



Krungthai
กรุงไทย

Management Discussion and Analysis

For the Quarter ended September 30, 2022

(reviewed)

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

Economic Overview

The Thai economy recovering in 2022 amid surrounding risks. Up ahead, the Thai economy could be affected by global economic slowdown which may worsen into a global recession. The external headwinds are partly due to the Russia-Ukraine war and the prolonged geopolitical conflict, which have intensified the pressure on the European energy crisis. In addition, China's economic growth has been limited by sporadic lockdowns and prolonged liquidity crunch in real estate sectors. Overall, elevated inflation pushes several central banks to tighten monetary policies, which in turn, increase the likelihood of recession. For Thailand, inflation tends to remain high as domestic retail oil prices do not fall immediately following a decline in global crude oil price. In addition, there is a pressure from higher import costs following the depreciation of Thai baht. Meanwhile, the electricity cost and the minimum wage rate have also been increased. All of these factors drive production costs which would then be passed through the prices of goods and services. Thai economy, however has been supported by improving domestic demand alongside the normalization of economic activities. The tourism sector continues to recover with the higher-than-expected number of tourists. Exports over the entire year should continue to expand. With the latest assessment from the Bank of Thailand in September 2022, the Thai economic recovery is expected to be on track, driven mainly from tourism and private consumption, with economic growth projection for 2022 remains unchanged from June 2022's assessment at 3.3%, while slightly revising up its headline inflation forecast to 6.3% from 6.2%. Given by these conditions, the Bank of Thailand has signaled to further raise policy interest rate. Such rate hike is likely to be gradual as the economy is just recovering.

The Bank and Its Subsidiaries' Overview Performance

The Thai economic recovery underway, driven mainly by tourism and private consumption but remains uneven in “The New K-shaped Economy”. The economy still faces risks from external factors, the prolonged geopolitical conflict and the surge in domestic inflation. The Monetary Policy Committee gradually raised the policy rate twice in August and September with objectives of maintaining price stability, supporting sustainable and full-potential economic growth, and preserving financial stability together supporting SMEs in some slow recovery sectors and vulnerable groups.

The Bank, as a major commercial bank, emphasizes on its prudent business operation management, with a close monitoring on asset quality whilst maintaining a high level of coverage ratio for economic uncertainties. To alleviate the financial burden of clients, especially SMEs and vulnerable groups, the Bank decided to gradually raise interest rate, in consistent with BOT guidelines. The minimum lending rate (MLR) and minimum overdraft rate (MOR) was raised by 0.25%, less than the 0.50% policy rate hike to assist customers on liquidity management. The fixed-deposit rate rose in range of 0.15%- 0.825% to uphold the income of depositor and promote stable long term saving for depositor.

The Bank and Its Subsidiaries' Performance for 3Q2022

For the 3Q2022 compared to 3Q2021, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 8,450 million, an increased of 67.2% YoY mainly due to an increase in total operating income of 11.5% YoY from the net interest income resulting from the quality loan growth especially in corporate and retail lending, the rising policy rate trend from two policy rate hikes in August and September, together with an increase in fee income, net. The comprehensive operating cost management has been in placed, resulting in a cost to income ratio of 45.31%, reduced from 46.21% in 3Q2021 despite the increase of operating expense partly from IT related cost to enhance the services to the customers. The Bank and its subsidiaries has set aside the expected credit loss in amount of Baht 5,667 million, decreased by 30.4% YoY, a prudent business management consideration given the business environment and economic uncertainties coupling with 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 176.4%, compared with 168.8% as at December 31, 2021, amid the heightened inflation level.

Compared to 2Q2022, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank increased 1.1% QoQ, mainly due to an increase in total operating income of 7.2% YoY from the net interest income, net fee income together with other non-interest income. The comprehensive cost management was in placed, thus, cost to income ratio stood at 45.31% though the increase of operating expense partly from IT related cost to enhance the services to customers. The Bank and its subsidiaries has prudently set aside the relatively stable of allowance for expected credit loss QoQ.

