

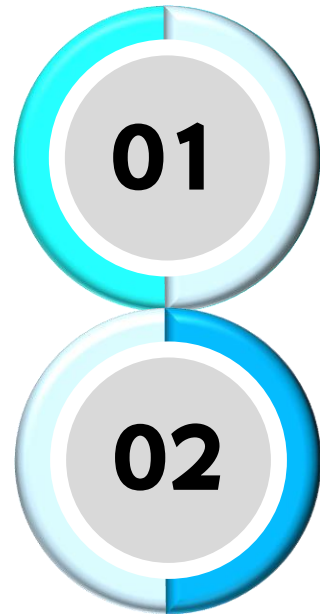


1Q 2023 Financial Results

Analyst Meeting Presentation

May 2023

Agenda



2023 Operating Environment

1Q 2023 Financial Results



2023 Operating Environment

Economic Outlook 2023




The Thai economy in 2023 is expected to recover further, with a 3.4% growth, driven mainly by tourism sector while exports slow down.




2023 Key Economic Forecast


	2022	2023
GDP Thai (%YoY)	2.6	3.4
Consumption		
Private (%YoY)	6.3	3.5
Public (%YoY)	0.0	-1.0
Investment		
Private (%YoY)	5.1	3.2
Public (%YoY)	-4.9	2.8
Exports USD (%YoY)	5.5	-1.6
Imports USD (%YoY)	15.3	-2.0
Inflation (%)	6.1	3.1
Foreign Tourists (mn)	11.1	27.1
Interest rate (%)	1.25	2.00
USD/THB (Year Range)	32.7-37.9	32.5-36.5



Private consumption likely to slow down as the government gradually winds down stimulus, and higher living cost



Public consumption subside as fiscal measures to cushion pandemic are withdrawn



Private investment may be affected by slowing exports associated with weaker manufacturing production



Public investment likely to continue in accordance with the progress of infrastructure projects



Exports likely to weaken alongside global economic slowdown and inventory rebalance from declining Covid-led demand



Imports tend to decelerate following lower commodity prices after supply chain disruption eased




Inflation rate would remain above upper-bound of the target range in 1H23



Foreign tourists continue to rebound which may reach 25-30 million in 2023



Policy rate likely hike further in response to still-high inflationary pressure



USD/THB expected to appreciate as current account is improving from tourism recovery

-  • Faster-than-expected rising number of foreign tourists. partly supported by the China re-opening 
-  • Improvement of labor market in line with the resumption of economic activities especially services sectors
-  • Improving consumer confidence strengthens domestic spending
-  • Rising farm income in accordance with the expansion agricultural products
-  • Moving towards BCG economy and ESG enhancing business transformation and investment

-  • Fragile household and SMEs remain vulnerable to elevated price pressures and incomplete recovery 
-  • Interest rate hike cycle raises cost of funding
-  • Uncertainties in new government formation may delay public spending
-  • Weaker-than-expected global economy could worsen exports
-  • Intensifying geopolitical conflicts and decoupling may deteriorate global economic slowdown

Source: NESDC BOT MOC and MOTs, analyzed by Krungthai COMPASS (as of Feb 2023)



1Q 2023 Financial Results

1Q 2023 : A continuing sustainable growth



Robust financial performance from Accelerating SUSTAINABLE Value Creation through 7 strategic focuses

- Resilient Income Growth
- Portfolio optimization with NIM uplift
- Well-managed Cost to Income
- Prudent asset quality management with high coverage ratio
- Strong Capital position

1Q 2023 financial performance



Financial Performance

(Baht bn)

	1Q23	%YoY	%QoQ
Income	35.3	19%	2%
NII	25.6	22%	4%
Net Fee Income	5.1	3%	1%
Non-Fee Income	4.5	24%	-9%
OPEX	13.7	11%	-13%
Operating Profit	21.6	24%	14%
ECL Expenses	8.1	48%	8%
Net Profit	10.1	15%	24%
Loan ex Gov	2,167.2	3.7%	0.1%

