (Increase) in accrued income	(2,267)	6,994
Decrease in other prepaid expenses	12,692	5,408
Decrease in other accrued expenses	(23,075)	(20,308)
	1,967,184	797,202
Interest income, net	(2,477,816)	(2,641,141)
Dividend income	(10)	(481)
Proceeds from interest income	3,468,724	4,192,835
Interest paid	(1,281,423)	(1,632,854)
Proceeds from dividend income	10	481
Income from operations before changes in operating assets and liabilities	1,676,669	716,042
(Increase) Decrease in operating assets		
Interbank and money market items	(4,983,106)	(1,054,757)
Loans to customers	(5,165,440)	(2,603,060)
Properties for sale	14,058	35,944
Reinsurance assets	(41)	-
Other assets	(148,686)	(103,046)

Notes to the interim financial statements are an integral part of these interim financial statements.

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

	Unit : Thousand Baht	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase (Decrease) in operating liabilities		
Deposits	10,731,424	(4,861,436)
Interbank and money market items	1,278,217	(235,744)
Liabilities payable on demand	(197,930)	276,889
Short-term debt issued and borrowings	6,500,000	-
Other liabilities	3,924	(195,486)
Net cash from operating activities	9,709,089	(8,024,654)
Cash flows from investing activities		
Purchases of debt securities measured at amortized cost	(7,724,000)	-
Proceeds from disposal of debt securities measured at amortized cost	6,024,000	-
Purchases of held-to-maturity debt securities	-	(2,400,000)
Proceeds from redemption of held-to-maturity debt securities	-	2,650,000
Purchases of premises and equipment	(59,238)	(22,285)
Proceeds from disposal of premises and equipment	988	289
Purchases of intangible assets	(90,678)	(33,476)
Net cash from investing activities	(1,848,928)	194,528
Cash flows from financing activities		
Proceeds from long-term debt issued and borrowings	2,018,667	10,550,468
Repayments of long-term debt issued and borrowings	(9,823,811)	(2,487,901)
Repayments of lease liabilities	(5,255)	-
Remittance as the public revenue	(49,593)	(231,500)
Net cash from financing activities	(7,859,992)	7,831,067
Net increase in cash and cash equivalents	169	941
Cash and cash equivalents at the beginning of the period	168	183
Cash and cash equivalents at the end of the period	337	1,124

Notes to the interim financial statements are an integral part of these interim financial statements.

(Mrs. Wantana Mongkolsri)
Acting President

(Mrs. Wanpen Unchundacha)
Executive Vice President

EXPORT-IMPORT BANK OF THAILAND
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(UNAUDITED/REVIEWED)

Notes	Contents	Page
1	General Information	11
2	Basis of Preparation of the Financial Statements	11
3	Summary of Significant Accounting Policies	15
4	Cumulative Effects of Changes in Accounting Policies due to the Adoption of New Financial Reporting Standards	22
5	Capital Adequacy under the Ministerial Regulations and Basel II Standard	25
6	Estimates and Assumptions	27
7	Additional Information	
7.1	Supplementary Information of Cash Flows	27
7.2	Classification of Financial Assets and Liabilities	28
7.3	Interbank and Money Market Items, Net (Assets)	29
7.4	Derivatives	30
7.5	Investments, Net	32
7.6	Loans to Customers and Accrued Interest Receivables, Net	34
7.7	Allowance for Expected Credit Losses / Allowance for Doubtful Accounts	37
7.8	Revaluation Allowance for Debt Restructuring	38
7.9	Properties for Sale, Net	39
7.10	Premises and Equipment, Net	40
7.11	Intangible Assets, Net	41
7.12	Reinsurance Assets	41
7.13	Other Assets, Net	41
7.14	Deposits	42
7.15	Interbank and Money Market Items (Liabilities)	42
7.16	Debt Issued and Borrowings	43
7.17	Provisions	43
7.18	Reserves for Insurance Service	45

EXPORT-IMPORT BANK OF THAILAND
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(UNAUDITED/REVIEWED)

Notes	Contents	Page
7.19	Other Liabilities	46
7.20	Capital	46
7.21	Remittance as the Public Revenue	46
7.22	Contingent Liabilities	47
7.23	Other Benefits to Directors and Executives	47
7.24	Leases	47
7.25	Financial Position and Operational Performance Classified by Domestic and Foreign Operations	48
7.26	Interest Income	50
7.27	Interest Expenses	50
7.28	Fees and Service Income, Net	50
7.29	Gains on Financial Instruments Measured at Fair Value Through Profit or Loss	51
7.30	Bad Debt and Doubtful Accounts for Insurance Services	51
7.31	Expected Credit Losses	51
7.32	Public Service Account	52
7.33	Fair value of Assets and Liabilities	54
7.34	Events after the Reporting Period	55
7.35	Approval of the Interim Financial Statements	55

EXPORT-IMPORT BANK OF THAILAND
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(UNAUDITED/REVIEWED)

1. GENERAL INFORMATION

Export-Import Bank of Thailand (the Bank) was established by the Export-Import Bank of Thailand Act, 1993 (B.E. 2536), as amended (Act), with the objective to promote and support export, imports, and investment, both domestic and overseas, for the purpose of national development by providing credit facilities, guarantee, risk insurance or other necessary services under the provisions of this Act. The Bank's head office is located at 1193 Phaholyothin Road, Phayathai, Phayathai, Bangkok.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation of the Interim Financial Statements

The interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 : Interim Financial Reporting, covering the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows as those of annual financial statements and notes on only material item.

The interim financial statements are prepared to provide an update on the financial statements for the year ended December 31, 2019. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2019.

The interim financial statements have been prepared in conformity with generally accepted accounting principles as prescribed in the Accounting Act, 2000 (B.E. 2543), presented and disclosed in accordance with the Notification, issued by the Bank of Thailand, No. SorNorSor. 21/2561 dated October 31, 2018, regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups. Staging for impairment and allowance for expected credit loss is considered in accordance with the Bank of Thailand's circular No. TorPorTor.ForKorChor.(72) Vor.277/2563 dated February 28, 2020, regarding Guidelines on Providing Assistance to Borrowers Adversely Affected by the Current Economic Circumstances and the Bank of Thailand's circular No.TorPorTor.ForNorSor.(01) Vor.380/2563 dated March 26, 2020, regarding Additional Relief Measures for Borrowers affected by the COVID-19 Pandemic. The Federation of Accounting Professions under the Royal Patronage of His Majesty the King has announced an Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Affected by Situations that Affect the Thai Economy. Its objectives are to provide temporary relief measures for entities providing assistance to debtors affected by the situation that affect the Thai economy in accordance with the assistance measures of government and the Bank of Thailand, which the Bank has complied with all the temporary relief measures specified in this guidance.

2.2 Thai Financial Reporting Standards (TFRS) Effective in Current Period

Thai Financial Reporting Standards (TFRS), effective for the financial statements beginning on or after January 1, 2020, consist of 7 new TFRSs, which are TAS 32 Financial Instruments: Presentation, TFRS 7 Financial Instruments: Disclosures, TFRS 9 Financial Instruments, TFRS 16 Leases, TFRIC 16 Hedges of a Net Investment in a Foreign Operation, TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments and TFRIC 23 Uncertainty over Income Tax Treatments, and 51 revised TFRSs, mostly amended the reference of the version of the standards and wording to be in line with TFRS 16 without any significant changes in the standards, and 2 TFRSs that may be relevant to other countries in which Thai entities operate in that country.

TFRSs that are changed in key principles and have impact on the Bank's interim financial information are TFRS for financial instruments and TFRS 16 Leases. These TFRSs are summarized as follows:

2.2.1 TFRS for Financial Instruments

TFRS for financial instruments consists of 5 accounting standards and interpretations as follows:

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

TFRS for financial instruments establishes requirements related to classification of financial assets and financial liabilities, recognition, measurement, impairment, hedge accounting and also presentation and disclosure of financial instruments. As TFRS for financial instruments become effective, some accounting standards, interpretations, and accounting guidance will be withdrawal.

TFRS for financial instruments has a material impact on the Bank's financial statements regarding impairment of financial instruments and allowance for expected loss from assets and commitments. This TFRS requires recognizing impairment and allowance based on expected loss instead of incurred losses, to reflect credit risk throughout the life of the debtor, by considering past, present, and forward-looking information. Impairment and allowance vary depending on the stage of financial assets, which the Bank will recognize impairment and allowance according to the stage changed. In addition, the financial statements are presented in consistent with the new classification and measurement and disclosed both quantitative and qualitative information, with the intention that the users can assess the materiality of financial instruments to the Bank's financial position and performance as well as the nature and level of risk arising from financial instruments and risk management guidelines for that risk.

The Bank has adopted TFRS for financial instruments by recognizing the cumulative effects of the first-time adoption of this TFRS as an adjustment to the retained earnings or other components of equity as at January 1, 2020. The comparative information is not restated; therefore the presentation of the year 2019 is not comparable with that of the year 2020. The cumulative effects of the change in accounting policies are described in Note 4 to the interim financial statements.

2.2.2 TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The financial reporting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value. A lessee will recognize a right-of-use asset, which reflects the right to use the leased asset, and lease liability, which reflect a financial obligation to make the payments arising from a lease. Accounting by lessor under TFRS 16 is substantially unchanged from TAS 17. Lessor will continue to classify leases as either operating or finance leases as previously classified under TAS 17, which the accounting treatment depends on the type of lease.