The Bank and Its Subsidiaries' Performance for 9M2022

In 9M2022, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 25,588 million, an increase of 53.7 % YoY due to an increase in total operating income of 5.7% YoY from the interest income from loan resulting from the quality loan growth especially in corporate and retail lending, the cost of fund management as well as a continuing comprehensive operating cost management, resulting in cost to income ratio of 43.06%, decreased from 44.28% in the same period of last year. The Bank and its subsidiaries had set aside a lower level of allowance for expected credit losses by 30.8% YoY whilst maintain the high level of coverage ratio.

As at September 30, 2022, the Bank and the Financial Business Group's Tier 1 capital was Baht 350,649 million (16.57% of its RWA). Total capital was Baht 436,706 million (20.64% 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 to replace the early redemption to callable option of Tier II Subordinated Notes in amount of Baht 20,000 million in November 2022 in order to maintain its strong Tier II capital level for the opportunity to expand its business as the future competitive landscape.

The Bank consistently expands its customer base through Krungthai platforms namely Krungthai NEXT, Krungthai Connex, Pao Tang application and Tung Ngern application. The Bank enhances its digital services through the Pao Tang mobile application including the government services, healthcare services, saving and investment products in order to give opportunities for all groups of Thais in all regions to access the financial services with thoroughly, equality and parity. Consequently, the Bank's digital channel currently serves more than 40 million users including individual and private sectors. Krungthai Bank realizes the importance of conducting business with the enhancement technology and innovation of financial product and services reflecting the mobilization of its Open Banking strategy to serve the customer needs in all aspects together with the responsibility to Environment, Social and Governance (ESG) and integrating the Sustainable Development Goals (SDG) to be a part of its business operation under its mission as "Growing Together for Sustainability".

The Bank and Its Subsidiaries' Performance for the Quarter and Nine-Month Ended September 30, 2022

Overview Operating Income and Net Profit

	Unit : Million Baht							
	3/2022	2/2022	Change	3/2021	Change	9M2022	9M2021	Change
			%		%			%
Net interest income	22,894	21,818	4.9	21,142	8.3	65,798	62,028	6.1
Net fee and service income	5,363	4,911	9.2	4,753	12.8	15,242	14,861	2.6
Other non-interest income	3,332	2,735	21.8	2,439	36.6	9,698	8,968	8.1
Total operating income	31,589	29,464	7.2	28,334	11.5	90,738	85,857	5.7
Total other operating expenses	14,313	12,517	14.4	13,093	9.3	39,074	38,016	2.8
Pre-provision profit ⁽¹⁾	17,276	16,947	1.9	15,241	13.4	51,664	47,841	8.0
Expected credit losses	5,667	5,669	(0.0)	8,137	(30.4)	16,806	24,291	(30.8)
Operating profit before income tax expenses	11,609	11,278	2.9	7,104	63.4	34,858	23,550	48.0
Income tax expenses	2,270	1,996	13.7	1,381	64.3	6,583	4,557	44.5
Net Profit	9,339	9,282	0.6	5,723	63.2	28,275	18,993	48.9
Net profit (attributable to equity holders of the Bank)	8,450	8,358	1.1	5,055	67.2	25,588	16,645	53.7
ROA (%) ⁽²⁾	0.92	0.94		0.58		0.94	0.65	
ROE (%) ⁽²⁾	9.35	9.35		5.75		9.48	6.38	

(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 3Q2022 compared to 3Q2021, KTB's consolidated pre-provision profit was Baht 17,276 million, rose 13.4% YoY, mainly due to an increase in total operating income by 11.5% YoY from the net interest income resulting from the quality loan growth especially in corporate and retail lending, the rising policy rate trend from two policy rate hikes in August and September, an increase in fee income, net. The comprehensive operating cost management was in placed, resulting in a cost to income ratio of 45.31%, reduced from 46.21% in 3Q2021 despite the increase of operating expense partly from IT related cost to enhance the services to the customers. The Bank and its subsidiaries had set aside a lower level of allowance for expected credit losses by 30.4% YoY, a prudent business management consideration given the business environment and economic uncertainties, hence, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 8,450 million, an increased of 67.2% YoY.