Key Ratios

	1Q23	%YoY	%QoQ
Profitability			
%NIM	3.00%	0.55%	0.20%
%CI	38.7%	-2.5%	-6.6%
%ROE ^{1/}	10.66%	0.79%	1.94%
%ROA ^{1/}	1.14%	0.14%	0.26%
Asset Quality			
%NPL	3.22%	-0.12%	-0.04%
%Coverage ^{2/}	183.2%	9.6%	3.5%
Capital			
% CET 1	15.85%	0.22%	0.11%
%CAR	19.90%	0.06%	0.10%

1/ Net profit, ROE, ROA represented for equity holders of the bank

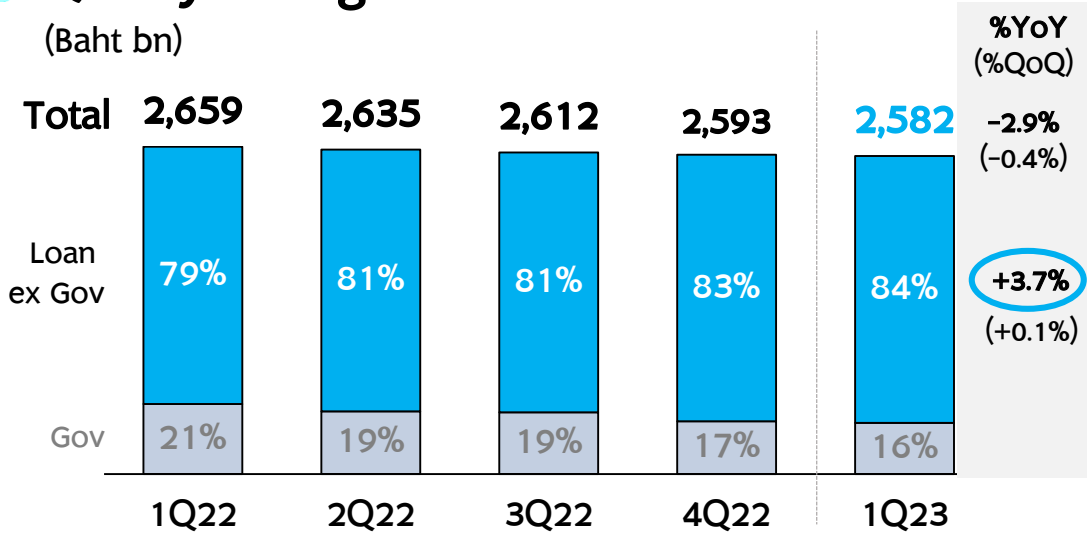
2/ Coverage ratio = Allowance for expected credit losses (loans, interbank & money market items, loan commitments and financial guarantee contracts) / gross NPLs

Loan portfolio optimization with NIM uplift



Quality loan growth focus

(Baht bn)

