



Krungthai
กรุงไทย

Management Discussion and Analysis

For the Quarter ended September 30, 2023

(reviewed)

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

Economic Overview

In 2023, the Thai economy continues on a recovery path. The tourism sector has improved and become a key growth engine, complemented by visa-free policy during high season. Foreign tourist arrivals are expected to reach 28-29 million. Such improving momentum in tourism and its related sectors, coupling with a normalization of economic activities, would have positive implication to employment and strengthen private consumption to support further recovery. Nonetheless, Thai exports have been adversely affected by the global economic slowdown especially China with soft domestic demand and vulnerability of real estate sector. Tightening financial conditions in many countries have suppressed external demand from trading partners. The slowdown in exports has led to a lower-than-expected expansion of private investment. In addition, delays in the FY2024 budgetary processes could cause a lower disbursement, impacting public investment. Meanwhile, risks from policy normalization are building up from both a gradual discontinuation of fiscal stimulus measures and an elevated policy interest rate. The Bank of Thailand (BOT) raised its policy interest rate to 2.50% in September 2023. In addition, risks associated with escalating Israel-Hamas war which pose pressure on the global economy and commodity prices, risks from the potential impact of climate change on agricultural production, and the high household debt burden also need to be monitored. Overall, the 2023 economic growth assessed by the BOT in September 2023 is at 2.8%, which improves from 2.6% in 2022. In addition, the BOT made a downward revision in its 2023 headline inflation to 1.6% in response to the government's cost-of-living alleviation measures.

The Bank and Its Subsidiaries' Overview Performance

The Bank and Its Subsidiaries' Performance for 3Q2023

In 2023, Thai economy continues to recover, driven by an improvement of tourism sector, complemented by visa-free policy during high season. The numbers of foreign tourists in 2023 is expected to reach a growth of 2.5 times from last year. Such improving momentum would have positive implication to employment and household income to support further recovery despite an adverse affect from global economic slowdown and a lower-than-expected expansion of private investment. In addition, delays in the FY2024 budgetary processes could cause a lower disbursement, impacting public investment during October to December.

Nonetheless, Thai economy is in a challenging environment from an adverse affect from global economic slowdown and the geopolitical conflict impacting investor confidence and the pressure to money market and capital market, causing a rising global energy prices. In addition, domestic economy faces a policy rate hike, the potential impact of climate change on agricultural production and farm income together with the 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 to be able to resist to the alleviate cost of living and sustainably recover from such debt problems.

Comparing 3Q2023 to 3Q2022, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 10,282 million, an increase of 21.7% YoY. Pre-provision profit increased 28.2% 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 23.1% YoY from loan growth in its strategically focused segments both retail and corporate loans, in addition to a government loans growth of 5.5% from end of last year or a growth of 7.7% from previous quarter in accordance with justified risk adjusted return segment to strengthen loan portfolio during economic uncertainties coupled with the special interest income from corporate client and a rise in non-interest income. The Bank's also prioritizes on IT investment for future and enhance customers' experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 43.0%, decreased from 45.3% in the same period of last year despite a rise in operating cost.

The Bank and its subsidiaries prudently set aside an increase of 44.0% in expected credit loss to maintain a high level of coverage ratio at 180.4% given the economic uncertainties amid NPLs Ratio reduction to 3.10%, from end of 2022 with our prudent asset quality management.

Compared to 2Q2023, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank increased 1.2% QoQ mainly due to an increase in total operating income of 8.9% with an effective comprehensive cost management, as a result, cost to income ratio stood at 43.0%.

The Bank and Its Subsidiaries' Performance for 9M2023

In 9M2023, Consolidated net profit attributable to equity holders of the Bank was Baht 30,505 million, an increase of 19.2% 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 21.1% YoY from loan growth in its strategically focused segments both retail and corporate loans coupled with a government loans growth as a portfolio expansion in accordance with justified risk adjusted return segment during economic uncertainties, consequently loans to customers excluding government loans grew 3.2% YoY, coupled with the special interest income from corporate client. A rise in non-interest income and its prioritize on IT investment for future and enhance customers' experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 40.4%, decreased from 43.1% in the same period of last year. The Bank and its subsidiaries prudently set aside an increase in expected credit losses of 42.9% to maintain a high level of coverage ratio given the economic uncertainties.