Compared to 2Q2022, KTB's consolidated pre-provision profit increased 1.9% QoQ. This was a result of an increase in total operating income of 7.2% YoY from an increase in net interest income, net fee income, other operating income. The comprehensive cost management was in placed, thus, cost to income ratio stood at 45.31% though the increase of operating expense partly from IT related cost to enhance the services to customers. The Bank and its

subsidiaries has prudently set aside the relatively stable of allowance for expected credit loss QoQ, hence, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank slightly increased QoQ.

In 9M2022, KTB's consolidated pre-provision profit was Baht 51,664 million, an increase of 8.0% YoY due to an increase in total operating income of 5.7% YoY from the interest income from loan resulting from the quality loan growth especially in corporate and retail lending, the cost of fund management as well as a continuing comprehensive operating cost management. The Bank and its subsidiaries had set aside a lower level of allowance for expected credit losses by 30.8% YoY whilst maintain the high level of coverage ratio given the economic uncertainties; hence, consolidated net profit attributable to equity holders of the Bank was Baht 25,588 million, an increase of 53.7% YoY.

Net Interest Income

Unit : Million Baht

	3/2022	2/2022	Change	3/2021	Change	9M2022	9M2021	Change
			%		%			%
Interest income	28,758	27,259	5.5	26,419	8.9	82,227	78,065	5.3
- Interbank and money market items	1,040	750	38.6	736	41.2	2,442	2,265	7.8
- Investments and trading transactions	61	51	21.4	103	(40.6)	161	236	(31.9)
- Investment in debt securities	1,213	1,079	12.4	562	116.1	3,200	2,334	37.1
- Loans	26,326	25,324	4.0	24,975	5.4	76,218	73,103	4.3
- Hire purchase and financial lease	30	26	12.9	26	16.8	71	80	(10.1)
- Others	88	29	203.8	17	421.9	135	47	187.4
Less Interest expense	5,864	5,441	7.8	5,277	11.1	16,429	16,037	2.4
- Deposits	2,402	2,318	3.6	2,440	(1.5)	7,008	7,763	(9.7)
- Interbank and money market items	501	344	45.5	414	20.8	1,185	1,221	(3.0)
- Contributions to BOT and DPA	1,592	1,623	(1.9)	1,531	4.0	4,823	4,541	6.2
- Debts issued	1,297	1,124	15.5	870	49.2	3,288	2,452	34.1
- Others	72	32	120.0	22	222.8	125	60	108.4
Net interest income	22,894	21,818	4.9	21,142	8.3	65,798	62,028	6.1
Earning Asset Yield (%)⁽¹⁾	3.27	3.14		3.14		3.14	3.17	
Cost of Fund (%)⁽¹⁾	0.76	0.72		0.71		0.72	0.74	
Net interest margin [based on earning assets] (%)⁽¹⁾	2.61	2.51		2.51		2.51	2.52	

(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 3Q2022 compared to 3Q2021, KTB's consolidated net interest income amounted Baht 22,894 million, an increased of 8.3% YoY, mainly due to the interest income from loan, resulting from the quality loan growth especially in corporate and retail lending while optimizing loan portfolio, the rising policy rate trend of rate hikes in August and

September, together with the cost of fund management. Hence, NIM registered at 2.61% rose from 2.51% in 3Q2021. Compared to 2Q2022, consolidated net interest income increased by 4.9% QoQ, mainly due to the interest income from loan, resulting from the quality loan growth together with the rising policy rate trend of rate hikes in August and September. Hence, NIM registered at 2.61% rose from 2.51% in 2Q2022.

In 9M2022, consolidated net interest income amounted at Baht 65,798 million, increased by 6.1% YoY, mainly due to the interest income from loan, resulting from the quality loan growth especially in corporate and retail lending whilst optimizing loan portfolio together with the cost of fund management. Hence, NIM registered at 2.51%, relatively stable YoY.