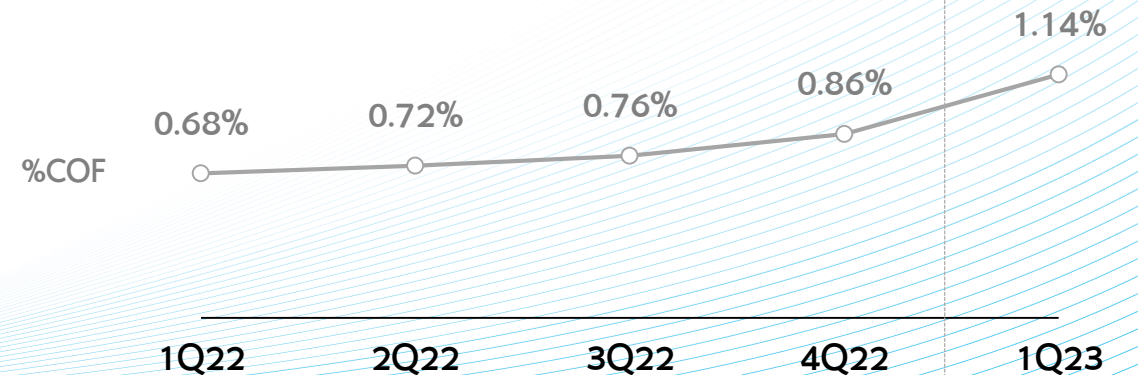
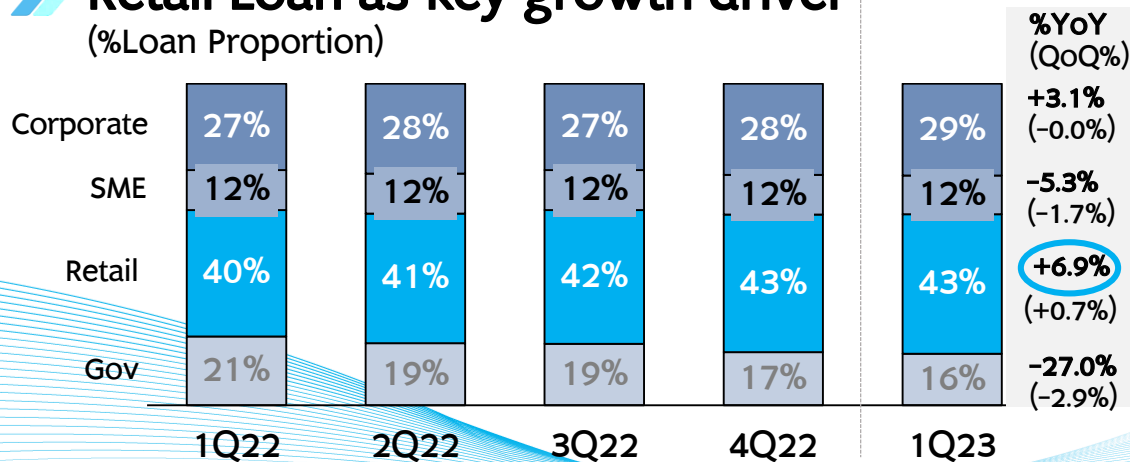


NIM rise from portfolio rationalization and rate hikes



Retail Loan as key growth driver

(%Loan Proportion)

