



Krungthai
กรุงไทย

Management Discussion and Analysis

For the Quarter ended June 30, 2023

(audited)

This report discusses the principal changes in the audited consolidated financial statement for the quarter ended June 30, 2023.

Economic Overview

In 2023, the Thai economy continues to recover. The tourism sector has improved and become a key growth engine. For the first half of 2023, the numbers of foreign tourists registered at 12.9 million. Arrivals from the ASEAN and East Asian region have a tendency to show a well-performed recovery. The numbers of foreign tourists in 2023 is projected to reach 29-30 million. Such improving momentum in tourism and its related sectors, coupling with a converging-to-near-normal economic activities, have boosted employment and household income, strengthening domestic demand to support further recovery. Nonetheless, Thai exports have been adversely affected by the global economic slowdown. This was partly driven by major central banks' high policy interest rates and inflationary concerns. Accordingly, the International Monetary Fund (IMF) projected global economic growth in 2023 at just 3.0%, which is relatively low in comparison to the past. Moreover, the Chinese economy is likely to recover more slowly than anticipated, while economic stimulus has not yet fully effective. These negative factors could bring 2023 value of merchandise exports into a contraction. Meanwhile, the Thai domestic economy has experienced policy normalization from both a gradual discontinuation of fiscal stimulus measures and a policy interest rate hike. The Bank of Thailand (BOT) has recently raised its policy interest rate to 2.25% in August 2023. Apart from these, Thai business sectors have also been facing challenge from higher production costs as well as the transition to a low-carbon society. Besides, the drought is likely to be more severe than anticipated and could pose a challenge to the economy for the remainder of the year. Overall, the 2023 economic growth outlook assessed by BOT in May 2023 is unchanged from the previous estimate of 3.6%, higher than 2.6% in the previous year. In addition, BOT made a downward revision in its 2023 headline inflation to 2.5% (from 2.9% in the March projection) due mainly to softening energy prices, though considerably high comparing to pre-pandemic level.

The Bank and Its Subsidiaries' Overview Performance

The Bank and Its Subsidiaries' Performance for 1H2023

In 2023, Thai economy continues to recover with tourism sector as a key growth engine. For the first half of 2023, the numbers of foreign tourists registered at 12.9 million. Arrivals from the ASEAN and East Asian region have a tendency to show a well-performed recovery and are projected to reach 29-30 million in 2023 in various areas coupling with converging-to-near-normal economic activities have boosted employment and household income, hence, strengthening domestic demand to support further recovery.

Nonetheless, the Thai economy is in a challenging environment from policy normalization, a gradual discontinuation of fiscal stimulus measures and a hiking of policy rate in response to future uncertainties whereas there are pressures on Thai business sectors from higher production costs, global economic slowdown impacting export and tourism sectors in addition to high household debt. The Bank operates its business prudently and effectively manage its asset quality whilst maintaining high coverage ratio given the economic uncertainties. The Bank also emphasizes on providing financial assistance to all groups of customers especially the vulnerable groups impacting from economic crises to be able to recover from such crises sustainably.

In 1H2023, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 20,223 million, an increase of 18.0% YoY. Pre-provision profit was Baht 43,308 million, an increase of 25.9% YoY, as the Bank has continuously operated in alignment with its strategy "Accelerating Sustainable Value Creation". Its total operating income continued to substantially uplift by 20.0% YoY from loan growth in its strategically focused segments, led to an increase in overall return in addition to a rise in other non-interest income. The Bank's also prioritizes on its investment for future especially on IT to enhance customers' experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 39.0%, decreased from 41.9% in the same period of last year, partly as a seasonality effect of higher cost to income ratio during the rest of the year. The Bank and its subsidiaries prudently set aside an increase in expected credit losses to maintain a high level of coverage ratio given the economic uncertainties.

The Bank and Its Subsidiaries' Performance for 2Q2023

Comparing 2Q2023 to 2Q2022, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 10,156 million, an increase of 21.5% YoY. Pre-provision profit increased 28.0% YoY, as the Bank has continuously operated in alignment with its strategy “Accelerating Sustainable Value Creation”. Its total operating income continued to substantially uplift by 21.2% YoY from loan growth in its strategically focused segments, led to a continuing increase in overall return in addition to a rise in other non-interest income. The Bank's also prioritizes on its investment for future especially on IT to enhance customers' experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 39.3%, decreased from 42.5% in the same period of last year, partly as a seasonality effect of higher cost to income ratio during the rest of the year amid a rise in operating cost.