As at September 30, 2023, the Bank and the Financial Business Group's Tier 1 capital stood at 17.37% of its RWA and total capital at 20.47% 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 the Bank determined conduct its business with innovation and technology under the concept “**Accelerating Sustainable Value Creation**” providing modernized products and services for all customer groups via digital channels through Krungthai NEXT mobile applications, Paotang and Tung Ngern applications to drive the potential growth along with its prioritize to Environment, Social and Governance (ESG) and focus the responsible lending policy to sustainably ease the high household debt problems in order to uplift Thai living standard under its mission as “**Growing Together for Sustainability**”

The Bank and Its Subsidiaries' Performance for the Quarter and Nine-Month Ended September 30, 2023

Overview Operating Income and Net Profit

Unit : Million Baht

	3/2023	2/2023	Change	3/2022	Change	9M2023	9M2022	Change
			%		%			%
Net interest income	29,667	27,771	6.8	22,894	29.6	83,058	65,798	26.2
Net fee and service income	5,503	4,797	14.7	5,363	2.6	15,438	15,242	1.3
Other non-interest income	3,718	3,147	18.2	3,332	11.6	11,379	9,698	17.3
Total operating income	38,888	35,715	8.9	31,589	23.1	109,875	90,738	21.1
Total other operating expenses	16,733	14,028	19.3	14,313	16.9	44,412	39,074	13.7
Pre-provision profit ⁽¹⁾	22,155	21,687	2.2	17,276	28.2	65,463	51,664	26.7
Expected credit losses	8,157	7,755	5.2	5,667	44.0	24,015	16,806	42.9
Operating profit before income tax expenses	13,998	13,932	0.5	11,609	20.6	41,448	34,858	18.9
Income tax expenses	2,774	2,864	(3.1)	2,270	22.2	8,169	6,583	24.1
Net Profit	11,224	11,068	1.4	9,339	20.2	33,279	28,275	17.7
Net profit (attributable to equity holders of the Bank)	10,282	10,156	1.2	8,450	21.7	30,505	25,588	19.2
ROA (%) ⁽²⁾	1.13	1.13		0.92		1.13	0.94	
ROE (%) ⁽²⁾	10.48	10.49		9.35		10.63	9.48	

(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 3Q2023 compared to 3Q2022, Consolidated pre-provision profit was Baht 22,155million, an increase of 28.2% 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 23.1% YoY from loan growth in its strategically focused segments both retail and corporate loans coupled with a government loans growth as portfolio expansion in accordance with justified risk adjusted return segment during economic uncertainties coupled with the special interest income from corporate client led to an increase in overall return in addition to a rise in non-interest income. The Bank’s also prioritizes on IT investment for future and enhance customers’ experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 43.0% , decreased from 45.3% in the same period of last year despite a rise in operating cost.

The Bank and its subsidiaries has prudently set aside an increase of 44.0% of the expected credit loss given the economic uncertainties to maintain a high level of coverage ratio at 180.4% amid NPLs Ratio reduction to 3.10%, from end of 2022 with our prudent asset quality management; hence, consolidated net profit attributable to equity holders of the Bank was Baht 10,282 million, an increase of 21.7% YoY.

Compared to 2Q2023, Consolidated pre-provision profit increased QoQ, mainly due to an increase in total operating income of 8.9% with an effective comprehensive operating cost management, as a result, cost to income ratio stood at 43.0%. Bank and its subsidiaries prudently set aside additional expected credit loss to maintain a high level of coverage ratio at 180.4% given the economic uncertainties. Consolidated net profit attributable to equity holders of the Bank increased 1.2% QoQ.