Adoption TFRS 16 Leases has no material impact on the Bank's interim financial statements. The Bank recognizes the cumulative effects of the first-time adoption of this TFRS as an adjustment to the retained earnings or other components of equity as at January 1, 2020. The comparative information is not restated; therefore the presentation of the year 2019 is not comparable with that of the year 2020. The cumulative effects of the change in accounting policies are described in Note 4 to the interim financial statements.

2.3 Bank of Thailand's Regulations relating to Asset Classification and Provisioning follow the Assistance to Borrowers Adversely Affected by the Current Economic Circumstances

The Bank of Thailand announced circular No. TorPorTor.ForKorChor.(72) Vor.277/2563 dated February 28, 2020, regarding Guidelines on Providing Assistance to Borrowers Adversely Affected by the Current Economic Circumstances and circular No.TorPorTor.ForNorSor.(01) Vor.380/2563 dated March 26, 2020 regarding Additional Relief Measures for Borrowers affected by the COVID-19 Pandemic. These circulars provide temporary relief measures for Specialized Financial Institutions providing assistance to affected debtors in accordance with the Bank of Thailand's guideline during January 1, 2020 to December 31, 2021 as follow:

Loan Staging

1) Loans that are not yet non-performing (Non-NPL) are classified as performing loans immediately provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring. Such debt restructuring is considered a pre-emptive debt restructuring, not a troubled debt restructuring (TDR).

If it is a provision of assistance to debtors in accordance with the Bank of Thailand's circular No.TorPorTor.ForNorSor.(01) Vor.380/2563 dated March 26, 2020 regarding Additional Relief Measures for Borrowers affected by the COVID-19 Pandemic, the debtor remains at the stage as before.

2) Non-performing loans (NPL) are classified as performing loans if the debtor is able to make repayment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.

3) Additional working capital loans provided to a debtor in order to support liquidity and enable the debtor to continue its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support its repayment or if, considering other factors, the debtor has ability to repay its debts.

Provisioning

Specialized Financial Institutions follow the Bank of Thailand's Notification regarding Regulations on Asset Classification and Provisioning of Specialized Financial Institutions.

2.4 Revised Thai Financial Reporting Standards (TFRS) but not yet Effective

The Federation of Accounting Professions has issued the conceptual framework for financial reporting and TFRS, which revised from the 2019 version and have been announced in the Royal Gazette but are effective for the financial statements beginning on or after January 1, 2021. These TFRSs were revised about the conceptual framework for financial reporting, definition of a business, definition of material, and interest rate benchmark reform, consisting of 16 TFRSs as follows:

TAS 1	Presentation of Financial Statements
TAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	Events after the Reporting Period
TAS 34	Interim Financial Reporting
TAS 37	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	Intangible Assets
TFRS 2	Share-based Payment
TFRS 3	Business Combinations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TSIC 32	Intangible Assets-Web Site Costs
TFRIC 12	Service Concession Arrangements
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
TFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 22	Foreign Currency Transactions and Advance Consideration

The Bank is presently considering the potential impact of the above TFRS. The Bank has not early adopted these TFRS before the effective date.

2.5 Revised Thai Financial Reporting Standards (TFRS) that Announced in the Royal Gazette in 2021 but Effective in 2020

The Federation of Accounting Professions has issued TFRS 16 Leases, which have been announced in the Royal Gazette on January 27, 2021, but are effective for the financial statements beginning on or after June 1, 2020.

This TFRS was revised about the COVID-19 related rent concessions. However, there was no impact on the Bank's interim financial information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared by using the same accounting policies as were used for the financial statements for the year ended December 31, 2019, except for the adoption of TFRS for financial instruments and TFRS 16 Leases. The following significant accounting policies were applied on or after January 1, 2020.

3.1 Interest Income Recognition

Interest income is recognized using the effective interest rate method, which is used in calculating amortized cost based on the effective interest rate of a financial assets or financial liabilities. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial assets or financial liabilities.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of that financial assets. If the financial assets are no longer credit-impaired, then the calculation of interest income reverts to the gross carrying amount.

3.2 Interest Expenses Recognition

Interest expenses are recognized using the effective interest rate method. Any fees that are not an integral part of the effective interest rate are recognized on an accrual basis.

3.3 Derivatives and Hedge Accounting

Derivatives are initially recorded at fair value in the statement of financial position and are classified as trading, except for derivatives designated as a part of an effective hedge relationship and classified as hedging derivatives. Derivatives are subsequently measured at fair value throughout the life of the contracts and presented as assets when fair values are positive and as liabilities when fair values are negative.

Hedge Accounting

The Bank designates certain derivatives as hedging instruments in qualifying hedging relationships, which can be applied hedge accounting.

At the inception of the hedging relationship, the Bank prepares a formal document indicating the relationship between the hedging instruments and hedged items, the risk management objectives, strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of hedging relationship. The Bank makes an assessment of the effectiveness, both at the inception of the hedge relationship and on an ongoing basis whether the hedging instruments remain effective in offsetting the change in fair value or cash flows of the hedged item.

1) Fair Value Hedge

When a derivative is designated as the hedging instruments of the change in fair value of a recognized asset or liability that could affect profit or loss, the changes in the fair value of the hedging instruments are recognized immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risks is recognized in profit or loss. If the hedged item would otherwise be measured at cost or amortized cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, fair value of hedged items will be new carrying amount for which the effective interest method is used to amortized to profit or loss (if hedged items are measured through other comprehensive income, then is used to amortized to retained earnings) over its remaining life.

2) Cash Flow Hedge

When a derivative is designated as the hedging instruments in the hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve within shareholders' equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The amount recognized in the hedging reserve is classified from other comprehensive income to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and other comprehensive income.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, then hedge accounting is discontinued prospectively. If the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows occur. If the hedged cash flows are no longer expected to occur, then the Bank will reclassify the amount in the hedging reserve from OCI to profit or loss.

3.4 Net Gains (Losses) from Financial Instruments Measured at Fair Value through Profit or Loss

Net gains (losses) from financial instruments measured at fair value through profit or loss consist of gains (losses) on trading financial assets and trading financial liabilities as well as non-trading financial instruments that are assigned to measure at fair value through profit or loss. Profit or loss and net profit (loss) from hedge accounting which is changes in the fair value of the hedged instruments and fair value of hedged items, Changes in the fair value of the ineffective portion of the cash flow hedge, net profit (loss) on the hedged instruments and the hedged item when the cash flow hedge is terminated. This includes gain (loss) from foreign exchange trading and translation of foreign currency assets and liabilities into Thai baht.

3.5 Financial Instruments

3.5.1 Classification of Financial Instruments

1) Financial Assets

The Bank classifies the financial assets, within the scope of IFRS 9, in accordance with the Bank's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

1.1) Financial Assets Measured at Amortized Cost

Financial assets are classified as measured at amortized cost only if it meets both of the following conditions:

- The Bank holds the financial assets within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The above financial assets are initially recognized at fair value plus transaction costs directly attributable to its acquisition and subsequently measured at amortized cost using the effective interest rate method.

Financial assets measured at amortized cost are presented at the amount of net of allowance for expected credit losses (if any), which is based on its stage for impairment, in the statement of financial position. Gain or loss on disposal of those financial assets is recognized in profit or loss.

1.2) Financial Assets Measured at Fair Value Through Other Comprehensive Income

Investment in Debt Instruments

Investment in debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- The Bank holds the financial assets within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The above investment in debt instruments is initially recognized at fair value plus transaction costs directly attributable to its acquisition and subsequently measured at fair value. Gain or loss from changes in fair value is reported through other comprehensive income (loss), after which gain or loss on disposal of the instruments will be recognized in the statement of profit or loss upon disposal. The Bank recognizes impairment loss, interest income, and gain or loss on exchange in the statement of profit or loss.

Investment in debt instruments measured at fair value through other comprehensive income is presented at the amount of net of allowance for expected credit losses (if any), which is based on its stage for impairment, in the statement of financial position.

Investment in Equity Securities

Investment in equity securities that is not held for trading is designated as measured at fair value through other comprehensive income on initial recognition, where an irrevocable election has been made by the management.

Gain or loss from change in fair value is recognized in other comprehensive income and not subsequently transferred to profit or loss when disposal. Dividend on this investment is recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

1.3) Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss consists of

- Financial assets held for trading
- Financial assets designated as measured at fair value through profit or loss on initial recognition.
- Debt instruments that the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.

The above financial assets are initially recognized at fair value, which transaction costs directly attributable to its acquisition is recognized in statement of profit or loss, and subsequently measured at fair value in statement of profit or loss.

When a financial assets are measured at fair value, the change in credit risk, including the credit rating of counterparties, is considered in the fair value measurement of such financial assets. Therefore, the change in fair value includes the change in credit risk as well.

Financial Assets Held for Trading

The Bank classifies financial assets as held for trading when the business model is to sell or buyback in a near future, or are initially designated as part of a portfolio of financial instruments that are managed together, for which there is an evidence of short-term profit making, or are derivatives (except where they are designated as part of an effective hedge relationship).

2) Financial Liabilities

The Bank classifies financial liabilities as measured at amortized cost or fair value through profit or loss in the case of derivatives.

3.5.2 Recognition and Derecognition of Financial Instruments

The Bank initially recognizes investments, loans, and debts issued and borrowings on settlement date, and other financial instruments (under regular way purchases or sale of financial assets) on trade date, which is the date on which the Bank become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities those are measured at fair value through profit or loss are initially recognized at fair value. Other financial assets are recognized at fair value plus transaction costs directly attributable to its acquisition or issuance.