The Bank and its subsidiaries prudently set aside an increase of 36.8% in expected credit loss to maintain a high level of coverage ratio at 177.4% given the economic uncertainties amid NPLs Ratio reduction to 3.11%, from end of 2022 with our prudent asset quality management.

Compared to 1Q2023, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank slightly increased QoQ mainly due to an increase in total operating income in a similar level with that of the operating cost with an effective comprehensive cost management, as a result, cost to income ratio stood at 39.3%. The Bank and its subsidiaries prudently set aside additional expected credit loss to maintain a high level of coverage ratio at 177.4% as per guidance given the economic uncertainties, though decreased QoQ.

As at June 30, 2023, the Bank and the Financial Business Group's Tier 1 capital stood at 17.01% of its RWA and total capital at 20.12% of its RWA, maintaining at a strong level as compared to BOT's requirement. Additionally, the Bank maintains our ample level of liquidity position by means of Liquidity Coverage ratio (LCR) at a consistent level, higher than the BOT's requirement.

The Bank operates its business from its strategy “Accelerating Sustainable Value Creation” to sustainably grow and provide products and services to serve all customer groups via all channels. The bank has developed a range of products through digital channels, Paotang and Krungthai NEXT mobile applications through 7 main strategies, under our 5-years plan (2023 – 2027) to accelerate growth by building upon and leveraging our existing resources (X2G2X), leverage digital and data to drive efficiency, support sustainable economic growth, build future ready capabilities, upgrade core technology infrastructure, transform culture by embedding the ways of working to drive organization agility and launch new growth platforms to be able to correspond to the needs of customers eg. virtual banking and **enhance its investment services globally** by providing WealthTech solutions to offer the investing in a variety of global assets to the Bank's clients with a superior advisory experience through the partnership with **Fidelity International**, a global investment management company, **upgrading WealthTech services** to create opportunities for Thai people and business, and sustainably improving the quality of life.

The Bank and Its Subsidiaries' Performance for the Quarter and First Half Ended June 30, 2023

Overview Operating Income and Net Profit

	Unit : Million Baht							
	2/2023	1/2023	Change	2/2022	Change	1H2023	1H2022	Change
			%		%			%
Net interest income	27,771	25,619	8.4	21,818	27.3	53,390	42,904	24.4
Net fee and service income	4,797	5,139	(6.6)	4,911	(2.3)	9,935	9,879	0.6
Other non-interest income	3,147	4,514	(30.3)	2,735	15.1	7,662	6,366	20.3
Total operating income	35,715	35,272	1.3	29,464	21.2	70,987	59,149	20.0
Total other operating expenses	14,028	13,650	2.8	12,517	12.1	27,679	24,761	11.8
Pre-provision profit ⁽¹⁾	21,687	21,622	0.3	16,947	28.0	43,308	34,388	25.9
Expected credit losses	7,755	8,104	(4.3)	5,669	36.8	15,858	11,139	42.4
Operating profit before income tax expenses	13,932	13,518	3.1	11,278	23.5	27,450	23,249	18.1
Income tax expenses	2,864	2,531	13.1	1,996	43.5	5,395	4,313	25.1
Net Profit	11,068	10,987	0.7	9,282	19.2	22,055	18,936	16.5
Net profit (attributable to equity holders of the Bank)	10,156	10,067	0.9	8,358	21.5	20,223	17,139	18.0
ROA (%) ⁽²⁾	1.13	1.14		0.94		1.13	0.97	
ROE (%) ⁽²⁾	10.49	10.66		9.35		10.68	9.66	

(1) Pre-provision profit before provision for expected credit losses 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 2Q2023 compared to 2Q2022, KTB's consolidated pre-provision profit was Baht 21,687 million, an increase of 28.0% YoY, as the Bank has continuously operated in alignment with its strategy "Accelerating Sustainable Value Creation". Its total operating income continued to substantially uplift by 21.2% YoY from loan growth in its strategically focused segments, led to an increase in overall return in addition to a rise in other non-interest income. The Bank's also prioritizes on its investment for future especially on IT to enhance customers' experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 39.3%, decreased from 42.5% in the same period of last year, though an increase of operating expenses YoY.

