



Management Discussion and Analysis

For the Quarter ended June 30, 2022

(audited)

This report discusses the principal changes in the audited consolidated financial statement for the quarter ended June 30, 2022.

Economic Overview

In 2022, the Thai economy is expected to see an uptick but still face a variety of risk factors. The Thai economy **will face risks from external factors**, particularly the prolonged Russia and Ukraine conflict that has caused commodity prices to remain high and thereby lowering the global growth projection. In addition, the global growth would be affected from China's zero-Covid-policy together with the Fed's interest rate increase to fight inflation which affects the US growth prospect. For Thailand, the accelerating consumer price inflation and input prices put significant pressure on households' purchasing power as well as businesses' profitability. However, Thai economy is supported by improving domestic demand after gradually lifting strict Covid-19 prevention measures. Likewise, tourism sector is improving with rising foreign visitors after fully open to vaccinated tourists since May 1, 2022. Furthermore, export values continue to grow from strong trading partner demand while some of the products benefiting from higher oil price. Overall, the Thai economy is expected to see an uptick despite rising pressure from inflation. With the latest assessment from the Bank of Thailand in June 2022, the Thai economic growth rate is projected to be at 3.3%, slightly better than 3.2% from the previous assessment in March 2022. Meanwhile, headline inflation rate is forecasted at 6.2%, significantly higher than the previous assessment in March 2022 at 4.9%. With the clearer view of economic recovery and the surge in inflation, the Bank of Thailand has sent signal that it is on the verge of tightening monetary policy.

The Bank and Its Subsidiaries' Overview Performance

The Bank strive to drive businesses with technology and innovation. The Bank has continuously expand its customer base whereas the numbers of subscribers increase across all platforms with higher access frequency and higher transaction volume. This reflects the Bank's strategy to enhance its products and serves to better serve the needs for all groups of customers, in all dimensions. The Bank cooperates with various partners, both government agencies and the private sectors, to interrelate various ecosystems which covers several government measures, health services, savings and investment plan such as digital corporate bond investment services, gold wallet services, and digital lotteries which has been well perceived. Meanwhile, the Bank's continual effort to balance the portfolio with the return and asset quality shows its good results to the performance. From such determination to operate in accordance with the said strategy, the Bank's performance has improved continuously.

The Bank and Its Subsidiaries' Performance for 2Q2022

For the 2Q2022 compared to 2Q2021, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 8,358 million, an increased of 39% YoY mainly due to an increase in total operating income of 2.1% YoY from the interest income from loan resulting from the quality loan growth especially in corporate and retail lending, together with an increase in fee income, net, and a comprehensive operating cost management. Consequently, cost to income ratio stood at 42.48%, broadly flat YoY.

The Bank and its subsidiaries has prudently set aside the expected credit loss in amount of Baht 5,669 million, decreased by 30.0% YoY as the the high expected credit loss in the same period of last year, with prudently considering on business management given the economic uncertainties that might impact loan quality as well as its closely monitoring of loans portfolio and the ongoing asset quality management. The consolidated NPLs Ratio-Gross was at 3.32%, reduced from 3.50% as at December 31, 2021. Besides, the consolidated coverage ratio stood at the high level of 174.3%, compared with 168.8% as at December 31, 2021.

Compared to 1Q2022, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank declined 4.8% QoQ. This was a result of the decline of other income, mainly due to the volatility of the financial instruments of foreign exchange's fair value from market situation. Net interest income expanded from the interest income from loan with the quality loan growth especially in corporate and retail lending. Additionally, operating cost was comprehended managed. The Bank and its subsidiaries has prudently set aside the slightly increase of allowance for expected credit loss QoQ.

The Bank and Its Subsidiaries' Performance for 1H2022

Amid the economic challenges during the first half of 2022, the Bank performed the effective management, resulted in the continuing solid financial performance. In 1H2022, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 17,139 million, an increase of 48% YoY due to an increase in the interest income from loan of 4.9% YoY resulting from the quality loan growth especially in corporate and retail lending together with the cost of fund management, hence, NIM registered at 2.50%. Operating expense declined 0.7% YoY as a comprehensive operating cost management including seasonality expense. This resulted in cost to income ratio of 41.86%, decreased from 43.33% in the same period of last year. The Bank and its subsidiaries had set aside the lessened allowance for expected credit losses of 31.0% YoY to maintain the high level of coverage ratio at 174.3% given the economic uncertainties

As at Jun 30, 2022, the Bank and the Financial Business Group's Tier 1 capital was Baht 339,573 million (16.28% of its RWA). Total capital was Baht 425,173 million (20.38% of its RWA) maintaining at a strong level as compared to BOT's requirement. In April 2022, the Bank issued Tier II Subordinated Notes in amount of Baht 18,080 million in order to strengthen its Tier II capital and enhance its future investment prospect and growth opportunity.

The Thai economy is expected to see an uptick. Private sectors will resume their business operations after the gradually lifting strict Covid-19 prevention measures and the rising foreign visitors after fully open to vaccinated tourists. The next phase of economic recovery continues but remains uneven as "The New K-shaped Economy". The economy still faces risks from external factors, particularly the prolonged Russia and Ukraine conflict that has caused commodity prices to remain high. Meanwhile, due to the surge in domestic inflation, the Bank of Thailand has sent signal that it is on the verge of tightening monetary policy as well as extended the relief measures to specifically support the vulnerable segments. The Bank and Its Subsidiaries' thoroughly considers on business management; closely monitors asset quality, maintains a high level of coverage ratio and the solid capital level given the economic uncertainties, provides continuous supported measures for the potential customers and be ready for the opportunity to expand its business as the future competitive landscape.