When the transaction price differs from the fair values of the similar financial instruments in active market or the fair value measured using a valuation technique that uses observable inputs, the Bank recognizes such difference (at inception) in the statement of profit or loss. If the fair values are measured using unobservable market data, the difference between transaction price and fair value measured using a valuation technique is recognized in the statement of profit or loss when data used in valuation become observable or the Bank derecognizes such financial instruments.

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

Moreover, the Bank derecognizes loan to customers when the contractual terms of a loan are substantially modified and such loan is recognized as a new loan, then the difference is recognized as gain or loss from derecognition financial instruments measured at amortized cost in the statement of profit or loss.

Financial liabilities are derecognized from the statement of financial position when the Bank has discharged its obligation, or the contract is cancelled or expired.

3.5.3 Modification of Financial Instruments

1) Financial Assets

If the terms of financial assets are modified, then the Bank evaluates whether the cash flows of the modified assets are substantially different from the original financial assets. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial assets are deemed to have expired. Therefore, the Bank will derecognize the original financial assets and recognize a new financial assets at fair value.

If the modification of financial assets measured at amortized cost is not substantially different, which does not result in derecognition of the financial assets, then the Bank recalculates the gross carrying amount of the financial assets and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with expected credit loss. In other cases, it is presented as interest income.

2) Financial Liabilities

The Bank derecognizes the financial liabilities when the original financial liabilities are replaced with a new substantially modified financial liabilities or its terms are modified and the cash flows of the modified financial liabilities are substantially different. A new financial liabilities based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liabilities extinguished and the new financial liabilities is recognized in the statement of profit or loss.

3.5.4 Write-down

The Bank writes down the financial assets either partially or in full when there is no reliable evidence that the Bank will collect cash flows from such financial assets. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off are still subjected to enforcement activities in order to comply with the Bank's procedures for recovery of amount due.

3.6 Allowance for Expected Credit Losses

At every reporting date, the Bank assesses whether financial assets measured at amortized cost and investment in debt instruments measured at fair value through other comprehensive income are credit-impaired. Financial assets are assessed as credit impaired when one or more events those have a detrimental impact on the estimated future cash flows of those assets have occurred. Evidence that financial assets are credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- The consent to debt restructuring to the borrower who is in financial difficulties from the economics, which in other case the Bank does not consider the relaxation.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for the applicable financial assets due to financial difficulties of the borrower.

A loan to customer that has been renegotiated due to a deterioration in the borrower's condition is considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan with over 90 days past due is considered to be credit-impaired.

In order to assess whether the government bond investment is credit-paired or not, the Bank considers the following factors:

- Credit rating evaluated by the market, reflecting in the bonds' returns.
- Credit rating evaluated by external credit rating agencies.

- Ability to access the capital market of the issuing country, in case of new bond issuances.
- Probability of the bond's restructuring, making the bondholders intentionally or forcibly forgo the debt.
- Existing international measures to support the country issuing the bonds, the clear intention of the government to use such measures, as well as through evaluation on the effectiveness of such measures to mitigate the bond issuers' credit risk.

3.7 Troubled Debt Restructuring

When the original contractual terms of a financial asset have been modified or an original financial assets are replaced with a new financial assets because of financial difficulties of the borrower, the Bank will consider whether the financial assets are derecognized, and measure the expected credit loss as follow:

- If the modification does not result in derecognition of the financial assets, then the Bank estimates cash flows from the modified financial assets to calculate loss from the original financial assets.
- If the modification results in derecognition of the financial assets, at the date of derecognition fair value of a new financial assets are considered as the final cash flows of original financial assets, which will be input in calculating loss from the original financial assets. Fair value of a new financial assets are discounted from the expected derecognition date till the reporting date using the loan's original effective interest rate.

The Bank's policy in monitoring the modified loans ensured that debtors regularly repay debt in the future, the Bank expects no loss on modification when the future cash flows are discounted by the loan's original effective interest rate . If there is loss on modification, such loan is recognized as troubled debt restructuring unless the Bank receives debt repayment or derecognizes the loan.

A loan determined as troubled debt restructuring, will be classified as troubled debt restructuring for at least 12 months. When debtor repays loan with the new contractual terms for at least 12 months from the date of restructuring, such loan is moved from Stage 2 financial assets where there have been a significant increase in credit risk.

3.8 Right-of-use Assets and Lease Liabilities

The Bank recognizes lease agreements as right-of-use assets and lease liabilities in the statement of financial position, except for lease agreement with lease term less than 1 year and low-value lease agreement, which underlying assets are less than Baht 500,000 (Baht five hundred thousand).

Rental fee consists of interest expenses and payment of lease liabilities, which interest expenses are recognized in the statement of profit or loss.

Right-of-use is amortized over the straight-line method throughout the lease term and recognized as expenses in the statement of profit or loss.

3.9 Deposits, Liabilities Payable on Demand, Debt Issued and Borrowings

Deposits, liabilities payable on demand, debt issued and borrowings are initially recognized at fair value less transaction costs and are subsequently measured at amortized cost using effective interest rate.

3.10 Loan Commitments and Financial Guarantee Contracts

Loan commitments are the undrawn amount on the loan commitments.

The Bank issues guarantee contracts to customers for operating business. Financial guarantee contracts are initially recognized at fair value, which is the fee received unless there is other evidences. The Bank measures the value of financial guarantee contracts at the higher amount between the expected payment to reimburse the holder for a loss incurred and the initial amount less the accumulated income recognized in the statement of profit or loss.

The Bank recognizes expected credit loss for loan commitments and financial guarantee contracts as liabilities in the statement of financial position.

4. CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING POLICIES DUE TO THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS

The Bank has adopted TFRS for financial instruments and TFRS 16 during the current period. The cumulative effect of initially applying these financial reporting standards is recognized as an adjustment to retained earnings as at January 1, 2020. Therefore, the comparative information was not restated.

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

	Unit : Million Baht			
	<u>December 31, 2019</u>	<u>The impacts of</u>		<u>January 1, 2020</u>
		<u>TFRS for financial</u>	<u>TFRS 16</u>	
		<u>instruments</u>		
Statement of financial position				
Assets				
Interbank and money market items, net	2,972.89	0.51	-	2,973.40
Financial assets measured at fair value				
through profit or loss	-	1.32	-	1.32
Investments, net	2,493.16	2.93	-	2,496.09
Loans to customers and accrued				
interest receivables, net	111,055.18	221.93	-	111,277.11
Other assets, net	13.34	-	32.40	45.74
Liabilities and equity				
Interbank and money market items	19,636.67	52.69	-	19,689.36
Provisions	395.10	222.10	-	617.20
Other liabilities	852.12	(139.87)	32.13	744.38
Equity				
Other components of equity	(0.89)	4.27	-	3.38
Retained earnings	759.62	87.50	0.27	847.39

4.1 Financial Instruments

Details of the impact on retained earnings as at January 1, 2020 due to the adoption of TFRS for financial instruments are presented as follows:

	Unit : Million Baht
	<u>January 1, 2020</u>
Reclassification of investment in mutual fund to financial assets measured at fair value	
through profit or loss	0.32
Recognition of adjusted values due to fair value hedge, which included in hedged item's	
book value	(52.69)
Recognition of adjusted values of provision for expected loss	<u>139.87</u>
The impact to retained earnings due to the adoption of TFRS for financial instruments	<u><u>87.50</u></u>

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

Unit : Million Baht

Value according to former accounting policy	The classification and measurement in accordance with TFRS 9				Total
	Financial instruments measured at fair value through profit or loss	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortized cost		
Financial assets as at January 1, 2020					
Cash	0.17	-	-	0.17	0.17
Interbank and money market items, net	2,972.89	-	-	2,973.40	2,973.40
Financial assets measured at fair value					
through profit or loss	-	1.32	-	-	1.32
Derivatives assets	549.27	549.27	-	-	549.27
Investments, net	2,493.16	-	9.70	2,486.39	2,496.09
Loans to customers and accrued interest					
receivables, net	111,055.18	-	-	111,277.11	111,277.11
Other assets, net	<u>13.34</u>	<u>-</u>	<u>-</u>	<u>13.34</u>	<u>13.34</u>
Total financial assets	<u>117,084.01</u>	<u>550.59</u>	<u>9.70</u>	<u>116,750.41</u>	<u>117,310.70</u>
Financial liabilities as at January 1, 2020					
Deposits	32,812.59	-	-	32,812.59	32,812.59
Interbank and money market items	19,636.67	-	-	19,689.36	19,689.36
Liabilities payable on demand	462.61	-	-	462.61	462.61
Derivatives liabilities	84.28	84.28	-	-	84.28
Debt issued and borrowings	42,304.56	-	-	42,304.56	42,304.56
Provisions	395.10	-	-	617.20	617.20
Accrued interest payable	363.75	-	-	363.75	363.75
Other liabilities	<u>852.12</u>	<u>-</u>	<u>-</u>	<u>712.25</u>	<u>712.25</u>
Total financial liabilities	<u>96,911.68</u>	<u>84.28</u>	<u>-</u>	<u>96,962.32</u>	<u>97,046.60</u>

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

	Unit : Million Baht		
	<u>December 31, 2019</u>	<u>Remeasurement</u>	<u>January 1, 2020</u>
Allowance for expected credit losses - interbank and money market items, net (assets)	15.77	(0.51)	15.26
Allowance for expected credit losses – held-to-maturity debt securities investments, which are reclassified to be measured at amortized cost	-	0.34	0.34
Allowance for expected credit losses - loans to customers and accrued interest receivables	11,044.97	(221.93)	10,823.04
Allowance for expected credit losses - loan commitments and financial guarantee contracts	<u>19.78</u>	<u>222.10</u>	<u>241.88</u>
Total	<u>11,080.52</u>	<u>-</u>	<u>11,080.52</u>

4.2 Leasing Contracts

Upon initial application of TFRS 16 the Bank recognized lease liabilities that were previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at January 1, 2020.