Change of interest rate

	30 Sep 2022	30 Jun 2022	31 Mar 2022	30 Dec 2021	30 Sep 2021	30 Jun 2021
Policy Interest Rate	1.000%	0.500%	0.500%	0.500%	0.500%	0.500%
Deposit Rate ^{(1) (2)}						
- Savings Rate	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%
- 3 Months Fixed Rate	0.470%	0.320%	0.320%	0.320%	0.320%	0.320%
- 6 Months Fixed Rate	0.550%	0.400%	0.400%	0.400%	0.400%	0.400%
- 12 Months Fixed Rate	0.700%	0.400%	0.400%	0.400%	0.400%	0.400%
Loan Rate ⁽²⁾						
- MLR	5.500%	5.250%	5.250%	5.250%	5.250%	5.250%
- MOR	6.070%	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.

(2) The Bank raised fixed deposit rate and loan rate on MLR and MOR, effective from 4th October onwards.

The Monetary Policy Committee (MPC) projected the continued recovery of Thai economic and consistent inflation outlook with the previous assessment, thus, gradually raise the policy rate by 0.25% in the MPC meeting on 10th August and 28th September to 1.00%. A gradual policy normalization remains an appropriate course for monetary policy under the monetary policy framework with objectives of maintaining price stability, supporting sustainable and full-potential economic growth, and preserving financial stability together supporting SMEs in some slow recovery sectors and some low-income households as vulnerable groups.

With considering to alleviate the financial burden of vulnerable groups, the Bank decided to gradually raise interest rate. The 24-month and 36-month fixed-deposit rate rose in range of 0.15%- 0.825% to 1.20% per annum to uphold the income of depositor. The MRR remained constant whilst both minimum lending rate (MLR) and minimum overdraft rate (MOR) raised by 0.25% to 5.50% and 6.07% per annum respectively, effective from 4th October onwards.

Net Fee and Service Income

Unit : Million Baht

	3/2022	2/2022	Change	3/2021	Change	9M2022	9M2021	Change
			%		%			%
Fee and service income	7,230	6,728	7.5	6,764	6.9	20,998	21,141	(0.7)
Less Fee and service expense	1,867	1,817	2.8	2,011	(7.2)	5,756	6,280	(8.3)
Net fee and service income	5,363	4,911	9.2	4,753	12.8	15,242	14,861	2.6

In 3Q2022 compared to 3Q2021, KTB's consolidated net fee and service income was Baht 5,363 million, increased by 12.8% YoY due to loans related fee and a continual expansion of Bancassurance fee. Compared to 2Q2022, KTB's consolidated net fee and service income rose by 9.2% QoQ.

In 9M2022, KTB's consolidated net fee and service income was Baht 15,242 million, rose by 2.6% YoY, mainly owing to loans related fee and Bancassurance fee.

Total Other Operating Income

Unit : Million Baht

	3/2022	2/2022	Change	3/2021	Change	9M2022	9M2021	Change
			%		%			%
Gains (loss) on financial instruments measured at fair value through profit or loss	1,091	773	41.2	682	60.0	3,611	2,507	44.0
Gain (loss) on investments, net	66	31	116.5	56	18.5	170	696	(75.6)
Share of profit (loss) from investments for using equity method	374	200	87.1	213	75.4	962	849	13.3
Dividend income	68	145	(53.1)	65	4.6	314	355	(11.6)
Other income	1,733	1,586	9.2	1,423	21.7	4,641	4,561	1.7
Total other operating income	3,332	2,735	21.8	2,439	36.6	9,698	8,968	8.1

In 3Q2022 compared to 3Q2021, KTB's consolidated total other operating income was Baht 3,332 million, increased by 36.6% YoY, mainly due to gains on financial instruments measured at fair value through profit or loss resulting from market situation, share of profit from investments for using equity method and other income from bad debt recovery. Compared to 2Q2022, KTB's consolidated total other income increased by 21.8% QoQ, mainly due to gains on financial instruments measured at fair value through profit or loss resulting from market situation, share of profit from investments for using equity method and other income.

In 9M2022, KTB's consolidated total other operating income was Baht 9,698 million, an increase of 8.1% YoY, mainly due to gains on financial instruments measured at fair value through profit or loss resulting from market situation and share of profit from investments for using equity method.