Krungthai Bank realizes the importance of conducting business with responsibility to Environment, Social and Governance (ESG) and integrating the Sustainable Development Goals (SDG) to be a part of its business operation in economic development, the reduction of economic disparity as well as the enhancement technology and innovation of financial product and services to serve the customer needs especially in digital service through Krungthai platforms namely Krungthai NEXT, Krungthai Connex, Pao Tang application and Tung Ngerm application. The Bank enhances its digital services through the Pao Tang mobile application including the saving and investment products namely a SOR BOR Mor e-wallet, various digital bond investment from listed companies and a gold wallet service. The services through digital

platforms gives opportunities for all groups of investors in all regions to access the bond investments with thoroughly, equality and parity to support the life style of investors. Besides, the Bank has recently entered into the service for the Government Lottery Office to sell the digital lottery via the Pao Tang application which currently have more than 34 million users. In addition, the Bank has a joint collaboration with business partners to launch the “Point Pay” Project, enables customers to redeem business partners’ point as a cash discount for purchase from Tung Ngerm’s merchant member in order to sustainable increase their sale volume and revenue of these small merchants, as the Thai economic foundation.

The Bank and Its Subsidiaries' Performance for the Quarter and First Half Ended June 30, 2022

Overview Operating Income and Net Profit

	Unit : Million Baht							
	2/2022	1/2022	Change	2/2021	Change	1H2022	1H2021	Change
			%		%			%
Net interest income	21,818	21,086	3.5	20,916	4.3	42,904	40,885	4.9
Net fee and service income	4,911	4,968	(1.2)	4,892	0.4	9,879	10,109	(2.3)
Other non-interest income	2,735	3,630	(24.7)	3,043	(10.1)	6,366	6,529	(2.5)
Total operating income	29,464	29,684	(0.7)	28,851	2.1	59,149	57,523	2.8
Total other operating expenses	12,517	12,244	2.2	12,235	2.3	24,761	24,923	(0.7)
Pre-provision profit ⁽¹⁾	16,947	17,440	(2.8)	16,616	2.0	34,388	32,600	5.5
Expected credit losses	5,669	5,470	3.6	8,097	(30.0)	11,139	16,154	(31.0)
Operating profit before income tax expenses	11,278	11,970	(5.8)	8,519	32.4	23,249	16,446	41.4
Income tax expenses	1,996	2,317	(13.9)	1,656	20.5	4,313	3,176	35.8
Net Profit	9,282	9,653	(3.8)	6,863	35.3	18,936	13,270	42.7
Net profit (attributable to equity holders of the Bank)	8,358	8,780	(4.8)	6,011	39.1	17,139	11,590	47.9
ROA (%) ⁽²⁾	0.94	1.00		0.71		0.97	0.69	
ROE (%) ⁽²⁾	9.35	9.87		7.04		9.66	6.81	

(1) Pre-provision profit before provision (expected credit losses or impairment loss of loans and debt securities) and income tax expense

(2) ROA and ROE calculated from net income (attributable to equity holders of the bank) divided by average assets and average equity attributable to equity holders of the bank respectively.

In 2Q2022 compared to 2Q2021, KTB's consolidated pre-provision profit was Baht 16,947 million, rose by 2.0% YoY, mainly due to an increase in total operating income of 2.1% YoY from the interest income from loan resulting from the quality loan growth especially in corporate and retail lending, together with an increase in fee income, net and the comprehensive operating cost management. The Bank and its subsidiaries had set aside the lessened expected credit losses of 30.0% YoY as the the high expected credit loss in the same period of last year, with prudently considering on business management and the high level of coverage ratio given the economic uncertainties, hence, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 8,358 million, an increased of 39.1% YoY.

Compared to 1Q2022, KTB's consolidated pre-provision profit dropped 2.8% QoQ. This was a result of the decline of other income, mainly due to the volatility of the financial instrument of foreign exchange's fair value from market situation. Net interest income expanded due to the interest income from loan resulting from the quality loan growth especially in corporate and retail lending. Additionally, operating cost was comprehended managed. The Bank and its subsidiaries has set aside the increase allowance for expected credit loss of 3.6% QoQ, given the economic uncertainties; hence, consolidated net profit attributable to equity holders of the Bank dropped by 4.8% QoQ.

In 1H2022, KTB's consolidated pre-provision profit was Baht 34,388 million, an increase of 5.5% YoY. This was due to an increase in the interest income from loan of 4.9% resulting from the quality loan growth especially in corporate and retail lending, together with the cost of fund management and the comprehensive operating cost management to decline 0.7% YoY. The Bank and its subsidiaries had set aside the lessened allowance for expected credit losses of 31.0% YoY with considering the high level of coverage ratio given the economic uncertainties; hence, consolidated net profit attributable to equity holders of the Bank was Baht 17,139 million, an increase of 47.9% YoY.