In 9M2023, Consolidated pre-provision profit was Baht 65,463 million, an increase of 26.7% 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 21.1% YoY from loan growth in its strategically focused segments both retail and corporate loans in addition to a government loans growth as a portfolio expansion in accordance with justified risk adjusted return segment during economic uncertainties coupled with the special interest income from corporate client led to an increase in overall return in addition to a rise in non-interest income. The Bank’s also prioritizes on IT investment for future and enhance customers’ experience together with an effective comprehensive operating cost management, as a result, cost to income ratio registered at 40.4%, decreased from 43.1% in the same period of last year. The Bank and its subsidiaries prudently set aside an increase of allowance for expected credit losses at 42.9% 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 30,505 million, an increase of 19.2% YoY.

Net Interest Income

Unit : Million Baht

	3/2023	2/2023	Change	3/2022	Change	9M2023	9M2022	Change
			%		%			%
Interest income	39,650	36,872	7.5	28,758	37.9	110,628	82,227	34.5
- Interbank and money market items	3,209	2,756	16.4	1,040	208.6	8,108	2,442	232.0
- Investments and trading transactions	43	41	4.9	61	(29.5)	126	161	(21.7)
- Investment in debt securities	1,259	1,015	24.0	1,213	3.8	3,231	3,200	1.0
- Loans	34,942	32,900	6.2	26,326	32.7	98,665	76,218	29.5
- Hire purchase and financial lease	62	64	(3.1)	30	106.7	177	71	149.3
- Others	135	96	40.6	88	53.4	321	135	137.8
Less Interest expense	9,983	9,101	9.7	5,864	70.2	27,570	16,429	67.8
- Deposits	4,066	3,367	20.8	2,402	69.3	10,363	7,008	47.9
- Interbank and money market items	1,084	876	23.7	501	116.4	2,846	1,185	140.2
- Contributions to BOT and DPA	3,070	3,127	(1.8)	1,592	92.8	9,271	4,823	92.2
- Debts issued	1,604	1,593	0.7	1,297	23.7	4,644	3,288	41.2
- Others	159	138	15.2	72	120.8	446	125	256.8
Net interest income	29,667	27,771	6.8	22,894	29.6	83,058	65,798	26.2
Earning Asset Yield (%) ⁽¹⁾	4.51	4.25		3.27		4.26	3.14	
Cost of Fund (%) ⁽¹⁾	1.31	1.21		0.76		1.22	0.72	
Net interest margin [based on earning assets] (%) ⁽¹⁾	3.38	3.20		2.61		3.19	2.51	

(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 3Q2023 compared to 3Q2022, Consolidated net interest income amounted of Baht 29,667 million, an increased of 29.6% YoY, mainly from loan growth in its strategically focused segments both retail and corporate loans in addition to a government loan growth as portfolio expansion in accordance with justified risk adjusted return segment during economic uncertainties coupled with the special interest income from corporate client. As a result, NIM registered at 3.38% rose from 2.61% in 3Q2022.

Compared to 2Q2023, consolidated net interest income increased by 6.8% QoQ, mainly from loan growth in its strategically focused segments both retail and corporate loans in addition to a government loan growth as portfolio expansion in accordance with justified risk adjusted return segment during economic uncertainties coupled with the special interest income from corporate client. As a result, NIM registered at 3.38% rose from 3.20% in the previous quarter.

In 9M2023, consolidated net interest income amounted Baht 83,058 million, increased by 26.2% YoY, mainly due to loan growth in its strategically focused segments both retail and corporate loans in addition to a government loan growth as portfolio expansion in accordance with justified risk adjusted return segment during economic uncertainties coupled with the special interest income from corporate client. As a result, NIM registered at 3.19%, compared to 2.51% in 9M2022.