Other Operating Expenses

	Unit : Million Baht							
	3/2022	2/2022	Change	3/2021	Change	9M2022	9M2021	Change
			%		%			%
Employees' expenses	7,003	5,624	24.5	6,748	3.8	18,960	20,424	(7.2)
Premises and equipment expenses	2,504	2,341	7.0	2,293	9.2	7,102	6,564	8.2
Taxes and duties	1,021	971	5.2	935	9.1	2,950	2,882	2.3
Impairment loss of properties for sale	581	599	(3.0)	517	12.3	1,415	1,070	32.2
Others ⁽¹⁾	3,204	2,982	7.4	2,600	23.3	8,647	7,076	22.2
Total other operating expenses	14,313	12,517	14.4	13,093	9.3	39,074	38,016	2.8
Cost to income ratio (%)	45.31	42.48		46.21		43.06	44.28	

(1) Including Directors' remuneration

In 3Q2022 compared to 3Q2021, consolidated other operating expenses was Baht 14,313 million, increased by 9.3% YoY, mainly due to premises and equipment expenses, others expense partly from IT related cost to enhance the services to customers and employees' expenses with the comprehensive operating cost management. Cost to income ratio was at 45.31%, reduced from 46.21% in 3Q2021. Compared to 2Q2022, consolidated other operating expenses increased by 14.4% YoY, mainly due to employees' expenses, premises and equipment expenses and others expense partly from IT related cost to enhance the services to customers with the comprehensive operating cost management environment. This resulted in cost to income ratio of 45.31%.

In 9M2022, KTB's consolidated other operating expenses was Baht 39,074 million, increased by 2.8% YoY, mainly owing to an increase of other expense partly from IT related cost to enhance the services to customers, premises and equipment expenses and impairment loss of properties for sale in the comprehensive operating cost management environment, that resulted in cost to income ratio of 43.06%, decreased from 44.28% in the same period of last year

Expected credit losses

	Unit : Million Baht							
	3/2022	2/2022	Change	3/2021	Change	9M2022	9M2021	Change
			%		%			%
Expected credit losses ⁽¹⁾	5,667	5,669	(0.0)	8,137	(30.4)	16,806	24,291	(30.8)

(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 3Q2022 compared to 3Q2021, The Bank and its subsidiaries has set aside the expected credit loss in amount of Baht 5,667 million, decreased by 30.4% YoY with prudently considered various factors in the continuously changing business environment as well as economic uncertainties that might impact loan quality. Coverage ratio stood at the high level of 176.4%, compared to 174.3% as at June 30, 2022 and 168.8% as at December 31, 2021. Compared to 2Q2022, the expected credit losses relatively stable QoQ with prudently considered various factors in the continuously changing business environment as well as economic uncertainties.

In 9M2022, The Bank and its subsidiaries has prudently set aside the expected credit loss in amount of Baht 16,806 million, decreased by 30.8% YoY. Coverage ratio stood at the high level of 176.4%, compared to 168.8% as at December 31, 2021.

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

Financial Assets and Investments, Net

As at September 30, 2022, The Bank's consolidated financial assets measured at fair value through profit or loss and net investment were Baht 311,315 million, 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 60%, private enterprise and foreign debt securities 34% and marketable equity securities 6%.

Classifications of financial assets and investments, net

Consolidated Financial Statements	30 Sep 2022	30 Jun 2022	Change		31 Dec 2021	Change
			%	%		
Financial assets measured at fair value through profit or loss	48,298	13,931	246.7		18,039	167.7
Investment, net	263,017	252,512	4.2		342,042	(23.1)
- Investment in debt securities measured at amortized cost	1,069	845	26.5		1,599	(33.1)
- Investment in debt securities designated to be measured at fair value through other comprehensive income	244,391	234,111	4.4		322,190	(24.1)
- Investment in equity securities designated to be measured at fair value through other comprehensive income	17,557	17,556	0.0		18,253	(3.8)
Total financial assets and investments, net	311,315	266,443	16.8		360,081	(13.5)

Loans to Customers

The Bank's consolidated loans to customers was Baht 2,611,892 million, decreased by 0.6% compared to the end of 2021, mainly due to the retail customers. If excluding government loans, loans to customers grew 1.7% compared to the end of 2021.