Net Interest Income

Unit : Million Baht

	2/2022	1/2022	Change	2/2021	Change	1H2022	1H2021	Change
			%		%			%
Interest income	27,259	26,209	4.0	26,349	3.5	53,468	51,646	3.5
- Interbank and money market items	750	652	15.1	800	(6.2)	1,402	1,529	(8.3)
- Investments and trading transactions	51	49	3.0	72	(30.1)	100	133	(25.2)
- Investment in debt securities	1,079	908	18.9	856	26.1	1,987	1,772	12.1
- Loans	25,324	24,567	3.1	24,582	3.0	49,891	48,128	3.7
- Hire purchase and financial lease	26	15	83.3	25	7.3	41	54	(23.0)
- Others	29	18	60.3	14	112.8	47	30	56.2
Less Interest expense	5,441	5,123	6.2	5,433	0.2	10,564	10,761	(1.8)
- Deposits	2,318	2,288	1.3	2,618	(11.5)	4,606	5,324	(13.5)
- Interbank and money market items	344	340	1.1	404	(14.8)	684	807	(15.3)
- Contributions to BOT and DPA	1,623	1,608	1.0	1,515	7.1	3,231	3,010	7.4
- Debts issued	1,124	866	29.6	879	27.8	1,990	1,582	25.8
- Others	32	21	57.0	17	90.7	53	38	41.1
Net interest income	21,818	21,086	3.5	20,916	4.3	42,904	40,885	4.9
Earning Asset Yield (%) ⁽¹⁾	3.14	3.04		3.22		3.11	3.20	
Cost of Fund (%) ⁽¹⁾	0.72	0.68		0.76		0.70	0.76	
Net interest margin [based on earning assets] (%) ⁽¹⁾	2.51	2.44		2.55		2.50	2.53	

(1) Earning assets include financial assets measured at fair value through profit or loss; Interest bearing debts include financial liabilities measured at fair value through profit or loss from 1Q2020 onwards.

In 2Q2022 compared to 2Q2021, KTB's consolidated net interest income amounted Baht 21,818 million, an increase of 4.3% YoY, mainly due to the interest income from loan, resulting from the quality loan growth especially in corporate and retail lending, together with the cost of fund management. Hence, NIM registered at 2.51%. Compared to 1Q2022, consolidated net interest income increased by 3.5% QoQ, mainly due to the interest income from loan, resulting from the quality loan growth especially in corporate and retail lending. Hence, NIM registered at 2.51%, rose from 2.44% in 1Q2022.

In 1H2022, consolidated net interest income amounted Baht 42,904 million, increased by 4.9% YoY, mainly due to the interest income from loan, resulting from the quality loan growth especially in corporate and retail lending, together with the cost of fund management. Hence, NIM registered at 2.50%, compared to 2.53% in 1H2021.

Change of interest rate

	30 Jun 2022	31 Mar 2022	30 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
Policy Interest Rate	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Deposit Rate ⁽¹⁾						
- Savings Rate	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%
- 3 Months Fixed Rate	0.320%	0.320%	0.320%	0.320%	0.320%	0.320%
- 6 Months Fixed Rate	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%
- 12 Months Fixed Rate	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%
Loan Rate						
- MLR	5.250%	5.250%	5.250%	5.250%	5.250%	5.250%
- MOR	5.820%	5.820%	5.820%	5.820%	5.820%	5.820%
- MRR	6.220%	6.220%	6.220%	6.220%	6.220%	6.220%

(1) Standard deposit rate for individuals.

Net Fee and Service Income

Unit : Million Baht

	2/2022	1/2022	Change	2/2021	Change	1H2022	1H2021	Change
			%		%			%
Fee and service income	6,728	7,041	(4.4)	6,858	(1.9)	13,768	14,378	(4.2)
Less Fee and service expense	1,817	2,073	(12.3)	1,966	(7.6)	3,889	4,269	(8.9)
Net fee and service income	4,911	4,968	(1.2)	4,892	0.4	9,879	10,109	(2.3)

In 2Q2022 compared to 2Q2021, KTB's consolidated net fee and service income was Baht 4,911 million, increased by 0.4% YoY with a continual expansion of Bancassurance fee. Compared to 1Q2022, KTB's consolidated net fee and service income slightly reduced by 1.2% QoQ, mainly relate to the market situation and seasonality.

In 1H2022, KTB's consolidated net fee and service income was Baht 9,879 million, compressed by 2.3% YoY, mainly relate to the market situation whilst a continual expansion of Bancassurance fee.

Total Other Operating Income

Unit : Million Baht

	2/2022	1/2022	Change	2/2021	Change	1H2022	1H2021	Change
			%		%			%
Gains (loss) on financial instruments measured at fair value through profit or loss	773	1,748	(55.8)	772	0.1	2,521	1,825	38.1
Gain (loss) on investments, net	31	73	(58.3)	323	(90.5)	104	640	(83.8)
Share of profit (loss) from investments for using equity method	200	387	(48.4)	337	(40.6)	588	636	(7.5)
Dividend income	145	101	44.2	164	(11.1)	246	290	(15.3)
Other income	1,586	1,321	20.1	1,447	9.7	2,907	3,138	(7.3)
Total other operating income	2,735	3,630	(24.7)	3,043	(10.1)	6,366	6,529	(2.5)

In 2Q2022 compared to 2Q2021, KTB's consolidated total other operating income was Baht 2,735 million, decreased by 10.1% YoY, mainly due to the lowered gain on investments, net and share of profit from investments for using equity method whilst the expansion of other income. Compared to 1Q2022, KTB's consolidated total other income decreased 24.7% QoQ, mainly due to gains on financial instruments of foreign exchange's measured at fair value through profit or loss resulting from market situation and share of profit from investments for using equity method from insurance business whilst the expansion of other income.