The Bank and its subsidiaries has prudently set aside an increase of 36.8% of the expected credit loss given the economic uncertainties to maintain a high level of coverage ratio at 177.4% amid NPLs Ratio reduction to 3.11%, from end of 2022 with our prudent asset quality management; hence, consolidated net profit attributable to equity holders of the Bank was Baht 10,156 million, an increase of 21.5% YoY.

Compared to 1Q2023, KTB's consolidated pre-provision profit slightly increased QoQ, mainly due to an increase in total operating income at the similar level to that of the operating cost, cost to income ratio stood at 39.3%. Bank and its subsidiaries prudently set aside additional expected credit loss to maintain a high level of coverage ratio

at 177.4% given the economic uncertainties, though decreased QoQ. Consolidated net profit attributable to equity holders of the Bank slightly increased QoQ.

In 1H2023, KTB's consolidated pre-provision profit was Baht 43,308 million, an increase of 25.9% YoY, as the Bank has continuously operated in alignment with its strategy "Accelerating Sustainable Value Creation". Its total operating income continued to substantially uplift by 20.0% YoY from loan growth in its strategically focused segments, led to an increase in overall return in addition to a rise in other non-interest income. The Bank's also prioritizes on its investment for future especially on IT to the enhance customers' experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 39.0%, decreased from 41.9% in the same period of last year. The Bank and its subsidiaries prudently set aside an increase of allowance for expected credit losses at 42.4% YoY to maintain a high level of coverage ratio given the economic uncertainties; hence, consolidated net profit attributable to equity holders of the Bank was Baht 20,223 million, an increase of 18.0% YoY.

Net Interest Income

	Unit : Million Baht							
	2/2023	1/2023	Change	2/2022	Change	1H2023	1H2022	Change
			%		%			%
Interest income	36,872	34,105	8.1	27,259	35.3	70,977	53,468	32.7
- Interbank and money market items	2,756	2,142	28.7	750	267.6	4,899	1,402	249.4
- Investments and trading transactions	41	42	(2.4)	51	(19.6)	83	100	(17.0)
- Investment in debt securities	1,015	957	6.1	1,079	(5.9)	1,972	1,987	(0.8)
- Loans	32,900	30,824	6.7	25,324	29.9	63,723	49,891	27.7
- Hire purchase and financial lease	64	51	25.5	26	146.2	115	41	180.5
- Others	96	89	7.9	29	231.0	185	47	293.6
Less Interest expense	9,101	8,486	7.3	5,441	67.3	17,587	10,564	66.5
- Deposits	3,367	2,930	14.9	2,318	45.3	6,298	4,606	36.7
- Interbank and money market items	876	886	(1.1)	344	154.7	1,762	684	157.6
- Contributions to BOT and DPA	3,127	3,075	1.7	1,623	92.7	6,201	3,231	91.9
- Debts issued	1,593	1,446	10.2	1,124	41.6	3,039	1,990	52.7
- Others	138	149	(7.4)	32	331.3	287	53	441.5
Net interest income	27,771	25,619	8.4	21,818	27.3	53,390	42,904	24.4
Earning Asset Yield (%) ⁽¹⁾	4.25	3.99		3.14		4.12	3.11	
Cost of Fund (%) ⁽¹⁾	1.21	1.14		0.72		1.17	0.70	
Net interest margin [based on earning assets] (%) ⁽¹⁾	3.20	3.00		2.51		3.10	2.50	

(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.

In 2Q2023 compared to 2Q2022, KTB's consolidated net interest income amounted of Baht 27,771 million, an increased of 27.3% YoY, mainly from loan growth in its strategically focused segments, led to an increase in overall return in addition to interest rate hikes. Hence, NIM registered at 3.20% rose from 2.51% in 2Q2022.

Compared to 1Q2023, consolidated net interest income increased by 8.4% QoQ, mainly from loan growth in its strategically focused segments, led to an increase in overall return in addition to interest rate hikes. Hence, NIM registered at 3.20% rose from 3.00% in the previous quarter.

In 1H2023, consolidated net interest income amounted Baht 53,390 million, increased by 24.4% YoY, mainly due to loan growth in its strategically focused segments, led to an increase in overall return in addition to interest rate hikes. Hence, NIM registered at 3.10%, compared to 2.50% in 1H2022.