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

	Unit : Million Baht
	<u>January 1, 2020</u>
Building and building improvement	26.48
Furniture, fixtures and office equipment	<u>5.92</u>
Total right-of-use assets	<u>32.40</u>

5. CAPITAL ADEQUACY UNDER THE MINISTERIAL REGULATIONS AND BASEL II STANDARD

5.1 Capital under the Ministerial Regulations

As at September 30, 2020, the Bank was able to maintain capital adequacy ratio (CAR) at 14.76%, exceeding the minimum capital adequacy ratio stipulated in the Ministerial Regulation (not less than 8.0%), and its capital to insurance service contingent liabilities ratio was at 51.34%, exceeding the minimum capital to insurance service contingent liabilities ratio stipulated in the Ministerial Regulation (not less than 20.0%).

Capital Adequacy Ratio Based on the Ministerial Regulations

		Unit : Million Baht	
		<u>September 30, 2020</u>	<u>December 31, 2019</u>
		<u>Ministerial Regulations</u>	
1.	Capital *	20,029.60	20,958.91
2.	Risk assets **	135,674.31	123,852.64
3.	Insurance service contingent liabilities	39,013.80	25,195.47
4.	Capital to risk assets	Not less than 8%	14.76%
5.	Capital to insurance service contingent liabilities	Not less than 20%	51.34%
			83.19%

Remarks : * Capital under the Ministerial Regulations includes only Teir 1 capital.

** Risk assets have been calculated from credit risk assets according to the Ministerial Regulation, which excluded insurance service contingent liabilities.

5.2 Capital under Basel II Standard

As at September 30, 2020 and December 31, 2019, the Bank's capital adequacy ratio under Basel II standard were as follows:

Capital Structure Based on Basel II Standard

		Unit: Million Baht	
		<u>September 30, 2020</u>	<u>December 31, 2019</u>
Tier 1 Capital			
	Paid-up capital	12,800.00	12,800.00
	Legal reserve	8,120.00	7,866.00
	Net profit (loss) after appropriation	<u>(1,020.90)</u>	<u>292.91</u>
	Total Tier 1 Capital	19,899.10	20,958.91
Tier 2 Capital			
	Provision for asset classification as normal	2,018.21	1,848.99
	Revaluation surplus on investments in equity securities designated at fair value through other comprehensive income, net	<u>1.39</u>	<u>-</u>
	Total Tier 2 Capital	2,019.60	1,848.99
	<u>Less</u> Revaluation deficit on investments in equity securities designated at fair value through other comprehensive income, net	<u>(0.99)</u>	<u>(0.89)</u>
	Total capital under Basel II standard	<u>21,917.71</u>	<u>22,807.01</u>

Capital Adequacy Ratio

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Tier 1 capital adequacy ratio	12.32%	14.17%
Total capital adequacy ratio	13.57%	15.42%
		Unit: Million Baht
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Total capital after deducting capital add-on arising from single lending limit	21,145.34	22,334.52
Total capital adequacy ratio after deducting capital add-on arising from single lending limit	13.10%	15.10%

6. ESTIMATES AND ASSUMPTIONS

In preparation of the financial statements in conformity with Thai Financial Reporting Standards, the Bank has to set up estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. However, the actual results may differ from the estimates.

The Bank reviews the estimates and assumptions on a regular basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future period affected.

7. ADDITIONAL INFORMATION

7.1 Supplementary Information of Cash Flows

Significant non-cash items for the nine-month periods ended September 30, 2020 and 2019 were as follows:

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Increase in properties for sale from loan payment	22.00	10.37

Unit : Million Baht

7.2 Classification of Financial Assets and Liabilities

Unit : Million Baht

September 30, 2020

	Financial instruments measured at fair value through profit or loss	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortized cost	Total
Financial assets				
Cash	-	-	0.34	0.34
Interbank and money market items, net	-	-	7,970.25	7,970.25
Financial assets measured at fair value				
through profit or loss	0.92	-	-	0.92
Derivatives assets	439.28	-	-	439.28
Investments, net	-	4.03	4,192.01	4,196.04
Loans to customers and accrued interest receivables, net	-	-	116,081.06	116,081.06
Loans to customers from public service account and accrued interest receivables, net	-	-	660.25	660.25
Other assets, net	-	-	107.48	107.48
Total financial assets	<u>440.20</u>	<u>4.03</u>	<u>129,011.39</u>	<u>129,455.62</u>
Financial liabilities				
Deposits	-	-	43,567.50	43,567.50
Interbank and money market items	-	-	21,112.78	21,112.78
Liabilities payable on demand	-	-	263.40	263.40
Derivatives liabilities	545.48	-	-	545.48
Debt issued and borrowings	-	-	43,158.23	43,158.23
Provisions	-	-	727.77	727.77
Accrued interest payable	-	-	378.44	378.44
Other liabilities	-	-	737.74	737.74
Total financial liabilities	<u>545.48</u>	<u>-</u>	<u>109,945.86</u>	<u>110,491.34</u>

7.3 Interbank and Money Market Items, Net (Assets)

Unit : Million Baht

	<u>September 30, 2020</u>			<u>December 31, 2019</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
Domestic items						
Bank of Thailand	19.70	-	19.70	26.23	-	26.23
Commercial banks	455.13	3,300.00	3,755.13	182.87	1,226.54	1,409.41
Specialized financial institutions	<u>0.01</u>	<u>1,360.00</u>	<u>1,360.01</u>	<u>0.45</u>	<u>350.00</u>	<u>350.45</u>
Total	474.84	4,660.00	5,134.84	209.55	1,576.54	1,786.09
<u>Add</u> Accrued interest receivables	-	-	-	-	0.03	0.03
<u>Less</u> Allowance for doubtful accounts	-	-	-	-	(15.77)	(15.77)
<u>Less</u> Allowance for expected credit losses	<u>(0.40)</u>	<u>(1.47)</u>	<u>(1.87)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total domestic items	<u>474.44</u>	<u>4,658.53</u>	<u>5,132.97</u>	<u>209.55</u>	<u>1,560.80</u>	<u>1,770.35</u>
Foreign items						
US Dollars	445.14	656.01	1,101.15	323.34	764.09	1,087.43
Yen	1,648.13	-	1,648.13	29.98	-	29.98
Euro	25.76	-	25.76	38.91	-	38.91
Other currencies	<u>64.07</u>	<u>-</u>	<u>64.07</u>	<u>46.18</u>	<u>-</u>	<u>46.18</u>
Total	2,183.10	656.01	2,839.11	438.41	764.09	1,202.50
<u>Add</u> Accrued interest receivables	-	0.06	0.06	-	0.04	0.04
<u>Less</u> Allowance for expected credit losses	<u>(1.19)</u>	<u>(0.70)</u>	<u>(1.89)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total foreign items	<u>2,181.91</u>	<u>655.37</u>	<u>2,837.28</u>	<u>438.41</u>	<u>764.13</u>	<u>1,202.54</u>
Total domestic and foreign items	<u>2,656.35</u>	<u>5,313.90</u>	<u>7,970.25</u>	<u>647.96</u>	<u>2,324.93</u>	<u>2,972.89</u>

7.4 Derivatives

7.4.1 Derivatives Held for Trading

As at September 30, 2020 and December 31, 2019, the fair value and notional amount classified by type of risk were as follows:

Unit : Million Baht

<u>Type of Risk</u>	<u>September 30, 2020</u>		
	<u>Fair Value</u>		<u>Notional</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Amount</u>
Exchange rate	394.46	529.97	36,484.60
Interest rate	<u>16.25</u>	<u>15.51</u>	<u>1,600.00</u>
Total	<u>410.71</u>	<u>545.48</u>	<u>38,084.60</u>

<u>Type of Risk</u>	<u>December 31, 2019</u>		
	<u>Fair Value</u>		<u>Notional</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Amount</u>
Exchange rate	467.96	57.36	20,931.48
Interest rate	<u>81.31</u>	<u>26.92</u>	<u>3,100.00</u>
Total	<u>549.27</u>	<u>84.28</u>	<u>24,031.48</u>

7.4.2 Derivatives for Hedging

As at September 30, 2020, hedging instrument classified by type of hedge accounting and risk were as follows:

Fair value hedge

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

Unit : Million Baht

September 30, 2020							
Type of risk	Notional amount	Carrying value		Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities				
Interest rate risk							
Interest rate swap - hedge							Gains on financial instruments measured at fair value through profit
of THB fixed - rate borrowings	1,500.00	28.57	-	Derivative assets	28.57	-	or loss

The amounts relating to items designated as hedged items were as follows:

Unit : Million Baht

September 30, 2020							
Type of risk	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Interest rate risk							
THB fixed-rate borrowings	-	(1,528.57)	-	(28.57)	Interbank and money market items	(28.57)	-

7.5 Investments, Net

As at September 30, 2020 and December 31, 2019, the Bank had Investments as follows:

Unit : Million Baht

	September 30, 2020	December 31, 2019
Investments in debt securities measured at amortized cost	4,192.01	-
Investments in equity securities designated at fair value through other comprehensive income	4.03	-
Available-for-sale investments	-	0.19
Held-to-maturity debt securities	-	2,486.73
General investments	-	6.24
Total	<u>4,196.04</u>	<u>2,493.16</u>