In 1H2022, KTB's consolidated total other operating income was Baht 6,366 million, a decrease of 2.5% YoY, mainly due to the lowered gain on investments, net, share of profit from investments for using equity method from insurance business and other income.

Other Operating Expenses

	Unit : Million Baht							
	2/2022	1/2022	Change	2/2021	Change	1H2022	1H2021	Change
			%		%			%
Employees' expenses	5,624	6,334	(11.2)	6,579	(14.5)	11,957	13,676	(12.6)
Premises and equipment expenses	2,341	2,257	3.7	2,139	9.5	4,598	4,271	7.7
Taxes and duties	971	958	1.4	969	0.2	1,929	1,947	(0.9)
Impairment loss of properties for sale	599	235	154.5	251	138.0	834	553	50.8
Others ⁽¹⁾	2,982	2,460	21.2	2,297	29.8	5,443	4,476	21.6
Total other operating expenses	12,517	12,244	2.2	12,235	2.3	24,761	24,923	(0.7)
Cost to income ratio (%)	42.48	41.25		42.41		41.86	43.33	

(1) Including Directors' remuneration

In 2Q2022 compared to 2Q2021, consolidated other operating expenses was Baht 12,517 million, increased by 2.3% YoY, mainly due to others expense partly relating to the incurred IT cost to support the customer services together with marketing expense whilst the comprehensive operating cost management. Hence, cost to income ratio stood at 42.48%, broadly flat YoY. Compared to 1Q2022, consolidated other operating expenses increased by 2.2% YoY, mainly due to others expense partly relating to the incurred IT cost to support the customer services together with marketing expense whilst the comprehensive operating cost management. This resulted in cost to income ratio of 42.48%, slightly increased from 41.25% in 1Q2022.

In 1H2022, KTB's consolidated other operating expenses was Baht 24,761 million, dropped by 0.7% YoY, mainly owing to the comprehensive operating cost management whilst an increase of other expense partly relating to the incurred IT cost to support the customer services together with marketing expense. This resulted in cost to income ratio of 41.86%, decreased from 43.33% in the same period of last year

Expected credit losses

	Unit : Million Baht							
	2/2022	1/2022	Change	2/2021	Change	1H2022	1H2021	Change
			%		%			%
Expected credit losses ⁽¹⁾	5,669	5,470	3.6	8,097	(30.0)	11,139	16,154	(31.0)

(1) Expected credit losses for interbank and money market items, investments in debt securities, loans to customers (including loss from criteria change) and loan commitments & financial guarantee contracts

In 2Q2022 compared to 2Q2021, The Bank and its subsidiaries has thoroughly set aside the expected credit loss in amount of Baht 5,669 million, decreased by 30.0% YoY with considering the high level of coverage ratio given the economic uncertainties. Compared to 1Q2022, the expected credit losses increased by 3.6% QoQ given its prudently considered various factors in the continuously changing business environment as well as economic uncertainties that might impact loan quality.

In 1H2022, KTB's consolidated expected credit losses amounted Baht 11,139 million, decreased by 31.0% YoY. Coverage ratio stood at 174.3% given its prudently considered various factors in the continuously changing business environment as well as economic uncertainties that might impact loan quality, compared to 173.6% as at March 31, 2022 and 168.8% as at December 31, 2021.

The Bank and Its Subsidiaries' Financial Status as at June 30, 2022

Financial Assets and Investments, Net

The Bank's consolidated financial assets measured at fair value through profit or loss and net investment were Baht 266,443 million as at June 30, 2022, compared to Baht 360,081 million as at December 31, 2021. Financial assets measured at fair value through profit or loss and net investments comprised of government and SOE securities 64%, private enterprise and foreign debt securities 29% and marketable equity securities 7%.

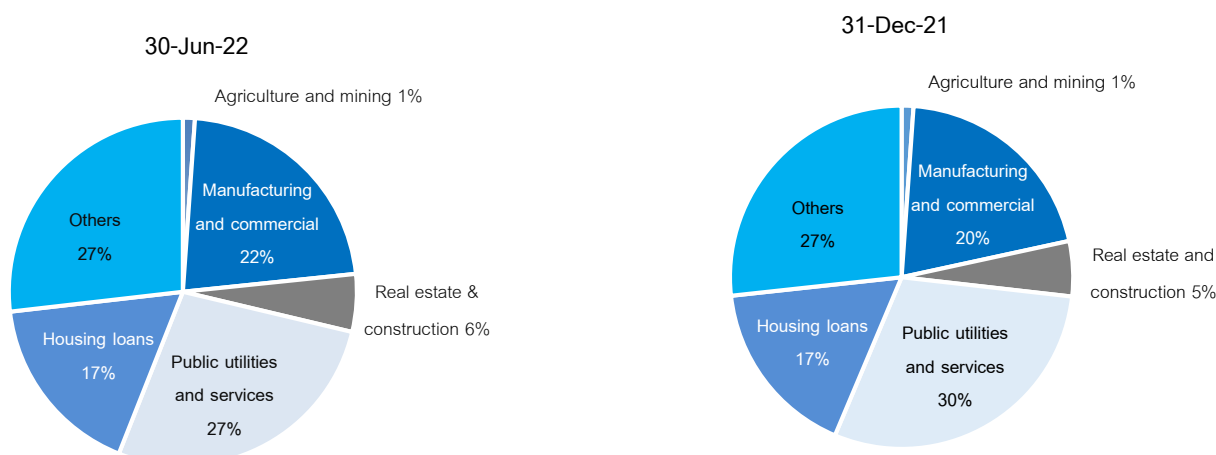
Classifications of financial assets and investments, net