Change of interest rate

	2 Aug 2023	31 May 2023	29 Mar 2023	25 Jan 2023	30 Nov 2022	28 Sep 2022	10 Aug 2022
Policy Interest Rate (%)	2.25%	2.00%	1.75%	1.50%	1.25%	1.00%	0.75%

	6 Jun 2023	13 Apr 2023	1 Feb 2023	3 Jan 2023	9 Dec 2022	4 Oct 2022	31 Dec 2021
KTB Interest Rate (%)							
Deposit Rate (%) ⁽¹⁾							
- Savings Rate	0.300%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%
- 3 Months Fixed Rate	0.920%	0.820%	0.770%	0.620%	0.620%	0.470%	0.320%
- 6 Months Fixed Rate	1.050%	0.950%	0.850%	0.700%	0.700%	0.550%	0.400%
- 12 Months Fixed Rate	1.450%	1.350%	1.150%	1.000%	1.000%	0.700%	0.400%
Loan Rate (%)							
- MLR	6.800%	6.600%	6.350%	6.150%	5.750%	5.500%	5.250%
- MOR	7.270%	7.070%	6.870%	6.720%	6.320%	6.070%	5.820%
- MRR	7.320%	7.120%	6.870%	6.770%	6.370%	6.220%	6.220%

(1) Standard deposit rate for individuals.

In 2022, the Monetary Policy Committee (MPC) projected the continuing recovery of Thai economy, thus, announced the raising of the policy rate by three times to 1.25% per annum and announced the increase policy rate on January 25, March 29, May 31 and 2 August, 2023 to 2.25%. The bank thoroughly considered and gradually raised its interest rates in alignment with market movement to gradually pass through its cost of fund while ensure the readily of financial assistance to our borrowers and depositors as our priority.

In addition, BOT rose FIDF rate to the normal rate at 0.46% per annum, effective from January 1, 2023, from previous FIDF rate at 0.23% per annum as the lowered FIDF rate for financial institution to pass the lower interest rate through the private sector and individual.

Net Fee and Service Income

Unit : Million Baht

	2/2023	1/2023	Change	2/2022	Change	1H2023	1H2022	Change
			%		%			%
Fee and service income	6,707	7,156	(6.3)	6,728	(0.3)	13,863	13,768	0.7
Less Fee and service expense	1,910	2,017	(5.3)	1,817	5.2	3,928	3,889	1.0
Net fee and service income	4,797	5,139	(6.6)	4,911	(2.3)	9,935	9,879	0.6

In 2Q2023 compared to 2Q2022, consolidated net fee and service income was Baht 4,797 million, dropped by 2.3% YoY, mainly owing to a slowdown on fee from mutual fund management relate to the market situation amid a continual expansion of bancassurance fee. Compared to 1Q2023, consolidated net fee and service income declined by 6.6% QoQ.

In 1H2023, KTB's consolidated net fee and service income was Baht 9,935 million, increased by 0.6% YoY, from Bancassurance fee and fee relate to credit card.

Total Other Operating Income

Unit : Million Baht

	2/2023	1/2023	Change	2/2022	Change	1H2023	1H2022/	Change
			%		%			%
Gains (loss) on financial instruments measured at fair value through profit or loss	1,221	1,899	(35.7)	773	58.1	3,120	2,521	23.8
Gain (loss) on investments, net	(64)	259	(124.6)	31	(307.8)	195	104	88.0
Share of profit (loss) from investments for using equity method	134	398	(66.4)	200	(33.1)	533	588	(9.4)
Dividend income	59	176	(66.4)	145	(59.2)	236	246	(4.3)
Other income	1,797	1,782	0.8	1,586	13.2	3,578	2,907	23.1
Total other operating income	3,147	4,514	(30.3)	2,735	15.1	7,662	6,366	20.3

In 2Q2023 compared to 2Q2022, consolidated total other operating income was Baht 3,147 million, an increase of 15.1% YoY, mainly due to gains on financial instruments measured at fair value through profit or loss in line with market situation and other income from bad debt recovery. Compared to 1Q2023, consolidated total other operating income declined by 30.3% QoQ, mainly owing to gains on financial instruments measured at fair value through profit or loss and gain on investments in line with market situation.