7.5.1 Investments in Debt Securities Measured at Amortized Cost

	Unit : Million Baht
	<u>September 30, 2020</u>
Government and state enterprises securities	4,192.61
<u>Less</u> Allowance for expected credit losses	<u>(0.60)</u>
Total	<u>4,192.01</u>

7.5.2 Investments in Equity Securities Designated at Fair Value Through Other Comprehensive Income

	Unit : Million Baht
	<u>September 30, 2020</u>
Domestic marketable equity securities	2.76
Foreign non-marketable equity securities	<u>1.27</u>
Total	<u>4.03</u>

7.5.3 Available-for-Sale Investments

	Unit : Million Baht
	<u>December 31, 2019</u>
	<u>Fair Value</u>
Domestic marketable equity securities	0.19

7.5.4 Held-to-Maturity Debt Securities

	Unit : Million Baht
	<u>December 31, 2019</u>
	<u>Cost / Amortized Cost</u>
Government and state enterprise securities	2,486.73

7.5.5 General Investments

	Unit : Million Baht
	<u>December 31, 2019</u>
	<u>Cost</u>
Domestic non-marketable equity securities	26.31
Mutual funds Vayupak Fund 1 (VAYU1)	1.00
Others	<u>0.35</u>
Total	27.66
<u>Less</u> Allowance for impairment	<u>(21.42)</u>
Total	<u>6.24</u>

7.6 Loans to Customers and Accrued Interest Receivables, Net

7.6.1 Classified by Type of Loans

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Overdrafts	189.22	271.67
Loans	128,776.51	121,571.61
Others	<u>38.66</u>	<u>25.19</u>
Total loans to customers	129,004.39	121,868.47
<u>Less</u> Deferred revenue	<u>(30.27)</u>	<u>(2.99)</u>
Total loans to customers net of deferred revenue	128,974.12	121,865.48
<u>Add</u> Accrued interest receivables	<u>666.44</u>	<u>361.14</u>
Total loans to customers net of deferred revenue, plus accrued interest receivables	129,640.56	122,226.62
<u>Less</u> Allowance for doubtful accounts		
- Minimum reserve under BOT's regulations (Individual approach)	-	(7,677.73)
- Excess allowance	-	(3,367.24)
<u>Less</u> Allowance for debt restructuring revaluation	-	(126.47)
<u>Less</u> Allowance for expected credit losses	<u>(13,559.50)</u>	<u>-</u>
Total loans to customers and accrued interest receivables, net	<u>116,081.06</u>	<u>111,055.18</u>

Overseas loans to foreign government agencies, extended in accordance with the Thai government monetary and fiscal policy, but not defined as loans to customers from public service account, were as follows:

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Loan for National Road No.67 Construction Project (Anlong Veng – Siem Reap) The Kingdom of Cambodia	1,000.35	1,032.34

7.6.2 Classified by Residency

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Domestic	88,232.57	85,713.60
Foreign	<u>40,771.82</u>	<u>36,154.87</u>
Total	<u>129,004.39</u>	<u>121,868.47</u>

7.6.3 Classified by Loan Classification

	Unit : Million Baht	
	<u>September 30, 2020</u>	
	<u>Loans to customers and</u>	<u>Allowance for expected credit</u>
	<u>accrued interest receivables</u>	<u>losses</u>
Financial assets where there has not been a significant increase in credit risk (Performing)	109,961.92	1,376.01
Financial assets where there has been a significant increase in credit risk (Under - Performing)	11,565.38	5,648.00
Financial assets that are credit-impaired (Non-Performing)	<u>8,113.26</u>	<u>6,535.49</u>
Total	<u>129,640.56</u>	<u>13,559.50</u>

	Unit : Million Baht			
	<u>December 31, 2019</u>			
	<u>Loans and</u>	<u>Net Amount</u>	<u>Minimum Provision</u>	<u>Allowance</u>
	<u>Accrued</u>	<u>Subject to</u>	<u>Rate (%)</u>	<u>for Doubtful</u>
	<u>Interest</u>	<u>Allowance for</u>		<u>Accounts</u>
	<u>Receivables</u>	<u>Doubtful Accounts</u>		<u>Provisioning</u>
1. Minimum allowance by BOT's regulations				
Normal	109,718.04	107,973.58	1,50,100	1,541.04
Special mention	6,902.62	6,465.73	2,10,30,36,50,100	2,118.26
Substandard	299.30	202.42	100	202.42
Doubtful	879.89	788.63	100	788.63
Doubtful of loss	<u>4,426.77</u>	<u>3,027.38</u>	100	<u>3,027.38</u>
Total minimum allowance by BOT's regulations	122,226.62	118,457.74		7,677.73
2. Excess allowance	<u>-</u>	<u>-</u>		<u>3,367.24</u>
Total *	<u>122,226.62</u>	<u>118,457.74</u>		<u>11,044.97</u>

* Total loans to customers net of deferred revenue, plus accrued interest receivables in Note 7.6.1

7.6.4 Troubled Debt Restructuring

For the nine-month periods ended September 30, 2020 and 2019, the Bank restructured debts as follows:

Unit : Million Baht

<u>Type of Restructuring</u>	<u>Cases</u>	<u>2020</u>	
		<u>Outstanding Debt</u>	
		<u>Before Restructuring</u>	<u>After Restructuring</u>
Change of repayment conditions	29	320.65	315.17

The average tenure of the above-mentioned debt restructuring was 3.63 years. As at September 30, 2020, the outstanding of such restructured loans was Baht 315.17 million.

<u>Type of Restructuring</u>	<u>Cases</u>	<u>2019</u>	
		<u>Outstanding Debt</u>	
		<u>Before Restructuring</u>	<u>After Restructuring</u>
Change of repayment conditions	4	8.54	8.37

The average tenure of the above-mentioned debt restructuring was 4.08 years. As at September 30, 2019, the outstanding of such restructured loans was Baht 5.54 million.

For the nine-month periods ended September 30, 2020 and 2019, debt restructuring during the period compared to outstanding loans and accrued interest receivables net of deferred revenue were as follows:

Unit : Million Baht

	<u>September 30, 2020</u>		<u>September 30, 2019</u>	
	<u>Cases</u>	<u>Amount</u>	<u>Cases</u>	<u>Amount</u>
	Debt restructuring during the period	29	315.17	4
Loans to customers net of deferred revenue, plus accrued interest receivables	2,449	129,640.56	2,148	110,169.23

As at September 30, 2020 and 2019, the Bank had outstanding restructured loans for 58 cases amounting to Baht 1,358.33 million and for 122 cases amounting to Baht 1,921.77 million, respectively.

The Bank recognized interest income from debt restructuring as follows:

Unit : Million Baht

	<u>For Three-Month Periods</u>		<u>For Nine-Month Periods</u>	
	<u>Ended September 30,</u>		<u>Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Interest income from debt restructuring	29.34	26.32	84.29

7.7 Allowance for Expected Credit Losses / Allowance for Doubtful Accounts

As at September 30, 2020 and December 31, 2019, the Bank had allowance for expected credit losses and allowance for doubtful accounts as follows:

Unit : Million Baht

	September 30, 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
Interbank and money market items (assets)					
Beginning balance	-	-	-	15.77	15.77
Changes due to the adoption of new accounting standards*	<u>1.23</u>	<u>14.03</u>	<u>-</u>	<u>(15.77)</u>	<u>(0.51)</u>
Total	1.23	14.03	-	-	15.26
Allowance for expected credit losses during the period	<u>1.97</u>	<u>(13.47)</u>	<u>-</u>	<u>-</u>	<u>(11.50)</u>
Ending balance	<u>3.20</u>	<u>0.56</u>	<u>-</u>	<u>-</u>	<u>3.76</u>
Investments in debt securities measured at amortized cost					
Beginning balance	-	-	-	-	-
Changes due to the adoption of new accounting standards*	<u>0.34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.34</u>
Total	0.34	-	-	-	0.34
Allowance for expected credit losses during the period	<u>0.26</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.26</u>
Ending balance	<u>0.60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.60</u>
Loans to customers and accrued interest receivables					
Beginning balance	-	-	-	11,044.97	11,044.97
Changes due to the adoption of new accounting standards*	<u>1,565.72</u>	<u>5,106.17</u>	<u>4,151.15</u>	<u>(11,044.97)</u>	<u>(221.93)</u>
Total	1,565.72	5,106.17	4,151.15	-	10,823.04
Allowance for expected credit losses during the period	<u>(189.71)</u>	<u>541.83</u>	<u>2,384.34</u>	<u>-</u>	<u>2,736.46</u>
Ending balance	<u>1,376.01</u>	<u>5,648.00</u>	<u>6,535.49</u>	<u>-</u>	<u>13,559.50</u>

* Allowance for doubtful accounts at the beginning of the period is determined in accordance with the Bank of Thailand's regulations. Currently, they are shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 2.2.1 to the interim financial statements.