Change of interest rate

	27 Sep 2023	2 Aug 2023	31 May 2023	29 Mar 2023	25 Jan 2023	30 Nov 2022	28 Sep 2022
Policy Interest Rate (%)	2.50%	2.25%	2.00%	1.75%	1.50%	1.25%	1.00%

	5 Oct 2023	6 Jun 2023	13 Apr 2023	1 Feb 2023	3 Jan 2023	9 Dec 2022	4 Oct 2022
KTB Interest Rate (%)							
Deposit Rate (%) ⁽¹⁾							
- Savings Rate	0.300%	0.300%	0.250%	0.250%	0.250%	0.250%	0.250%
- 3 Months Fixed Rate	1.170%	0.920%	0.820%	0.770%	0.620%	0.620%	0.470%
- 6 Months Fixed Rate	1.250%	1.050%	0.950%	0.850%	0.700%	0.700%	0.550%
- 12 Months Fixed Rate	1.700%	1.450%	1.350%	1.150%	1.000%	1.000%	0.700%
Loan Rate (%)							
- MLR	7.050%	6.800%	6.600%	6.350%	6.150%	5.750%	5.500%
- MOR	7.520%	7.270%	7.070%	6.870%	6.720%	6.320%	6.070%
- MRR	7.570%	7.320%	7.120%	6.870%	6.770%	6.370%	6.220%

(1) Standard deposit rate for individuals.

From 2022, the Monetary Policy Committee (MPC) projected the continuing recovery of the Thai economy and thus announced the raising of the policy rate to 1.25% per annum. In 2023, it announced the continuing increase of the policy rate on January 25, March 29, May 31, August 2, and September 27, 2023 to 2.50%. The bank thoroughly considered and gradually raised its interest rates in alignment with market movement to gradually pass through its cost of funds while ensuring the availability of financial assistance to our clients to support the stabilize economic recovery.

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

	3/2023	2/2023	Change	3/2022	Change	9M2023	9M2022	Change
			%		%			%
Fee and service income	7,440	6,707	10.9	7,230	2.9	21,303	20,998	1.5
Less Fee and service expense	1,937	1,910	1.4	1,867	3.8	5,865	5,756	1.9
Net fee and service income	5,503	4,797	14.7	5,363	2.6	15,438	15,242	1.3

In 3Q2023 compared to 3Q2022, consolidated net fee and service income was Baht 5,503 million, increased by 2.6% YoY, mainly owing to a continuing expansion of bancassurance fee and fee relate to credit card services in alignment with economic recovery. Compared to 2Q2023, consolidated net fee and service income rose by 14.7% QoQ.

In 9M2023, Consolidated net fee and service income was Baht 15,438 million, increased by 1.3% YoY, from a expansion of bancassurance fee and fee relate to credit card services in alignment with economic recovery.

Total Other Operating Income

Unit : Million Baht

	3/2023	2/2023	Change	3/2022	Change	9M2023	9M2022	Change
			%		%			%
Gains (loss) on financial instruments measured at fair value through profit or loss	913	1,221	(25.2)	1,091	(16.2)	4,034	3,611	11.7
Gain (loss) on investments, net	4	(64)	106.1	66	(94.1)	199	170	17.1
Share of profit (loss) from investments for using equity method	560	134	318.3	374	49.6	1,092	962	13.5
Dividend income	50	59	(15.3)	68	(26.4)	285	314	(9.1)
Other income	2,191	1,797	22.0	1,733	26.4	5,769	4,641	24.3
Total other operating income	3,718	3,147	18.2	3,332	11.6	11,379	9,698	17.3

In 3Q2023 compared to 3Q2022, consolidated total other operating income was Baht 3,718 million, an increase of 11.6% YoY, mainly due to other income from bad debt recovery and share of profit from investments for using equity method. Compared to 2Q2023, consolidated total other operating income increased by 18.2% QoQ, mainly owing to other income from bad debt recovery and share of profit from investments for using equity method.

In 9M2023, Consolidated total other operating income was Baht 11,379 million, an increase of 17.3% YoY, mainly due to other income from bad debt recovery and gains on financial instruments measured at fair value through profit or loss in line with market situation.