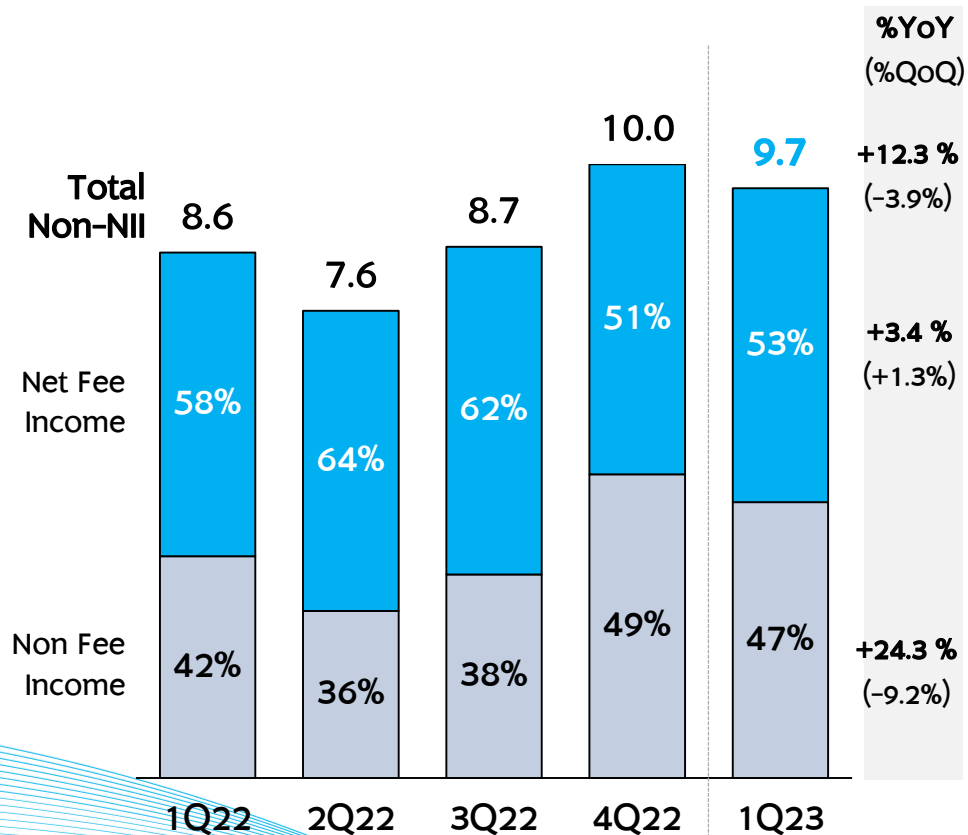


Robust Non-NII from fee and non-fee



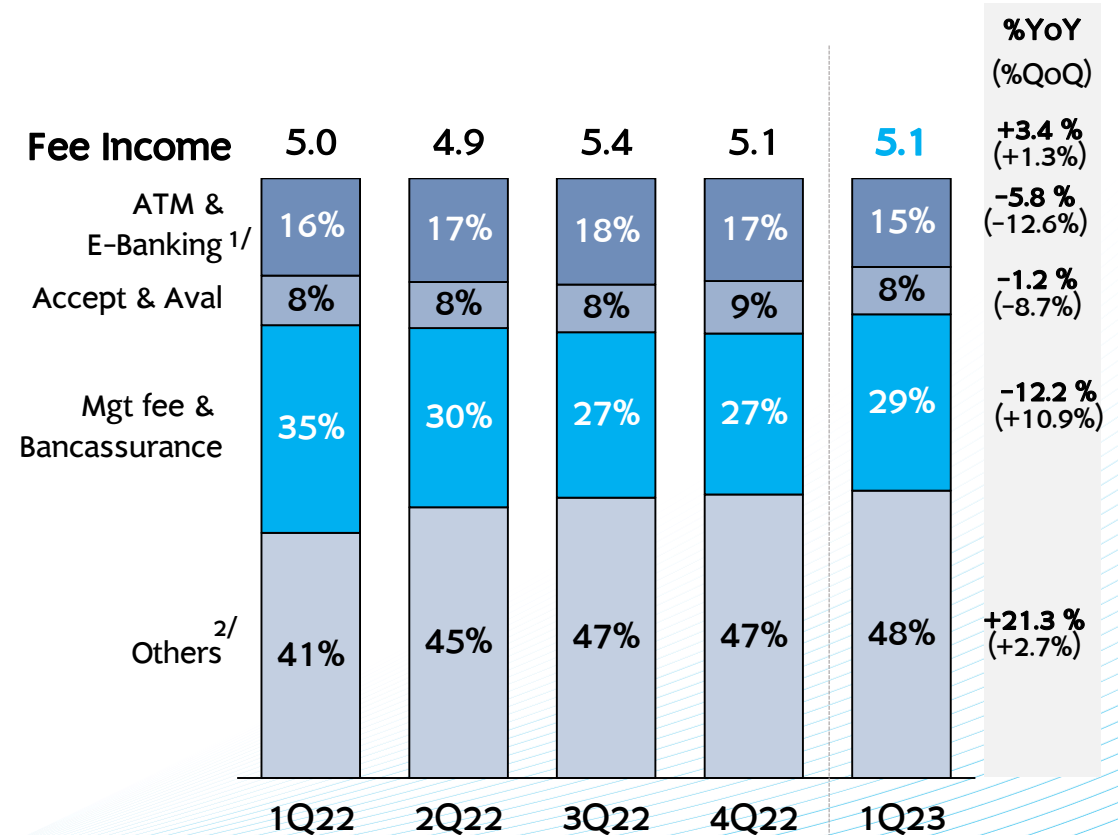
➤ Strong Non-NII in challenging environment with Non-fee growth partly per market sentiment