In 1H2023, KTB's consolidated total other operating income was Baht 7,662 million, an increase of 20.3% YoY, mainly due to gains on financial instruments measured at fair value through profit or loss in line with market situation and other income from bad debt recovery.

Other Operating Expenses

	Unit : Million Baht							
	2/2023	1/2023	Change %	2/2022	Change %	1H2023	1H2022	Change %
Employees' expenses	6,126	6,832	(10.3)	5,624	8.9	12,959	11,957	8.4
Premises and equipment expenses	2,500	2,395	4.4	2,341	6.8	4,895	4,598	6.5
Taxes and duties	1,220	1,193	2.2	971	25.6	2,413	1,929	25.1
Impairment loss of properties for sale	580	277	109.5	599	(3.2)	857	834	2.7
Others ⁽¹⁾	3,602	2,953	22.0	2,982	20.8	6,555	5,443	20.4
Total other operating expenses	14,028	13,650	2.8	12,517	12.1	27,679	24,761	11.8
Cost to income ratio (%)	39.3	38.7		42.5		39.0	41.9	

(1) Including Directors' remuneration

In 2Q2023 compared to 2Q2022, the Bank's prioritizes on its investment for future especially on IT to enhance customers' experience. Together with an effective comprehensive operating cost management, as a result, consolidated cost to income ratio registered at 39.3%, decreased from 42.5% in the same period of last year. Other operating expenses was Baht 14,028 million, increased by 12.1% YoY, mainly owing to an increase in IT cost.

Compared to 1Q2023, the Bank's prioritizes on its investment for future especially on IT to enhance customers' experience. Together with an effective comprehensive operating cost management, as a result, consolidated cost to income ratio registered at 39.3%. Other operating expenses increased by 2.8% QoQ.

In 1H2023, the Bank's prioritizes on its investment for future especially on IT to enhance customers' experience. Together with an effective comprehensive operating cost management. This resulted in cost to income ratio of 39.0%, decreased from 41.9% in the same period of last year. Other operating expenses was Baht 27,679 million, increased by 11.8% YoY, mainly owing to an increase in IT cost.

Expected credit losses

	2/2023	1/2023	Change %	2/2022	Change %	1H2023	1H2022	Change %
Expected credit losses ⁽¹⁾	7,755	8,104	(4.3)	5,669	36.8	15,858	11,139	42.4

Unit : Million Baht

(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 2Q2023 compared to 2Q2022, the Bank and its subsidiaries prudently set aside the expected credit loss in amounted Baht 7,755 million, increased by 36.8% YoY with a consideration of various factors relating to business environment and economic uncertainties to maintain a high coverage ratio at 177.4%. Additionally, NPLs Ratio stood at 3.11%, decreased from 3.26% as at December 31, 2022. Compared to 1Q2023, Bank and its subsidiaries prudently set aside additional expected credit loss to maintain a high level of coverage ratio at 177.4% given the economic uncertainties, though decreased QoQ.

In 1H2023, KTB's consolidated expected credit losses prudently set aside the expected credit loss in amounted Baht 15,858 million, increased by 42.4% YoY. Coverage ratio stood at 177.4% given its consideration of various factors in the continuously changing business environment as well as economic uncertainties.

The Bank and Its Subsidiaries' Financial Status as at June 30, 2023

Financial Assets and Investments, Net

The Bank's consolidated financial assets measured at fair value through profit or loss and net investment were Baht 260,406 million as at June 30, 2023, compared to Baht 310,623 million as at December 31, 2022. 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%.

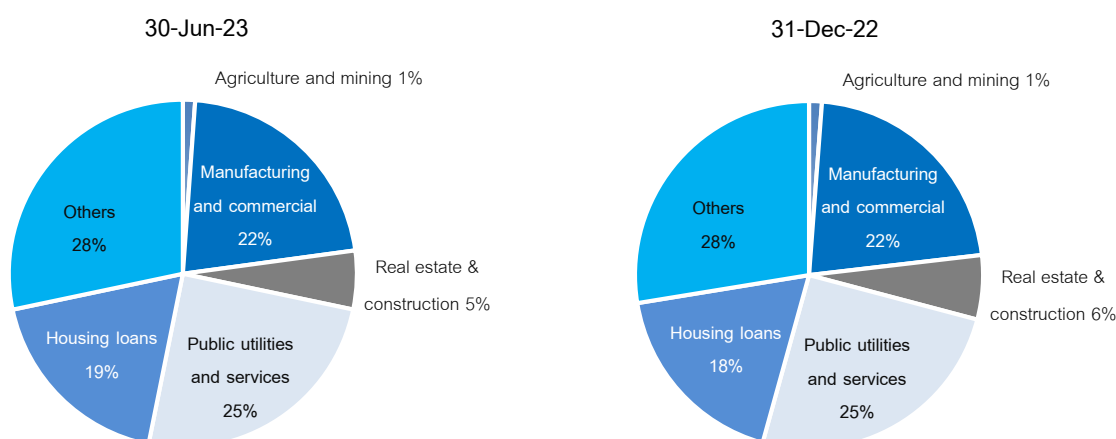
Classifications of financial assets and investments, net