Other Operating Expenses

Unit : Million Baht

	3/2023	2/2023	Change %	3/2022	Change %	9M2023	9M2022	Change %
Employees' expenses	6,361	6,126	3.8	7,003	(9.2)	19,319	18,960	1.9
Premises and equipment expenses	2,668	2,500	6.7	2,504	6.5	7,564	7,102	6.5
Taxes and duties	1,322	1,220	8.4	1,021	29.5	3,735	2,950	26.6
Impairment loss of properties for sale	1,297	580	123.8	581	123.5	2,154	1,415	52.3
Others ⁽¹⁾	5,085	3,602	41.1	3,204	58.7	11,640	8,647	34.6
Total other operating expenses	16,733	14,028	19.3	14,313	16.9	44,412	39,074	13.7
Cost to income ratio (%)	43.0	39.3		45.3		40.4	43.1	

(1) Including Directors' remuneration

In 3Q2023 compared to 3Q2022, the Bank's prioritizes on IT investment for future and enhance customers' experience. Together with an effective comprehensive operating cost management, as a result, consolidated cost to income ratio registered at 43.0%, decreased from 45.3% in the same period of last year. Other operating expenses was Baht 16,733 million, increased by 16.9% YoY, mainly owing to an increase in IT cost and impairment loss of properties for sale.

Compared to 2Q2023, the Bank's prioritizes on IT investment for future and enhance customers' experience. Together with an effective comprehensive operating cost management, as a result, consolidated cost to income ratio registered at 43.0%. Other operating expenses increased by 19.3% QoQ, mainly owing to an increase in IT cost and impairment loss of properties for sale.

In 9M2023, the Bank's prioritizes on IT investment for future and enhance customers' experience. Together with an effective comprehensive operating cost management. This resulted in cost to income ratio of 40.4%, decreased from 43.1% in the same period of last year. Other operating expenses was Baht 44,412 million, increased by 13.7% YoY, mainly owing to an increase in IT cost and impairment loss of properties for sale.

Expected credit losses

Unit : Million Baht

	3/2023	2/2023	Change %	3/2022	Change %	9M2023	9M2022	Change %
Expected credit losses ⁽¹⁾	8,157	7,755	5.2	5,667	44.0	24,015	16,806	42.9

(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 3Q2023 compared to 3Q2022, the Bank and its subsidiaries prudently set aside the expected credit losses in amounted Baht 8,157 million, increased by 44.0% YoY with a consideration of factors relating to business environment and economic uncertainties whilst maintaining a high coverage ratio at 180.4%. Additionally, NPLs Ratio stood at 3.10%, decreased from 3.26% as at December 31, 2022. Compared to 2Q2023, Bank and its subsidiaries prudently set aside additional expected credit losses to maintain a high level of coverage ratio at 180.4% given the economic uncertainties.

In 9M2023, Consolidated expected credit losses prudently set aside the expected credit losses in amounted Baht 24,015 million, increased by 42.9% YoY whilst maintaining high coverage ratio of 180.4% amid a changing business environment as well as economic uncertainties.

The Bank and Its Subsidiaries' Financial Status as at September 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 278,691 million as at September 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 65%, private enterprise and foreign debt securities 29% and marketable equity securities 6%.

Classifications of financial assets and investments, net

Consolidated Financial Statements	30 Sep 2023	30 Jun 2023	Change		Change	
			%		%	
Financial assets measured at fair value through profit or loss	14,899	11,542	29.1		33,568	(55.6)
Investment, net	263,792	248,864	6.0		277,055	(4.8)
- Investment in debt securities measured at amortized cost	1,127	1,241	(9.2)		950	18.6
- Investment in debt securities designated to be measured at fair value through other comprehensive income	246,365	230,671	6.8		258,350	(4.6)
- Investment in equity securities designated to be measured at fair value through other comprehensive income	16,300	16,952	(3.8)		17,755	(8.2)
Total financial assets and investments, net	278,691	260,406	7.0		310,623	(10.3)

Unit : Million Baht

Loans to Customers

The consolidated loans to customers (less deferred revenue) registered at Baht 2,630,244 million, increased 0.7% YoY from its strategically focused segments both retail and corporate loans coupled with a government loans growth as portfolio expansion in accordance with justified risk adjusted return segment during economic uncertainties. The Bank's consolidated loans to customers excluding government loans grew 3.2% YoY.