Unit : Million Baht

September 30, 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
Loans to customers from public service account and accrued interest receivables, net					
Beginning balance	-	-	-	-	-
Allowance for expected credit losses during the period	<u>5.20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5.20</u>
Ending balance	<u>5.20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5.20</u>

Unit : Million Baht

December 31, 2019

	<u>Normal</u>	<u>Special Mention</u>	<u>Sub- Standard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Excess Allowance</u>	<u>Total</u>
Beginning balance	1,549.02	311.61	203.22	211.47	2,135.71	4,812.24	9,223.27
Doubtful accounts	<u>(7.98)</u>	<u>1,806.65</u>	<u>(0.80)</u>	<u>577.16</u>	<u>891.67</u>	<u>(1,445.00)</u>	<u>1,821.70</u>
Ending balance	<u>1,541.04</u>	<u>2,118.26</u>	<u>202.42</u>	<u>788.63</u>	<u>3,027.38</u>	<u>3,367.24</u>	<u>11,044.97</u>

7.8 Revaluation Allowance for Debt Restructuring

Unit : Million Baht

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Beginning balance	126.47	161.33
Changes due to the adoption of new accounting standards	<u>(126.47)</u>	<u>-</u>
Total	-	161.33
Increase (decrease)	-	(2.53)
Amortization to interest income	<u>-</u>	<u>(32.33)</u>
Ending balance	<u>-</u>	<u>126.47</u>

7.10 Premises and Equipment, Net

As at September 30, 2020 and December 31, 2019, the Bank had premises and equipment, net as follows:

Unit : Million Baht

	<u>September 30, 2020</u>								<u>Premises and Equipment, Net</u>
	<u>Cost</u>				<u>Accumulated Depreciation</u>				
	<u>Beginning Balance</u>	<u>Additions/ Transfer in</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Depreciation</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	
Land	391.26	-	-	391.26	-	-	-	-	391.26
Buildings									
- Buildings	683.25	-	-	683.25	404.71	8.01	-	412.72	270.53
- Building improvement	142.01	6.84	4.84	144.01	126.00	2.12	4.84	123.28	20.73
Equipment									
- Office equipment and fixtures	305.35	49.32	12.12	342.55	251.17	17.69	12.10	256.76	85.79
- Vehicles	110.88	-	-	110.88	51.80	5.64	-	57.44	53.44
Assets under construction*	-	14.41	14.41	-	-	-	-	-	-
Total	<u>1,632.75</u>	<u>70.57</u>	<u>31.37</u>	<u>1,671.95</u>	<u>833.68</u>	<u>33.46</u>	<u>16.94</u>	<u>850.20</u>	<u>821.75</u>

* Assets under construction-disposal/ transfer out are assets recognized during the year

	<u>December 31, 2019</u>								<u>Premises and Equipment, Net</u>
	<u>Cost</u>				<u>Accumulated Depreciation</u>				
	<u>Beginning Balance</u>	<u>Additions/ Transfer in</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Depreciation</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	
Land	391.26	-	-	391.26	-	-	-	-	391.26
Buildings									
- Buildings	683.25	-	-	683.25	394.05	10.66	-	404.71	278.54
- Building improvement	141.17	4.28	3.44	142.01	126.98	2.46	3.44	126.00	16.01
Equipment									
- Office equipment and fixtures	316.44	23.09	34.18	305.35	264.57	20.76	34.16	251.17	54.18
- Vehicles	110.90	-	0.02	110.88	42.71	9.11	0.02	51.80	59.08
Assets under construction*	-	3.45	3.45	-	-	-	-	-	-
Total	<u>1,643.02</u>	<u>30.82</u>	<u>41.09</u>	<u>1,632.75</u>	<u>828.31</u>	<u>42.99</u>	<u>37.62</u>	<u>833.68</u>	<u>799.07</u>

* Assets under construction-disposal/ transfer out are assets recognized during the year.

7.11 Intangible Assets, Net

As at September 30, 2020 and December 31, 2019, the Bank had intangible assets as follows:

Unit : Million Baht

	September 30, 2020								Intangible Assets, Net
	Cost				Accumulated Amortization				
	Beginning	Additions/	Disposals/	Ending	Beginning	Amortization	Disposals/	Ending	
	Balance	Transfer in	Transfer out	Balance	Balance		Transfer out	Balance	
Computer software	223.17	79.56	0.54	302.19	143.18	19.57	0.53	162.22	139.97
Software under installation*	<u>72.83</u>	<u>76.36</u>	<u>57.40</u>	<u>91.79</u>	-	-	-	-	<u>91.79</u>
Total	<u>296.00</u>	<u>155.92</u>	<u>57.94</u>	<u>393.98</u>	<u>143.18</u>	<u>19.57</u>	<u>0.53</u>	<u>162.22</u>	<u>231.76</u>

* Software under installation-disposal/transfer out are assets recognized during the year.

	December 31, 2019								Intangible Assets, Net
	Cost				Accumulated Amortization				
	Beginning	Additions/	Disposals/	Ending	Beginning	Amortization	Disposals/	Ending	
	Balance	Transfer in	Transfer out	Balance	Balance		Transfer out	Balance	
Computer software	161.96	62.99	1.78	223.17	131.97	12.99	1.78	143.18	79.99
Software under installation*	<u>61.00</u>	<u>70.31</u>	<u>58.48</u>	<u>72.83</u>	-	-	-	-	<u>72.83</u>
Total	<u>222.96</u>	<u>133.30</u>	<u>60.26</u>	<u>296.00</u>	<u>131.97</u>	<u>12.99</u>	<u>1.78</u>	<u>143.18</u>	<u>152.82</u>

* Software under installation-disposal/transfer out are assets recognized during the year.

7.12 Reinsurance Assets

As at September 30, 2020 and December 31, 2019, the Bank had reinsurance assets as follows:

Unit : Million Baht

	September 30, 2020	December 31, 2019
Receivables from reinsurance	0.04	-
Insurance reserves from reinsurance	<u>422.30</u>	<u>237.31</u>
Total	<u>422.34</u>	<u>237.31</u>

7.13 Other Assets, Net

Unit : Million Baht

	September 30, 2020	December 31, 2019
Collateral under Credit Support Annex contract	60.78	-
Revenue receivables, net	3.62	1.77
Insurance claim receivables, net of reinsurance	385.00	325.89
Allowance for insurance claim receivables	(385.00)	(325.89)
Right-of use assets, net	36.53	4.08
Advance deposits	4.17	2.83
Others	<u>2.38</u>	<u>4.66</u>
Total	<u>107.48</u>	<u>13.34</u>

7.14 Deposits

7.14.1 Classified by Type of Deposit

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Demand	2,321.20	2,568.43
Savings	83.35	60.08
Time	6,405.37	6,191.09
Certificates of deposit	<u>34,757.58</u>	<u>23,992.99</u>
Total	<u>43,567.50</u>	<u>32,812.59</u>

7.14.2 Classified by Currency and Residency of Depositors

	<u>September 30, 2020</u>			<u>December 31, 2019</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	41,547.65	565.95	42,113.60	30,895.42	597.99	31,493.41
US Dollar	952.24	416.15	1,368.39	1,004.28	292.59	1,296.87
Other currencies	<u>76.55</u>	<u>8.96</u>	<u>85.51</u>	<u>22.31</u>	<u>-</u>	<u>22.31</u>
Total	<u>42,576.44</u>	<u>991.06</u>	<u>43,567.50</u>	<u>31,922.01</u>	<u>890.58</u>	<u>32,812.59</u>

7.15 Interbank and Money Market Items (Liabilities)

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Domestic items		
Bank of Thailand	1,874.56	-
Commercial banks	7,219.71	6,933.45
Specialized financial institutions	1,484.10	6,290.29
Other financial institutions	<u>6,150.00</u>	<u>6,150.00</u>
Total domestic items	<u>16,728.37</u>	<u>19,373.74</u>
Foreign items		
US Dollar	3,286.56	247.16
Euro	17.66	13.73
Other currencies	<u>1,051.62</u>	<u>2.04</u>
Total foreign items	4,355.84	262.93
<u>Add Allowance for revaluation</u>	<u>28.57</u>	<u>-</u>
Total domestic and foreign items	<u>21,112.78</u>	<u>19,636.67</u>

7.16 Debt Issued and Borrowings

7.16.1 Classified by Type of Instrument and Source of Fund

Unit : Million Baht

	<u>September 30, 2020</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Bonds	7,000.00	29,600.13	36,600.13
Promissory notes	6,500.00	-	6,500.00
Others	<u>58.10</u>	<u>-</u>	<u>58.10</u>
Total debt issued and borrowings	<u>13,558.10</u>	<u>29,600.13</u>	<u>43,158.23</u>

	<u>December 31, 2019</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Bonds	5,000.00	37,240.19	42,240.19
Others	<u>64.37</u>	<u>-</u>	<u>64.37</u>
Total debt issued and borrowings	<u>5,064.37</u>	<u>37,240.19</u>	<u>42,304.56</u>

7.16.2 Classified by Type of Instrument, Currency, Maturity and Interest Rate

Unit : Million Baht

	<u>Currency</u>	<u>Maturity</u>	<u>Interest Rate /</u> <u>Interest Rate Index</u>	<u>Amount</u>	
				<u>September 30, 2020</u>	<u>December 31, 2019</u>
Bonds	USD	2020-2024	LIBOR ± MARGIN	29,600.13	37,240.19
Bonds	THB	2022-2029	1.30% - 2.31%	7,000.00	5,000.00
Promissory notes	THB	2021	1.17%	6,500.00	-
Others	THB	2021-2027	0%	<u>58.10</u>	<u>64.37</u>
Total debt issued and borrowings				<u>43,158.23</u>	<u>42,304.56</u>

7.17 Provisions

As at September 30, 2020 and December 31, 2019, the Bank had set up provisions as follows:

Unit : Million Baht

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Allowance for expected credit losses on loan commitments and financial guarantee contracts	242.95	-
Provisions for employee benefits	356.36	330.96
Provisions for contingent liabilities	103.12	39.92
Other provisions	<u>25.34</u>	<u>24.22</u>
Total provisions	<u>727.77</u>	<u>395.10</u>

7.17.1 Allowance for Expected Credit Losses on Loan Commitments and Financial Guarantee Contracts

Unit : Million Baht

September 30, 2020

Financial assets where there has not been a significant increase in credit risk (Performing)	167.27
Financial assets where there has been a significant increase in credit risk (Under-Performing)	61.39
Financial assets that are credit-impaired (Non-Performing)	<u>14.29</u>
Total	<u>242.95</u>

The changes in the allowance for expected credit losses on loan commitments and financial guarantee contracts were as follows:

Unit : Million Baht

September 30, 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
Beginning balance	-	-	-	19.78	19.78
Changes due to the adoption of new accounting standards *	<u>192.02</u>	<u>41.27</u>	<u>8.59</u>	<u>(19.78)</u>	<u>222.10</u>
Total	192.02	41.27	8.59	-	241.88
Allowance for expected credit losses during period	<u>(24.75)</u>	<u>20.12</u>	<u>5.70</u>	<u>-</u>	<u>1.07</u>
Ending balance	<u>167.27</u>	<u>61.39</u>	<u>14.29</u>	<u>-</u>	<u>242.95</u>

* Allowance for doubtful accounts at the beginning of the period is determined in accordance with the Bank of Thailand's regulations. Currently, they are shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 2.2.1 to the interim financial statements.