Unit : Million Baht

Consolidated Financial Statements	30 Jun 2023	31 Mar 2023	Change	
			31 Dec 2022	Change %
Financial assets measured at fair value through profit or loss	11,542	11,463	0.7	(65.6)
Investment, net	248,864	212,677	17.0	(10.2)
- Investment in debt securities measured at amortized cost	1,241	1,167	6.3	30.6
- Investment in debt securities designated to be measured at fair value through other comprehensive income	230,671	194,579	18.5	(10.7)
- Investment in equity securities designated to be measured at fair value through other comprehensive income	16,952	16,931	0.1	(4.5)
Total financial assets and investments, net	260,406	224,140	16.2	(16.2)

Loans to Customers

Loan breakdown by type of business



The consolidated loans registered at Baht 2,578,124 million with loan growth with in strategically focused in alignment with Bank's strategy. The Bank's consolidated loans to customers excluding government loans were relatively stable from 31 December 2022.

Unit : Million Baht

Consolidated Financial Statements	30 Jun 2023		31 Mar 2022		31 Dec 2022	
	Amount	Change %	Amount	Change %	Amount	Change %
Loans to customers	2,578,909	(0.2)	2,582,974	(0.2)	2,593,370	(0.6)
<u>Less</u> Deferred revenue	785	9.5	718	9.5	532	47.7
<u>Add</u> Accrued interest receivables	18,359	(30.4)	26,367	(30.4)	25,372	(27.6)
<u>Less</u> Allowance for expected credit losses	169,268	(6.8)	181,601	(6.8)	174,378	(2.9)
Loans to customers and accrued interest receivables, net	2,427,215	0.0	2,427,022	0.0	2,443,832	(0.7)

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

Unit : Million Baht

Consolidated Financial Statement	30 Jun 2023		31 Mar 2023		Change %	31 Dec 2022		Change %
	Amount	(%)	Amount	(%)		Amount	(%)	
Private Corporate	727,769	28.2	736,314	28.5	(1.2)	736,516	28.4	(1.2)
Government and State Enterprise	418,582	16.2	415,060	16.1	0.8	427,429	16.5	(2.1)
SMEs	297,562	11.6	312,272	12.1	(4.7)	317,632	12.2	(6.3)
Retail	1,134,666	44.0	1,118,978	43.3	1.4	1,111,433	42.9	2.1
- Housing	477,726	18.5	473,697	18.3	0.9	472,640	18.2	1.1
- Personal	584,364	22.7	573,998	22.2	1.8	566,714	21.9	3.1
- Credit card	68,384	2.6	67,361	2.6	1.5	69,174	2.7	(1.1)
- Leasing	4,192	0.2	3,922	0.2	6.9	2,905	0.1	44.3
Others	330	0.0	350	0.0	(5.6)	360	0.0	(8.3)
Total loans (per F/S)	2,578,909	100.0	2,582,974	100.0	(0.2)	2,593,370	100.0	(0.6)

Asset Quality

Loan classification and expected credit loss

Unit : Million Baht

Consolidated Financial Statement	30 Jun 2023	31 Mar 2023	31 Dec 2022
NPL ⁽¹⁾	98,810	102,542	101,096
NPL Ratio	3.11%	3.22%	3.26%
Allowance for Expected Credit Losses (total) ⁽²⁾	175,302	187,894	181,637
Coverage Ratio ⁽³⁾	177.4%	183.2%	179.7%

(1) 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 / NPL.