Unit : Million Baht

Consolidated Financial Statements	30 Sep 2023		30 Jun 2023		Change		31 Dec 2022		Change	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Loans to customers	2,630,944		2,578,909		2.0		2,593,370		1.4	
Less Deferred revenue	700		785		(10.9)		532		31.6	
Add Accrued interest receivables	21,926		18,359		19.4		25,372		(13.6)	
Less Allowance for expected credit losses	171,303		169,268		1.2		174,378		(1.8)	
Loans to customers and accrued interest receivables, net	2,480,867		2,427,215		2.2		2,443,832		1.5	

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

Unit : Million Baht

Consolidated Financial Statement	30 Sep 2023		30 Jun 2023		Change		31 Dec 2022		Change	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Private Corporate	735,709	28.0	727,769	28.2	1.1		736,516	28.4	(0.1)	
Government and State Enterprise	450,931	17.1	418,582	16.2	7.7		427,429	16.5	5.5	
SMEs	294,089	11.2	297,562	11.6	(1.2)		317,632	12.2	(7.4)	
Retail	1,149,900	43.7	1,134,666	44.0	1.3		1,111,433	42.9	3.5	
- Housing	482,859	18.4	477,726	18.5	1.1		472,640	18.2	2.2	
- Personal	594,132	22.6	584,364	22.7	1.7		566,714	21.9	4.8	
- Credit card	68,945	2.6	68,384	2.6	0.8		69,174	2.7	(0.3)	
- Leasing	3,964	0.1	4,192	0.2	(5.4)		2,905	0.1	36.5	
Others	315	0.0	330	0.0	(4.6)		360	0.0	(12.4)	
Total loans (per F/S)	2,630,944	100.0	2,578,909	100.0	2.0		2,593,370	100.0	1.4	

Asset Quality

Loan classification and expected credit loss

Consolidated Financial Statement	Unit : Million Baht		
	30 Sep 2023	30 Jun 2023	31 Dec 2022
NPL ⁽¹⁾	98,309	98,810	101,096
NPL Ratio	3.10%	3.11%	3.26%
Allowance for Expected Credit Losses (total) ⁽²⁾	177,321	175,302	181,637
Coverage Ratio ⁽³⁾	180.4%	177.4%	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.

Consolidated Financial Statement	Unit : Million Baht					
	30 Sep 2023		30 Jun 2023		31 Dec 2022	
	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	2,354,779	47,396	2,290,350	46,442	2,289,507	44,720
Under - performing	196,282	53,046	204,087	52,635	217,522	52,526
Non - performing	97,740	70,112	98,506	69,503	108,732	76,508
Lifetime ECL - simplified approach ⁽³⁾	3,369	749	3,540	688	2,449	624
Total	2,652,170	171,303	2,596,483	169,268	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 September 30, 2023 was Baht 98,309 million or a 3.10% 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 September 30, 2023, the consolidated coverage ratio stood at a high level of 180.4%.

Deposits

The Bank's consolidated deposits was Baht 2,611,352 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 80%.

The Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) was 100.72%, relatively stable to 100.10 % as at December 31, 2022.