Unit : Million Baht

Consolidated Financial Statements	30 Jun 2022	31 Mar 2022	Change	
			31 Dec 2021	Change %
Financial assets measured at fair value through profit or loss	13,931	19,899	(30.0)	(22.8)
Investment, net	252,512	250,249	0.9	(26.2)
- Investment in debt securities measured at amortized cost	845	1,067	(20.8)	(47.2)
- Investment in debt securities designated to be measured at fair value through other comprehensive income	234,111	231,851	1.0	(27.3)
- Investment in equity securities designated to be measured at fair value through other comprehensive income	17,556	17,331	1.3	(3.8)
Total financial assets and investments, net	266,443	270,148	(1.4)	(26.0)

Loans to Customers

Loan breakdown by type of business



The Bank's consolidated loans to customers was Baht 2,634,917 million, increased by 0.2% compared to the end of 2021, mainly due to the acceleration of private corporate and retail customers, partly offset by the slow down of government loans. If excluding government loans, loans to customers grew 2.5% compared to the end of 2021.

Unit : Million Baht

Consolidated Financial Statements	30 Jun 2022		31 Mar 2021	Change	31 Dec 2021	Change
				%		%
Loans to customers	2,635,307		2,659,094	(0.9)	2,629,259	0.2
<u>Less</u> Deferred revenue	390		336	15.9	296	31.8
<u>Add</u> Accrued interest receivables	20,639		20,583	0.3	20,579	0.3
<u>Less</u> Allowance for expected credit losses	174,969		177,008	(1.2)	173,322	0.9
Loans to customers and accrued interest receivables, net	2,480,587		2,502,333	(0.9)	2,476,220	0.2

Loan breakdown by type of borrowers (Consolidated's Financial Statements)

Unit : Million Baht

Consolidated Financial Statement	30 Jun 2022		31 Mar 2022		Change	31 Dec 2021		Change
	Amount	(%)	Amount	(%)	%	Amount	(%)	%
Private Corporate	736,600	27.9	713,932	26.9	3.2	708,654	27.0	3.9
Government and State Enterprise	508,128	19.3	568,449	21.4	(10.6)	553,041	21.0	(8.1)
SMEs	326,589	12.4	329,727	12.4	(1.0)	327,724	12.5	(0.3)
Retail	1,063,608	40.4	1,046,571	39.3	1.6	1,039,448	39.5	2.3
- Housing	452,664	17.2	447,409	16.8	1.2	445,012	16.9	1.7
- Personal	546,287	20.8	538,029	20.2	1.5	531,035	20.2	2.9
- Credit card	61,176	2.3	57,691	2.2	6.0	59,953	2.3	2.0
- Leasing	3,481	0.1	3,442	0.1	1.1	3,448	0.1	1.0
Others	382	0.0	415	0.0	(8.1)	392	0.0	(2.8)
Total loans (per F/S)	2,635,307	100.0	2,659,094	100.0	(0.9)	2,629,259	100.0	0.2

Asset Quality

Loan classification and expected credit loss

Consolidated Financial Statement	Unit : Million Baht		
	30 Jun 2022	31 Mar 2022	31 Dec 2021
Gross NPL ⁽¹⁾	104,434	106,549	106,809
Gross NPL Ratio	3.32%	3.34%	3.50%
Allowance for Expected Credit Losses (total) ⁽²⁾	182,022	184,938	180,311
Coverage Ratio ⁽³⁾	174.3%	173.6%	168.8%

(1) Gross NPLs based on principal less deferred revenue while including interbank and money market items

(2) Allowance for expected credit loss (total) = Allowance for expected credit losses for interbank and money market items, loans to customers and loan commitments & financial guarantee contracts

(3) Coverage Ratio = Allowance for expected credit losses for interbank and money market items, loans to customers and loan commitments & financial guarantee contracts / Gross NPLs

Consolidated Financial Statement	Unit : Million Baht					
	30 Jun 2022		31 Mar 2022		31 Dec 2021	
	Loans and Accrued Interest Receivables ⁽¹⁾	Allowance for Expected Credit Losses ⁽²⁾	Loans and Accrued Interest Receivables ⁽¹⁾	Allowance for Expected Credit Losses ⁽²⁾	Loans and Accrued Interest Receivables ⁽¹⁾	Allowance for Expected Credit Losses ⁽²⁾
1. Loan Classification						
Performing	2,323,916	45,515	2,337,940	43,814	2,306,478	44,722
Under - performing	219,209	50,390	226,918	51,818	228,443	48,923
Non - performing	109,247	76,806	111,328	79,023	111,422	77,334
Lifetime ECL - simplified approach ⁽³⁾	3,184	2,258	3,155	2,353	3,199	2,343
Total	2,655,556	174,969	2,679,341	177,008	2,649,542	173,322

(1) Loan less deferred revenue while including accrued interest receivables and undue interest receivables