Unit : Million Baht

Consolidated Financial Statement	30 Jun 2023		31 Mar 2023		31 Dec 2022	
	Loans and	Allowance for	Loans and	Allowance for	Loans and	Allowance for
	Accrued Interest Receivables ⁽¹⁾	Expected Credit Losses ⁽²⁾	Accrued Interest Receivables ⁽¹⁾	Expected Credit Losses ⁽²⁾	Accrued Interest Receivables ⁽¹⁾	Expected Credit Losses ⁽²⁾
1. Loan Classification						
Performing	2,290,350	46,442	2,276,905	46,619	2,289,507	44,720
Under - performing	204,087	52,635	217,505	55,146	217,522	52,526
Non - performing	98,506	69,503	110,912	79,135	108,732	76,508
Lifetime ECL - simplified approach ⁽³⁾	3,540	688	3,301	701	2,449	624
Total	2,596,483	169,268	2,608,623	181,601	2,618,210	174,378

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

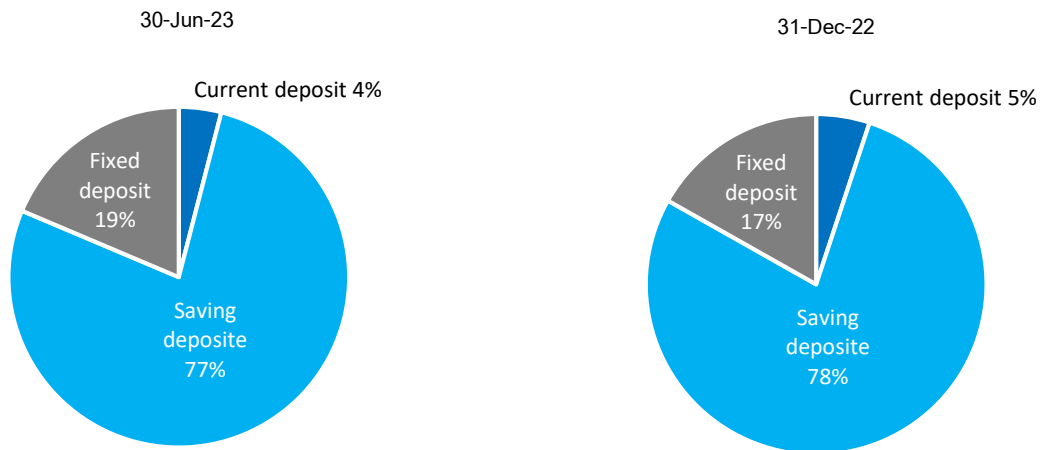
(2) Allowance for expected credit losses for loans to customers (including loss from criteria change) per financial statements.

(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 NPL as at June 30, 2023 was Baht 98,810 million or a 3.11% NPL Ratio, a reduction from December 31, 2022 level as a result from our prudent asset quality management. The additional expected credit losses were cautiously set aside to maintain a high level of coverage ratio given the economic uncertainties along with closely monitoring of our asset quality. As at June 30, 2023, the consolidated coverage ratio stood at 177.4%.

Deposits

Deposits breakdown by types



The Bank’s consolidated deposits was Baht 2,579,084 million, broadly flat from December 31, 2022. The portion of current deposit and savings deposit to total deposit (CASA) stood at a high level of 81%.

The Bank’s consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) was 99.96%, relatively stable to 100.10 % as at December 31, 2022.