Sources and Uses of Funds

Unit : Million Baht

	30 Sep 2023		30 Jun 2023		Change %	31 Dec 2022		Change %
	Amount	(%)	Amount	(%)		Amount	(%)	
Net Interbank and money market items (asset)	565,749	15.6	632,696	17.5	(10.6)	550,941	15.3	2.7
Financial assets measured at fair value through profit or loss	14,899	0.4	11,542	0.3	29.1	33,568	0.9	(55.6)
Net investments and net investments in associates	274,253	7.6	263,245	7.3	4.2	289,375	8.1	(5.2)
Loans to customers (less deferred revenue)	2,630,244	72.5	2,578,124	71.4	2.0	2,592,838	72.2	1.4
<u>Less</u> Allowance for expected credit losses	171,303	4.7	169,268	4.7	1.2	174,378	4.9	(1.8)
Other assets	313,507	8.6	293,935	8.2	6.7	300,075	8.4	4.5
Total Asset	3,627,349	100.0	3,610,274	100.0	0.5	3,592,419	100.0	1.0
Deposits	2,611,352	72.0	2,579,084	71.4	1.3	2,590,236	72.1	0.8
Net Interbank and money market items (liabilities)	242,497	6.7	280,320	7.8	(13.5)	277,099	7.7	(12.5)
Debt issued and borrowings	162,153	4.4	159,205	4.4	1.9	151,172	4.2	7.3
Other liabilities	202,601	5.6	187,725	5.2	7.9	181,340	5.1	11.7
Total equity	408,746	11.3	403,940	11.2	1.2	392,572	10.9	4.1
- Equity holders of the Bank	391,208	10.8	387,344	10.7	1.0	376,305	10.5	4.0
- Non-controlling interest	17,538	0.5	16,596	0.5	5.7	16,267	0.4	7.8
Total liabilities and equity	3,627,349	100.0	3,610,274	100.0	0.5	3,592,419	100.0	1.0
Loans to customers (less deferred revenue)- to-deposits ratio (%)	100.72		99.96			100.10		

As at September 30, 2023, the Bank's consolidated major source of funds was 72.0% 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 72.5% loans to customers (less deferred revenue), 15.6% net interbank and money market items, and 7.6% net investments and net investments in associates.

Equity

The total equity (equity holders of the Bank) as at September 30, 2023 was Baht 391,208 million, increased 4.0% from December 31, 2022.

Book value per share (equity holders of the Bank) was Baht 27.98 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 Sep 2023 ⁽³⁾		30 Jun 2023		31 Dec 2022		The minimum rate required % ⁽²⁾
	Amount	%	Amount	%	Amount	%	
Common Equity Tier 1 capital	351,354	16.43	341,874	16.06	335,601	15.74	>8.000
Tier 1 capital	371,564	17.37	362,102	17.01	355,870	16.69	>9.500
Tier 2 capital	66,309		66,141		66,224		
Total capital fund	437,873	20.47	428,243	20.12	422,094	19.80	>12.000
Risk-weighted assets	2,139,074		2,128,409		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 Sep 2023 ⁽²⁾		30 Jun 2023		31 Dec 2022		The minimum rate required (%) ⁽¹⁾
	Amount	(%)	Amount	(%)	Amount	(%)	
Common Equity Tier 1 capital	336,010	16.38	324,382	15.94	319,896	15.59	>8.000
Tier 1 capital	354,657	17.28	343,029	16.86	338,543	16.50	>9.500
Tier 2 capital	65,331		65,084		65,317		
Total capital fund	419,988	20.47	408,113	20.06	403,860	19.68	>12.000
Risk-weighted assets	2,051,914		2,034,845		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 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 September 30, 2023, the Bank and the Financial Business Group's Common Equity Tier 1 was Baht 351,354 million (16.43% of its RWA) and Tier 1 capital was Baht 371,564 million (17.37% of its RWA). Total capital was Baht 437,873 million (20.47% of its RWA).

As at September 30, 2023, the Bank's Common Equity Tier 1 was Baht 336,010 million, Tier 1 capital was Baht 354,657 million and Total capital was Baht 419,988 million (16.38%, 17.28% and 20.47% 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	Sep 2023	Jun 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	Sep 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	Sep 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.