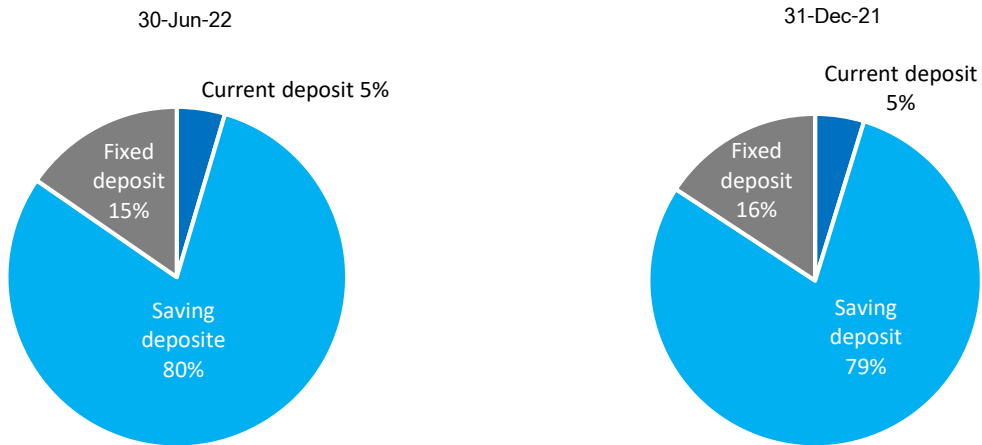
(2) Allowance for expected credit losses for loans to customers (including loss from criteria change) per financial statements

(3) Lifetime ECL – simplified approach is the approach of the Bank's subsidiary to recognize the allowance for expected credit losses on lifetime of finance lease receivables

The Bank's consolidated NPLs-Gross as at June 30, 2022 amounted Baht 104,434 million, NPLs Ratio-Gross of 3.32%, reduced from 3.50% as at December 31, 2021, as a result of its closely monitoring of loans portfolio and the ongoing asset quality management. Besides, the additional the expected credit losses were set aside to maintain the high level of consolidated coverage ratio given the economic uncertainties in future. As at June 30, 2022, the consolidated coverage ratio stood at 174.3%, compared with 173.6% as at March 31, 2022 and 168.8% as at December 31, 2021.

Deposits

Deposits breakdown by types



The Bank’s consolidated deposits was Baht 2,603,600 million, decreased by 0.4% from December 31, 2021 due to a decrease of fixed and current deposits. Hence, the portion of current deposit and savings deposit to total deposit (CASA) accounted for 85%.

The Bank’s consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) was 101.20%, relatively stable to 100.54 % as at December 31, 2021.

Sources and Uses of Funds

Unit : Million Baht

	30 Jun 2022		31 Mar 2022		Change %	31 Dec 2021		Chang %
	Amount	(%)	Amount	(%)		Amount	(%)	
Net Interbank and money market items (asset)	542,875	15.2	576,551	16.1	(5.8)	469,216	13.2	15.7
Financial assets measured at fair value through profit or loss	13,931	0.4	19,899	0.6	(30.0)	18,039	0.5	(22.8)
Net investments and net investments in associates	261,363	7.3	266,477	7.4	(1.9)	364,017	10.2	(28.2)
Loans to customers (less deferred revenue)	2,634,917	73.9	2,658,758	74.2	(0.9)	2,628,963	73.9	0.2
Less Allowance for expected credit losses	174,969	4.9	177,008	4.9	(1.2)	173,322	4.8	0.9
Other assets	286,929	8.1	236,770	6.6	21.2	249,831	7.0	14.8
Total Asset	3,565,046	100.0	3,581,447	100.0	(0.5)	3,556,744	100.0	0.2
Deposits	2,603,600	73.0	2,712,691	75.8	(4.0)	2,614,747	73.5	(0.4)
Net Interbank and money market items (liabilities)	259,142	7.3	226,664	6.3	14.3	296,344	8.3	(12.6)
Debt issued and borrowings	155,545	4.4	131,638	3.7	18.2	133,817	3.8	16.2
Other liabilities	176,824	4.9	134,025	3.7	31.9	137,725	3.9	28.4
Total equity	369,935	10.4	376,429	10.5	(1.7)	374,111	10.5	(1.1)
- Equity holders of the Bank	355,387	10.0	361,497	10.1	(1.7)	360,052	10.1	(1.3)
- Non-controlling interest	14,548	0.4	14,932	0.4	(2.6)	14,059	0.4	3.5
Total liabilities and equity	3,565,046	100.0	3,581,447	100.0	(0.5)	3,556,744	100.0	0.2
Loans to customers (less deferred revenue)- to-deposits ratio (%)	101.20		98.01			100.54		

As at Jun 30, 2022, the Bank's consolidated major source of funds was 73.0% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. Debt issued and borrowings increased from the end of 2021 due to the issuance of Tier II Subordinated Notes in amount of Baht 18,080 million. The Bank's consolidated use of funds comprised of 73.9% loans to customers (less deferred revenue), 15.2% net interbank and money market items, and 7.3% net investments and net investments in associates.

Equity

The total equity (equity holders of the Bank) as at Jun 30, 2022 was Baht 355,387 million, decreased by 1.3% from December 31, 2021.

Book value per share (equity holders of the Bank) was Baht 25.42 per share decreased from Baht 25.75 per share at December 31, 2021.