Sources and Uses of Funds

Unit : Million Baht

	30 Jun 2023		31 Mar 2023		Change %	31 Dec 2022		Chang %
	Amount	(%)	Amount	(%)		Amount	(%)	
Net Interbank and money market items (asset)	632,696	17.5	644,561	18.1	(1.8)	550,941	15.3	14.8
Financial assets measured at fair value through profit or loss	11,542	0.3	11,463	0.3	0.7	33,568	0.9	(65.6)
Net investments and net investments in associates	263,245	7.3	229,459	6.4	14.7	289,375	8.1	(9.0)
Loans to customers (less deferred revenue)	2,578,124	71.4	2,582,256	72.4	(0.2)	2,592,838	72.2	(0.6)
<u>Less</u> Allowance for expected credit losses	169,268	4.7	181,601	5.1	(6.8)	174,378	4.9	(2.9)
Other assets	293,935	8.2	282,932	7.9	3.9	300,075	8.4	(2.0)
Total Asset	3,610,274	100.0	3,569,070	100.0	1.2	3,592,419	100.0	0.5
Deposits	2,579,084	71.4	2,620,709	73.4	(1.6)	2,590,236	72.1	(0.4)
Net Interbank and money market items (liabilities)	280,320	7.8	220,229	6.2	27.3	277,099	7.7	1.2
Debt issued and borrowings	159,205	4.4	150,588	4.2	5.7	151,172	4.2	5.3
Other liabilities	187,725	5.2	170,688	4.8	10.0	181,340	5.1	4.9
Total equity	403,940	11.2	406,856	11.4	(0.7)	392,572	10.9	2.9
- Equity holders of the Bank	387,344	10.7	389,668	10.9	(0.6)	376,305	10.5	2.9
- Non-controlling interest	16,596	0.5	17,188	0.5	(3.4)	16,267	0.4	2.0
Total liabilities and equity	3,610,274	100.0	3,569,070	100.0	1.2	3,592,419	100.0	0.5
Loans to customers (less deferred revenue)- to-deposits ratio (%)	99.96		98.53			100.10		

As at June 30, 2023, the Bank's consolidated major source of funds was 71.4% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. The Bank's consolidated use of funds comprised of 71.4% loans to customers (less deferred revenue), 17.5% 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 June 30, 2023 was Baht 387,344 million, increased 2.9% from December 31, 2022.

Book value per share (equity holders of the Bank) was Baht 27.70 per share increased from Baht 26.91 per share at December 31, 2022.

Statutory Capital Fund

Statutory Capital Fund (Bank and the Financial Business Group)

Unit : Million Baht

Bank and the Financial Business Group ⁽¹⁾	30 Jun 2023 ⁽³⁾		31 Mar 2023 ⁽³⁾		31 Dec 2022 ⁽³⁾		The minimum rate required % ⁽²⁾
	Amount	%	Amount	%	Amount	%	
Common Equity Tier 1 capital	341,874	16.06	337,138	15.85	335,601	15.74	>8.000
Tier 1 capital	362,102	17.01	357,279	16.79	355,870	16.69	>9.500
Tier 2 capital	66,141		66,189		66,224		
Total capital fund	428,243	20.12	423,468	19.90	422,094	19.80	>12.000
Risk-weighted assets	2,128,409		2,127,553		2,132,096		

(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 2023 ⁽²⁾		31 Mar 2023 ⁽²⁾		31 Dec 2022 ⁽³⁾		The minimum rate required (%) ⁽¹⁾
	Amount	(%)	Amount	(%)	Amount	(%)	
Common Equity Tier 1 capital	324,382	15.94	317,703	15.63	319,896	15.59	>8.000
Tier 1 capital	343,029	16.86	336,350	16.55	338,543	16.50	>9.500
Tier 2 capital	65,084		65,106		65,317		
Total capital fund	408,113	20.06	401,456	19.75	403,860	19.68	>12.000
Risk-weighted assets	2,034,845		2,032,717		2,051,798		

(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-sixth 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, 2023, the Bank and the Financial Business Group's Common Equity Tier 1 was Baht 341,874 million (16.06% of its RWA) and Tier 1 capital was Baht 362,102 million (17.01% of its RWA). Total capital was Baht 428,243 million (20.12% of its RWA).

As at June 30, 2023, the Bank's Common Equity Tier 1 was Baht 324,382 million, Tier 1 capital was Baht 343,029 million and Total capital was Baht 408,113 million (15.94%, 16.86% and 20.06% of its RWA).

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

The Bank has continuously implemented relief measures in response to the impacts of the COVID-19 pandemic for retail and non-retail customers, providing 5 measures as follows.

Relief measures for retail customers 2 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 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 3 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. **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)
3. **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.

Besides, the Bank supports COVID-19 relief measure for sustainable assistance and long-term debt restructuring with these criteria as follows

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. 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).
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 2023	Mar 2023	Dec 2022
- Long-term/ Short-term	BBB- / A-3	BBB- / A-3	BBB- / A-3
- Outlook	Stable	Stable	Stable
- Stand-Alone Credit Profile (SACP)	bb	bb	bb
Moody's Investors Service	June 2023	Mar 2023	Dec 2022
- 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 2023	Mar 2023	Dec 2022
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)

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.