Consolidated Financial Statements	30 Sep 2022	30 Jun 2022	Change		31 Dec 2021	Change
			%	%		
Loans to customers	2,612,322	2,635,307	(0.9)		2,629,259	(0.6)
<u>Less</u> Deferred revenue	430	390	10.3		296	45.4
<u>Add</u> Accrued interest receivables	22,510	20,639	9.1		20,579	9.4
<u>Less</u> Allowance for expected credit losses	177,329	174,969	1.3		173,322	2.3
Loans to customers and accrued interest receivables, net	2,457,073	2,480,587	(0.9)		2,476,220	(0.8)

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

Unit : Million Baht

Consolidated Financial Statement	30 Sep 2022		30 Jun 2022		Change	31 Dec 2021		Change
	Amount	(%)	Amount	(%)	%	Amount	(%)	%
Private Corporate	702,821	26.9	736,600	27.9	(4.6)	708,654	27.0	(0.8)
Government and State Enterprise	500,502	19.2	508,128	19.3	(1.5)	553,041	21.0	(9.5)
SMEs	324,367	12.4	326,589	12.4	(0.7)	327,724	12.5	(1.0)
Retail	1,084,256	41.5	1,063,608	40.4	1.9	1,039,448	39.5	4.3
- Housing	462,051	17.7	452,664	17.2	2.1	445,012	16.9	3.8
- Personal	556,618	21.3	546,287	20.8	1.9	531,035	20.2	4.8
- Credit card	63,300	2.4	61,176	2.3	3.5	59,953	2.3	5.6
- Leasing	2,287	0.1	3,481	0.1	(34.3)	3,448	0.1	(33.7)
Others	376	0.0	382	0.0	(1.5)	392	0.0	(4.1)
Total loans (per F/S)	2,612,322	100.0	2,635,307	100.0	(0.9)	2,629,259	100.0	(0.6)

Asset Quality

Loan classification and expected credit loss

Unit : Million Baht

Consolidated Financial Statement	30 Sep 2022	30 Jun 2022	31 Dec 2021
Gross NPL ⁽¹⁾	104,734	104,434	106,809
Gross NPL Ratio	3.32%	3.32%	3.50%
Allowance for Expected Credit Losses (total) ⁽²⁾	184,793	182,022	180,311
Coverage Ratio ⁽³⁾	176.4%	174.3%	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

Unit : Million Baht

Consolidated Financial Statement	30 Sep 2022		30 Jun 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	2,298,336	45,495	2,323,916	45,515	2,306,478	44,722
Under - performing	222,430	51,491	219,209	50,390	228,443	48,923
Non - performing	111,702	79,604	109,247	76,806	111,422	77,334
Lifetime ECL - simplified approach ⁽³⁾	1,934	739	3,184	2,258	3,199	2,343
Total	2,634,402	177,329	2,655,556	174,969	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 September 30, 2022 amounted Baht 104,734 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. The additional the expected credit losses were set aside to maintain the high level of consolidated coverage ratio given the economic uncertainties ahead. As at September 30, 2022, the consolidated coverage ratio stood at 176.4%, compared with 174.3% as at June 30, 2022 and 168.8% as at December 31, 2021.

Deposits

The Bank's consolidated deposits was Baht 2,601,631 million, decreased by 0.5% from December 31, 2021 due to a decrease of saving deposit.

The Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) was 100.39%, relatively stable to 100.54 % as at December 31, 2021.