Statutory Capital Fund

Statutory Capital Fund (Bank and the Financial Business Group)

Unit : Million Baht

Bank and the Financial Business Group ⁽¹⁾	30 Jun 2022 ⁽³⁾		31 Mar 2022 ⁽³⁾		31 Dec 2021		The minimum rate required % ⁽²⁾
	Amount	%	Amount	%	Amount	%	
Common Equity Tier 1 capital	319,516	15.31	324,651	15.63	328,180	15.89	>8.000
Tier 1 capital	339,573	16.28	344,667	16.59	348,252	16.86	>9.500
Tier 2 capital	85,600		67,468		67,296		
Total capital fund	425,173	20.38	412,135	19.84	415,548	20.12	>12.000
Risk-weighted assets	2,086,388		2,077,211		2,065,350		

(1) Balance sheet as under regulatory scope of the financial business group means financial statement for consolidated basis under BOT's regulation which does not include non-life and life insurance companies, and companies held less than 50 percent of paid-up shares capital by the Bank.

(2) According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb Capital conservation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.5% is reached on January 1, 2019. Moreover, KTB was named as the one of the Domestic Systemically Important Banks (D-SIBs) requiring to hold all capital ratios to absorb higher loss absorbency of additional 0.5% of risk-weight assets from January 1, 2019 and 1% of risk-weight assets from January 1, 2020 onwards (reference to the BOT Notification Sor.Nor.Sor. 16/2560 and 17/2560)

(3) Capital fund and capital adequacy ratio are preliminary information prepared accordance with BOT guidelines.

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	30 Jun 2022 ⁽²⁾		31 Mar 2022 ⁽²⁾		31 Dec 2021		The minimum rate required % ⁽¹⁾
	Amount	(%)	Amount	(%)	Amount	(%)	
Common Equity Tier 1 capital	309,640	15.07	307,617	15.41	309,038	15.60	>8.000
Tier 1 capital	328,287	15.98	326,264	16.34	327,685	16.54	>9.500
Tier 2 capital	85,272		66,520		66,310		
Total capital fund	413,559	20.13	392,784	19.67	393,995	19.88	>12.000
Risk-weighted assets	2,054,741		1,996,497		1,981,545		

(1) According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb capital conversation buffer until the capital buffer ratio of more than 2.50% is reached on January 1, 2019. Moreover, KTB was named as the one of the Domestic Systemically Important Banks (D-SIBs) requiring to hold all capital ratios to absorb higher loss absorbency of additional 1% of risk-weight assets from January 1, 2020 onwards (reference to the BOT Notification Sor.Nor.Sor. 16/2560 and 17/2560)

(2) Capital fund and capital adequacy ratio are preliminary information prepared accordance with BOT guidelines.

As at Jun 30, 2022, the Bank and the Financial Business Group's Common Equity Tier 1 was Baht 319,516 million (15.31% of its RWA) and Tier 1 capital was Baht 339,573 million (16.28% of its RWA). Total capital was Baht 425,173 million (20.38% of its RWA).

As at Jun 30, 2022, the Bank's Common Equity Tier 1 was Baht 309,640 million, Tier 1 capital was Baht 328,287 million and Total capital was Baht 413,559 million (15.07%, 15.98% and 20.13% of its RWA).

In April 2022, the Bank issued Tier II Subordinated Notes in amount of Baht 18,080 million in order to strengthen its Tier II capital and enhance its future investment prospect and growth opportunity.

The Bank possesses healthy capital ratios compared to BOT's requirement. Moreover, the Bank regularly reassesses the capital level to be in accordance with the BOT's requirement.

Appendix

Relief Measures in Response to the Impacts of the COVID-19 Pandemic in 2021

On March 23, 2021, The Bank of Thailand, the Ministry of Finance proposed two measures include

1) **Soft loan facility for businesses** (totaling THB 250 billion) to support viable small and medium enterprises (SMEs) affected by the COVID-19 crisis

2) **Debt restructuring through Asset Warehousing with Buy-Back options** (totaling THB 100 billion) provides standardized debt restructuring program for adversely affected borrowers whose businesses require prolonged recovery period, while possessing viable business models and collaterals.

Additionally, the Bank provided 7 relief measures for customers as follows

Relief measures for retail customers 3 measures (from May 31, 2021)

1. Home loan, Home for Cash loan and Home Easy Cash loan (Term Loan) : up to 12-month debt payment holiday on principal (pay part of interest) or reduce installment by extending payment period up to 12 months or up to 3-month debt payment holiday on principal (pay interest)
2. Personal loans (Term Loan) : reduce 30% of installment amount up to 6 months
3. Personal Revolving Loan (Krungthai Thanawat loans and Krungthai Thanawat loan): convert into loan of 48 installment or extend payment period according to debtor's payment ability.