7.17.2 Provision for Employee Benefit

The Bank assessed the provision for the post-employment benefits by using the Projected Unit Credit method. The details of the Bank's provisions for employee benefits were as follows:

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Beginning balance	330.96	206.75
Current service cost*	26.96	29.09
Interest cost*	4.49	4.33
Employee benefits paid during the year	(6.05)	(4.33)
Past service cost*	-	70.65
Actuarial loss on defined benefit plans	<u>-</u>	<u>24.47</u>
Ending Balance	<u>356.36</u>	<u>330.96</u>

* These items are presented as expenses in the statement of profit or loss and other comprehensive income.

Principal actuarial assumptions for the Bank's post-employment benefits were as follows:

	<u>2020</u>	<u>2019</u>
Average salary increase rate	4% - 12.75%	5.75% - 11.50%
Average turnover rate	0% - 30.61%	0% - 30.61%
Discount rate	0.45% - 2.06%	1.18% - 2.03%
Mortality rate	TMO17	TMO17

7.18 Reserves for Insurance Service

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Reserves for export credit insurance	565.36	307.23
Reserves for investment insurance	125.94	118.06
Reserves for stand-by claims purchase agreement	<u>127.90</u>	<u>85.09</u>
Total	<u>819.20</u>	<u>510.38</u>

7.19 Other Liabilities

	Unit : Million Baht	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Collateral under Credit Support Annex contract	54.14	193.29
Advance deposits on sale of NPLs	284.68	-
Advance deposits	25.21	18.71
Accrued expenses	62.92	77.76
Account payables	33.63	34.37
Reinsurance payables	16.58	20.89
Lease liabilities	32.70	-
Deferred revenue	46.51	24.84
Withholding tax payable	5.87	8.80
Provision for expected loss *	-	139.87
Suspense liabilities	175.36	333.53
Others	<u>0.14</u>	<u>0.06</u>
Total	<u>737.74</u>	<u>852.12</u>

* Reserve for changes in fair value of derivatives.

7.20 Capital

The Bank had an initial capital of Baht 2,500 million and received additional capital from the Ministry of Finance in the amount of Baht 4,000 million on July 31, 1998, Baht 1,300 million on December 30, 2008 and Baht 5,000 million on September 21, 2009. Thereby, the Bank has total capital amounting to Baht 12,800 million.

7.21 Remittance as the Public Revenue

The Ministry of Finance by the State Enterprise Policy Office approved the appropriation of net income for the year 2019 as the public revenue amounting to Baht 252.79 million. The Bank remitted the interim public revenue amounting to Baht 203.20 million on October 17, 2019 and the remaining amount Baht 49.59 million on June 29, 2020.

The Ministry of Finance by the State Enterprise Policy Office approved the appropriation of net income for the year 2018 as the public revenue amounting to Baht 513.40 million. The Bank remitted the interim public revenue amounting to Baht 281.90 million on October 10, 2018 and the remaining amount Baht 231.50 million on July 19, 2019.

7.22 Contingent Liabilities

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
		Unit : Million Baht
Aval to bills	-	17.40
Guarantees of loans	1,179.73	1,169.92
Liabilities under immature import bills	189.84	167.12
Letters of credit	1,465.83	1,779.61
Export bills insured	37,744.99	23,896.65
Other contingencies		
Overdraft accounts not yet drawn	622.48	561.50
Other guarantees	6,167.31	4,843.95
Investment Insurance	1,614.55	1,537.86
Stand-by claims purchase agreement	<u>12,780.58</u>	<u>8,509.26</u>
Total other contingencies	<u>21,184.92</u>	<u>15,452.57</u>
Total	<u>61,765.31</u>	<u>42,483.27</u>

7.23 Other Benefits to Directors and Executives

The Bank paid no further benefits to directors and executives other than normal remuneration such as monthly allowance, meeting allowance and bonus for directors (if any), salary for executives, special monthly allowance for executives (if any).

7.24 Leases

7.24.1 Long-Term Leases

The Bank has entered into the lease agreements of the Bank's branch offices and equipment as follows:

	<u>Maturity</u>	<u>Book Value</u>	<u>Depreciation</u>
		<u>September 30, 2020</u>	<u>For Nine-Month Period</u>
			<u>Ended September 30, 2020</u>
Right-of-use land and building	2022 - 2029	32.58	4.04
Right-of-use equipment	2022	<u>3.95</u>	<u>1.97</u>
Total		<u>36.53</u>	<u>6.01</u>

For the nine-month period ended September 30, 2020, the Bank paid the rental of the above contract in the amount of Baht 5.73 million and recognized interest expenses from lease liabilities in the amount of Baht 0.47 million.

The Bank entered into a sublease agreement for part of the branch office. For the nine-month period ended September 30, 2020, the Bank recognized sublease revenue in the amount of Baht 0.22 million.

7.24.2 Short-Term Leases and Leases of Low-Value Assets

The Bank has entered into the lease agreements of the Bank's representative offices abroad and office equipment. The Bank recognized the rental as expenses on a straight-line basis over the lease term. For nine-month periods ended September 30, 2020, the Bank recognized the rental of representatives offices Baht 1.34 million and office equipment of Baht 9.11 million.

7.25 Financial Position and Operational Performance Classified by Domestic and Foreign Operations

The Bank established representative office to promote and support international trade and investments. The Bank currently has 3 representative offices including, representative office in Yangon, the Republic of the Union of Myanmar, representative office in Vientiane, Laos People's Democratic Republic and representative office in Phnom Penh, Kingdom of Cambodia.

7.25.1 Financial Position Classified by Business

	Unit : Million Baht		
	<u>September 30, 2020</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Total assets	131,295.12	2.62	131,297.74
Interbank and money market items, net (assets)	7,969.23	1.02	7,970.25
Financial assets measured at fair value through			
profit or loss	0.92	-	0.92
Investments, net	4,196.04	-	4,196.04
Loans to customers and accrued interest receivables, net	116,081.06	-	116,081.06
Deposits	43,567.50	-	43,567.50
Interbank and money market items (liabilities)	21,112.78	-	21,112.78
Debt issued and borrowings	43,158.23	-	43,158.23
	<u>December 31, 2019</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Total assets	118,844.14	2.66	118,846.80
Interbank and money market items, net (assets)	2,972.09	0.80	2,972.89
Investment, net	2,493.16	-	2,493.16
Loans to customers and accrued interest receivables, net	111,055.18	-	111,055.18
Deposits	32,812.59	-	32,812.59
Interbank and money market items (liabilities)	19,636.67	-	19,636.67
Debt issued and borrowings	42,304.56	-	42,304.56

7.25.2 Operations Classified by Business

Unit : Million Baht

	For Nine-Month Period Ended		
	September 30, 2020		
	Domestic	Foreign	Total
Interest income	3,765.74	-	3,765.74
Interest expenses	<u>(1,291.49)</u>	<u>-</u>	<u>(1,291.49)</u>
Interest income, net	2,474.25	-	2,474.25
Fees and service income, net	244.34	-	244.34
Other operating income	87.15	-	87.15
Other operating expenses	<u>(1,392.09)</u>	<u>(11.21)</u>	<u>(1,403.30)</u>
Operating profit before expected credit losses	1,413.65	(11.21)	1,402.44
Expected credit losses	<u>(2,673.53)</u>	<u>-</u>	<u>(2,673.53)</u>
Net (loss) profit	<u>(1,259.88)</u>	<u>(11.21)</u>	<u>(1,271.09)</u>

	For Nine-Month Period Ended		
	September 30, 2019		
	Domestic	Foreign	Total
Interest income	4,303.91	-	4,303.91
Interest expenses	<u>(1,662.77)</u>	-	<u>(1,662.77)</u>
Interest income, net	2,641.14	-	2,641.14
Fees and service income, net	189.46	-	189.46
Other operating income	172.32	-	172.32
Other operating expenses	<u>(1,273.00)</u>	<u>(10.64)</u>	<u>(1,283.64)</u>
Operating profit before bad debts, doubtful accounts and loss on impairment	1,729.92	(10.64)	1,719.28
Bad debts, doubtful accounts and loss on impairment	<u>(1,172.13)</u>	<u>-</u>	<u>(1,172.13)</u>
Net (loss) profit	<u>557.79</u>	<u>(10.64)</u>	<u>547.15</u>

7.26 Interest Income

Interest income for the nine-month periods ended September 30, 2020 and 2019 were as follows:

	Unit : Million Baht	
	<u>2020</u>	<u>2019</u>
Interbank and money market items	112.89	244.66
Investment in debt securities	22.86	27.72
Loans	<u>3,629.99</u>	<u>4,031.53</u>
Total interest income	<u>3,765.74</u>	<u>4,303.91</u>

7.27 Interest Expenses

Interest expenses for the nine-month periods ended September 30, 2020 and 2019 were as follows:

	Unit : Million Baht	
	<u>2020</u>	<u>2019</u>
Deposits	351.16	317.27
Interbank and money market items	275.67	398.60
Lease liabilities	0.47	-
Debt issued		
- Bonds	624.85	935.16
- Promissory note	26.67	-
- Borrowings fee	<u>12.67</u>	<u>11.74</u>
Total interest expenses	<u>1,291.49</u>	<u>1,662.77</u>

7.28 Fees and Service Income, Net

Net fees and service income for the nine-month periods ended September 30, 2020 and 2019 were as follows:

	Unit : Million Baht	
	<u>2020</u>	<u>2019</u>
Fees and service income		
- Acceptance aval and guarantee	41.87	39.43
- Income from insurance	187.28	164.03
- Others	<u>127.33</u>	<u>82.85</u>
Total fees and service income	<u>356.48</u>	<u>286.31</u>
Fees and service expenses		
- Expense on insurance	100.32	88.51
- Others	<u>11.82</u>	<u>8.34</u>
Total fees and service expenses	<u>112.14</u>	<u>96.85</u>
Total fees and service income, net	<u>244.34</u>	<u>189.46</u>

7.29 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 nine-month period ended September 30, 2020 were as follows:

	Unit : Million Baht
	<u>2020</u>
Gains (losses) on trading and foreign exchange transactions	
- Foreign currencies, debt securities and foreign exchange derivatives	61.95
- Interest rate derivative	(0.97)
- Equity securities	<u>(0.40)</u>
Total gains on financial instruments measured at fair value through profit or loss	<u>60.58</u>

7.30 Bad Debt and Doubtful Accounts for Insurance Services

Bad debt and doubtful accounts for insurance services for the nine-month periods ended September 30, 2020 and 2019 were as follows:

	Unit : Million Baht	
	<u>2020</u>	<u>2019</u>
Doubtful account for export credit insurance	185.83	51.02
Doubtful account for investment insurance	3.37	4.69
Doubtful account for stand-by claims purchase agreement	<u>17.33</u>	<u>45.53</u>
Total	<u>206.53</u>	<u>101.24</u>

7.31 Expected Credit Losses

Expected credit losses for financial assets for the nine-month periods ended September 30, 2020 were as follows:

	Unit : Million Baht
	<u>2020</u>
Interbank and money market items	(11.50)
Investment in debt securities measured at amortized cost	0.26
Loans to customers and accrued interest receivables*	2,671.98
Loans to customers and accrued interest receivables from public service account	5.20
Other receivable	<u>6.52</u>
Total	2,672.46
Loan commitments and financial guarantee contracts	<u>1.07</u>
Total expected credit losses	<u>2,673.53</u>

* Includes written-down debt recovery and bad debt recovery.

7.32 Public Service Account

7.32.1 Summary of Public Service Account

As at September 30, 2020, the assets from public service account were as follows:

Unit : Million Baht	
<u>September 30, 2020</u>	
Loans to customers from public service account and accrued interest receivables, net	660.25
Receivable eligible for government reimbursement	<u>2.75</u>
Total assets	<u>663.00</u>

For the nine-month period ended September 30, 2020, the Bank recognized income and expenses from public service account were as follows:

Unit : Million Baht	
<u>2020</u>	
Income from public service account	5.51
<u>Less</u> Expenses from public service account	(8.79)
<u>Less</u> Expected credit losses from public service account	(5.20)
Net Loss	<u>(8.48)</u>

7.32.2 Loans to Customers from Public Service Account and Accrued Interest Receivables, Net

Unit : Million Baht			
<u>Project</u>	<u>Project Summary</u>	<u>Duration</u>	<u>September 30, 2020</u>
Investment and Production	To encourage entrepreneurs to purchase and improve their machinery and equipment or	2020 - 2027	660.25
Efficiency Enhancement	factories in order to uplift production efficiency and cost reduction		
Credit Scheme			

7.32.3 Loan Classification and Provision for Public Service Account

As at September 30, 2020, loan classification and provision for the investment and production efficiency enhancement credit scheme were as follows:

Unit : Million Baht			
<u>Loan Classification</u>	<u>Cases</u>	<u>Outstanding</u>	<u>Allowance for expected credit losses</u>
Financial assets where there has not been a significant increase in credit risk (Performing)	41	665.45	5.20

7.32.4 Receivable Eligible for Government Reimbursement

As at September 30, 2020, the Bank is eligible for government reimbursement for the interest spread for the investment and production efficiency enhancement credit scheme amounting to Baht 2.75 million.

7.32.5 Income from Public Service Account

Income from public service account for the nine-month period ended September 30, 2020, were as follows:

	Unit : Million Baht
	<u>2020</u>
Interest income from public service account	2.76
Compensation for public service account	<u>2.75</u>
Total	<u>5.51</u>

7.32.6 Expenses from Public Service Account

Expenses from public service account for the nine-month period ended September 30, 2020, were as follows:

	Unit : Million Baht
	<u>2020</u>
Interest expenses	1.94
Fees and service expenses	0.05
Operating expenses	<u>6.80</u>
Total	<u>8.79</u>

7.33 Fair Value of Assets and Liabilities

As at September 30, 2020 and December 31, 2019, the Bank determined level of the fair value hierarchy of financial assets and financial liabilities as follows:

	Unit : Million Baht		
	<u>September 30, 2020</u>		
	<u>Fair Value</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial Assets			
Financial assets measured at fair value through profit or loss	0.92	-	0.92
Derivative assets	-	439.28	439.28
Investment in equity securities designated at fair value through other comprehensive income	<u>2.76</u>	<u>1.27</u>	<u>4.03</u>
Total financial assets	<u>3.68</u>	<u>440.55</u>	<u>444.23</u>
Financial Liabilities			
Derivative liabilities	<u>-</u>	<u>545.48</u>	<u>545.48</u>
Total financial liabilities	<u>-</u>	<u>545.48</u>	<u>545.48</u>
	<u>December 31, 2019</u>		
	<u>Fair Value</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial Assets			
Derivative assets	-	549.27	549.27
Available-for-sale securities	<u>0.19</u>	<u>-</u>	<u>0.19</u>
Total financial assets	<u>0.19</u>	<u>549.27</u>	<u>549.46</u>
Financial Liabilities			
Derivative liabilities	<u>-</u>	<u>84.28</u>	<u>84.28</u>
Total financial liabilities	<u>-</u>	<u>84.28</u>	<u>84.28</u>

Fair values were determined according to the following hierarchy :

- Level 1 - quoted prices in active market for identical assets or liabilities.
- Level 2 - value derived from valuation techniques for which the significant input used for the fair value measurement is directly or indirectly observable in the market.
- Level 3 - value derived from valuation techniques for which the significant input used for the fair value measurement is unobservable in the market.

Level 2 fair values of derivatives are the prices based on market prices, broker or dealer quotations, prices of other similar transactions or prices derived by using a valuation technique incorporating observable market data adjusted with counterparty credit risk.

Level 2 fair value of investments in equity securities designated at fair value through other comprehensive income, which are non-marketable equity securities, is determined by comparing their share price with their book value.

7.34 Events after the Reporting Period

7.34.1 The Bank of Thailand (BOT) announced circular No.TorPorTor.ForNorSor.(23) Vor.1135/2563 dated October 16, 2020, regarding Operational Guidelines Related to Debt Restructuring to Assist Business Customers after the End of Loan Payment Holiday Program under the Emergency Decree. This circular provided regulations and operational guidelines for debt restructuring of customers under the loan payment holiday program, according to the BOT's Notification regarding the Loan Payment Holiday Program Offered to Small and Medium-sized Enterprises Affected by Coronavirus 2019 Pandemic. Major points can be summarized as follows:

1) Financial institutions shall consider debt restructuring with all the above debtors who cannot return to servicing their debt per the existing loan contract. While the debt restructuring is in the process, financial institutions can maintain the debtor's loan classification as before until December 31, 2020.

2) If the debtor's cash flow assessment cannot be undertaken, which prevents completion of the debt restructuring process by December 31, 2020, financial institutions may provide assistance to the debtor by deferment of principal and/or interest payment for a period appropriate for their debt servicing ability, which should not be more than six months from the end of 2020, while their loan classification can remain at the stage as before. In this regard, financial institutions action must be taken to find ways to restructure their debt without further delay.

However, during the debt restructuring process under 1) and loan payment holiday under 2), the financial institutions cannot charge interest at the default rate or service fees, penalties, or any other additional expenses from the debtor. For the collection of principal and interest calculated during the debt restructuring or loan payment holiday, financial institutions shall find ways that will not cause excessive burden on the debtor and not allow lump sum collection at the end of the payment holiday period.

7.34.2 As the Bank signed an agreement to sell non-performing loans with Bangkok Commercial Asset Management Public Company Limited (BAM) and Sukhumvit Asset Management Company Limited (SAM) on August 26, 2020, which as at June 30, 2020, the outstanding of such loans was Baht 2,811.31 million. The Bank has transferred any claims and benefits including the relevant documents to BAM and SAM on October 30, 2020.

7.35 Approval of the Interim Financial Statements

These Interim financial statements have been authorized to issue by Acting President and Executive Vice President on February 15, 2021.