Sources and Uses of Funds

Unit : Million Baht

	30 Sep 2022		30 Jun 2022		Change %	31 Dec 2021		Chang %
	Amount	(%)	Amount	(%)		Amount	(%)	
Net Interbank and money market items (asset)	584,544	15.8	542,875	15.2	7.7	469,216	13.2	24.6
Financial assets measured at fair value through profit or loss	48,298	1.3	13,931	0.4	246.7	18,039	0.5	167.7
Net investments and net investments in associates	271,003	7.3	261,363	7.3	(0.9)	364,017	10.2	(25.6)
Loans to customers (less deferred revenue)	2,611,892	70.8	2,634,917	73.9	(0.9)	2,628,963	73.9	(0.6)
Less Allowance for expected credit losses	177,329	4.8	174,969	4.9	1.3	173,322	4.8	2.3
Other assets	353,296	9.6	286,929	8.1	23.1	249,831	7.0	41.4
Total Asset	3,691,704	100.0	3,565,046	100.0	3.6	3,556,744	100.0	3.8
Deposits	2,601,631	70.5	2,603,600	73.0	(0.1)	2,614,747	73.5	(0.5)
Net Interbank and money market items (liabilities)	301,874	8.2	259,142	7.3	16.5	296,344	8.3	1.9
Debt issued and borrowings	169,528	4.6	155,545	4.4	9.0	133,817	3.8	26.7
Other liabilities	241,287	6.5	176,824	4.9	36.5	137,725	3.9	75.2
Total equity	377,384	10.2	369,935	10.4	2.0	374,111	10.5	0.9
- Equity holders of the Bank	361,946	9.8	355,387	10.0	1.8	360,052	10.1	0.5
- Non-controlling interest	15,438	0.4	14,548	0.4	6.1	14,059	0.4	9.8
Total liabilities and equity	3,691,704	100.0	3,565,046	100.0	3.6	3,556,744	100.0	3.8
Loans to customers (less deferred revenue)- to-deposits ratio (%)	100.39		101.20			100.54		

As at September 30, 2022, the Bank's consolidated major source of funds was 70.5% 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 70.8% loans to customers (less deferred revenue), 15.8% 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 September 30, 2022 was Baht 361,946 million, increased by 0.5% from December 31, 2021.

Book value per share (equity holders of the Bank) was Baht 25.89 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 Sep 2022 ⁽³⁾		30 Jun 2022 ⁽⁴⁾ (restated)		31 Dec 2021		The minimum rate required % ⁽²⁾
	Amount	%	Amount	%	Amount	%	
Common Equity Tier 1 capital	330,526	15.62	319,516	15.34	328,180	15.89	>8.000
Tier 1 capital	350,649	16.57	339,573	16.30	348,252	16.86	>9.500
Tier 2 capital	86,057		85,600		67,296		
Total capital fund	436,706	20.64	425,173	20.41	415,548	20.12	>12.000
Risk-weighted assets	2,116,057		2,082,879		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.

(4) Risk-weight assets and capital ratios were restated in accordance with Basel III Pillar III Disclosures report as of 30 June 2022.

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	30 Sep 2022 ⁽²⁾		30 Jun 2022 ⁽³⁾ (restated)		31 Dec 2021		The minimum rate required (%) ⁽¹⁾
	Amount	(%)	Amount	(%)	Amount	(%)	
Common Equity Tier 1 capital	319,426	15.56	309,640	15.10	309,038	15.60	>8.000
Tier 1 capital	338,073	16.47	328,287	16.00	327,685	16.54	>9.500
Tier 2 capital	85,345		85,272		66,310		
Total capital fund	423,418	20.63	413,559	20.16	393,995	19.88	>12.000
Risk-weighted assets	2,052,919		2,051,231		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.

(3) Risk-weight assets and capital ratios were restated in accordance with Basel III Pillar III Disclosures report as of 30 June 2022.

As at September 30, 2022, the Bank and the Financial Business Group's Common Equity Tier 1 was Baht 330,526 million, Tier 1 capital was Baht 350,649 million and Total capital was Baht 436,706 million (15.62%, 16.57% and 20.64% of its RWA).

As at September 30, 2022, the Bank's Common Equity Tier 1 was Baht 319,426 million, Tier 1 capital was Baht 338,073 million and Total capital was Baht 423,418 million (15.56%, 16.47% and 20.63% of its RWA).

In April 2022, the Bank issued Tier II Subordinated Notes in amount of Baht 18,080 million to replace the early redemption of Tier II Subordinated Notes in amount of Baht 20,000 million in November 2022 in order to maintain its strong Tier II capital level for the opportunity to expand its business as the future competitive landscape.

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	Sep 2022	Jun 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	Sep 2022	Jun 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	Sep 2022	Jun 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.