Relief measures for non-retail customers 4 measures

1. **Soft loan facility for business customers:** interest rate at 2% per annum in the first 2 years (an average interest rate for 5 years not exceed 5% per annum), loan tenor up to 10 years, interest waived up to 6 months and government guarantee period up to 10 years by the Thai Credit Guarantee Corporation (TCG)
2. **Relief measure for business customers**
 - Business loans (term loan; credit limit not exceeding Baht 20 million) : up to 6-month debt payment holiday on principal (pay interest) or reduce installment by extending payment period up to 24-month for P/N and up to 6 months for trade finance.
 - Business loans : (term loan; credit limit of Baht 20 - 500 million) : up to 12-month debt payment holiday on principal (pay interest) for P/N and up to 6-monthes for trade finance.
3. **Debt Restructuring through Asset Warehousing with Buy- Back options** : temporarily lessen debt burden in prolonged recovery period for potential customers with collaterals by transferring collaterals for debt repayment purpose with the rights to repurchase collaterals back in future. The repurchase price should not be higher than the transfer price plus carrying cost (1% per annum of the transfer price plus incurred asset maintenance costs and other relevant fees paid by the Bank deduct rental fee paid from customers)

4. **DR BIZ program** : as debt consolidation for business loans with credit line from multi-creditors of THB 50 – 500 million to manage debt restructuring according to the debtor's capability ie. reduce installment, extending payment period as well as liquidity support for potential customers with solid business plan. Criteria for consideration are as prescribed by the Bank.

On July 16, 2021, according to BOT relief measure for SMEs and retail customers, the Bank has announced a 2-month debt payment holiday on principal and interest for eligible business and retail customers, start from July 2021.

On August 20, 2021, The Bank of Thailand announced the additional COVID-19 relief measure for sustainable assistant as follows

1. The liquidity assistant and soft loan to SMEs and retail customers
 - 1.1 The adjusted soft loan criteria to SMEs (depending on each financial institution's definition) through the credit limit extension to existing customers who have low credit limit or new customer are as follows
 - Existing borrower : credit limit per borrower not exceeding 30% of credit line as of 31 December 2019 or 28 February 2021, whichever is greater (not exceeding THB 150 million) or not exceeding THB 50 million for borrower with 30% of credit limit less than THB 50 million.
 - New borrower : credit limit per borrower not exceeding THB 50 million.Furthermore, additional loan guarantee conditions will be provided for the vulnerable borrower.
 - 1.2 The relaxation of relief measures for retail customers including credit card, personal loan under supervision and digital personal loan are as follows
 - Credit card and personal loan : maintain the minimum payment at 5% and credit limit extension for less than THB 30,000 average monthly income customers.
 - Digital personal loan : extension of credit limit and payment period.
2. The supportive criteria to financial institution for long-term debt restructuring measure
 - 2.1 Financial institutions are able to maintain the current classification of restructured retail and SMEs loans until March 31, 2022 (SMEs' definition depending on each financial institution) in order to have sufficient debt restructuring consideration time.
 - 2.2 The extension of flexible loan classification and allowance for expected credit loss criteria until year 2023 will help less burden for financial institution to provide sustainable debt restructuring measure (multiple debt restructuring instrument, not only payment period extension).
 - 2.3 Extended the lowered contribution from financial institutions (FIDF fee) to 0.23% (from 0.46%) until ended 2022 (from previously ended 2021) for financial institution to provide continual less burden assistant to private sector and individual.

Credit Ratings

Bank's credit ratings rated by S&P Global Ratings, Moody's Investors Service and Fitch Ratings were as follows:

S&P Global Ratings	June 2022	March 2022 ⁽²⁾	December 2021
- Long-term/ Short-term	BBB- / A-3	BBB- / A-3	BBB / A-2
- Outlook	Stable	Stable	Negative
- Stand-Alone Credit Profile (SACP)	bb+	bb+	bb+
Moody's Investors Service	June 2022	March 2022	December 2021
- Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2	Baa1 / P-2
- Outlook	Stable	Stable	Stable
- Baseline Credit Assessment (BCA)	baa3	baa3	baa3
- Additional Tier I Subordinated Notes (USD)	Ba3	Ba3	Ba3
Fitch Ratings	June 2022	March 2022	December 2021 ⁽¹⁾
Foreign Currency Credit Ratings			
- Long-term/ Short-term	BBB+ / F1	BBB+ / F1	BBB+ / F1
- Outlook	Stable	Stable	Stable
- Viability Rating	bbb-	bbb-	bbb-
National Credit Ratings			
- Long-term/ Short-term	AAA(tha) / F1+ (tha)	AAA(tha) / F1+ (tha)	AAA(tha) / F1+ (tha)
- Outlook	Stable	Stable	Stable
- Senior unsecured debentures (Baht)	AAA(tha)	AAA(tha)	AAA(tha)
- Subordinated Debt (Baht)	AA(tha)	AA(tha)	AA(tha)

(1) On December 1, 2021, Fitch Ratings had upgraded the following credit ratings by one notch; Foreign currency credit ratings – long-term/short-term (from BBB/F2) and National credit ratings – long-term (from AA+ (tha)), senior unsecured debentures (Baht) (from AA+(tha)) and subordinated debt (Baht) (from AA-(tha)).

(2) On March 21, 2022, S&P Global Ratings has announced its press release, reflecting the concern on structural issues persists and the increase of systemic risks for banks operating in Thailand. Then, S&P has downgraded its ratings by one notch on KTB and three commercial banks in Thailand. The outlooks on the banks are stable, from negative.

Note: The percentage change stated in this document was calculated from the financial statement figures.

Disclaimer

This document contained information regarding the Bank's financial performance and business operations, macro-economic data and other relevant information, which some parts of such information are forward-looking statements based on the view or assumptions of the Bank on current information. In case of changing in such information, the Bank reserves the right to change any information herein without prior notice. As the actual results in the future may differ materially from those anticipated in this document and this document shall not be deemed to be a guarantee of the Bank's financial performance and business operations in the future, investors, therefore, should exercise individual judgment when considering the Bank's information for any purpose.