(Baht bn)



➤ Fee income continuing growth mostly driven by Bancassurance amid softer mutual fund fee

(Baht bn, % Proportion Fee Income)



1/ ATM & E-Banking fee less total fee expenses

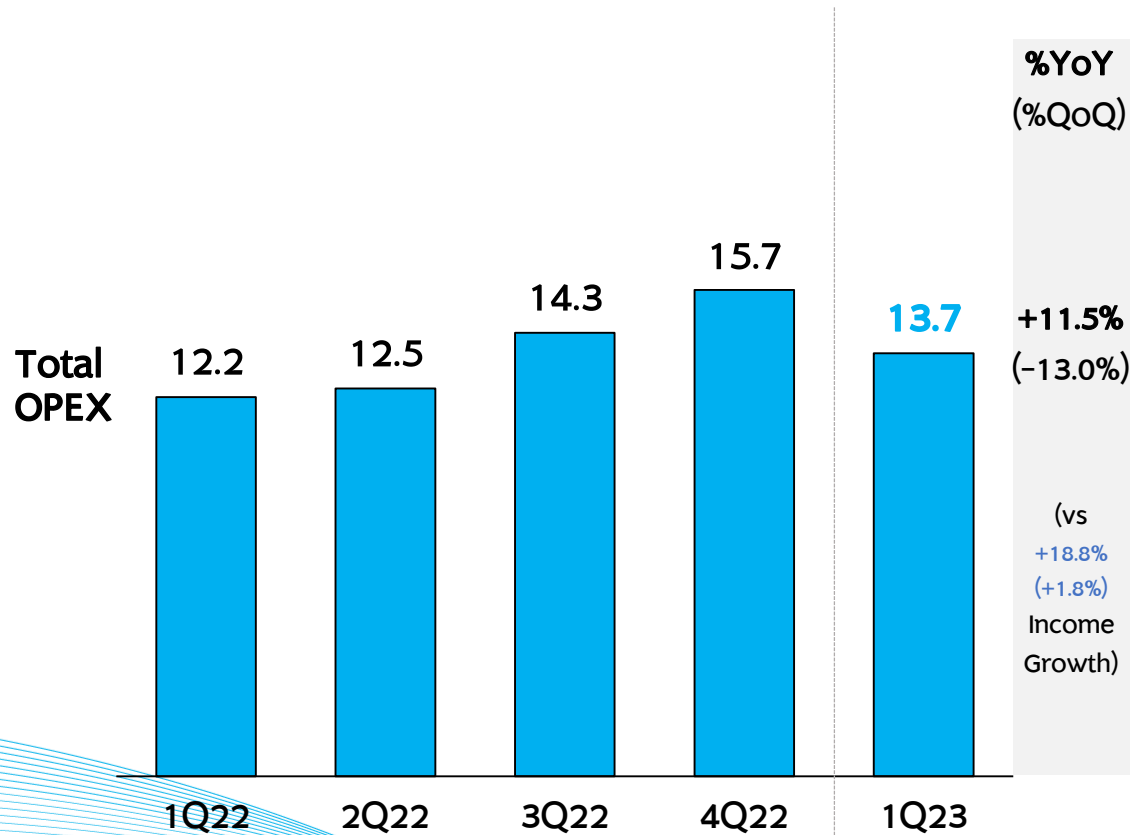
2/ Others fee includes fee from KTC, Global Market, and other services

Well-managed cost to income



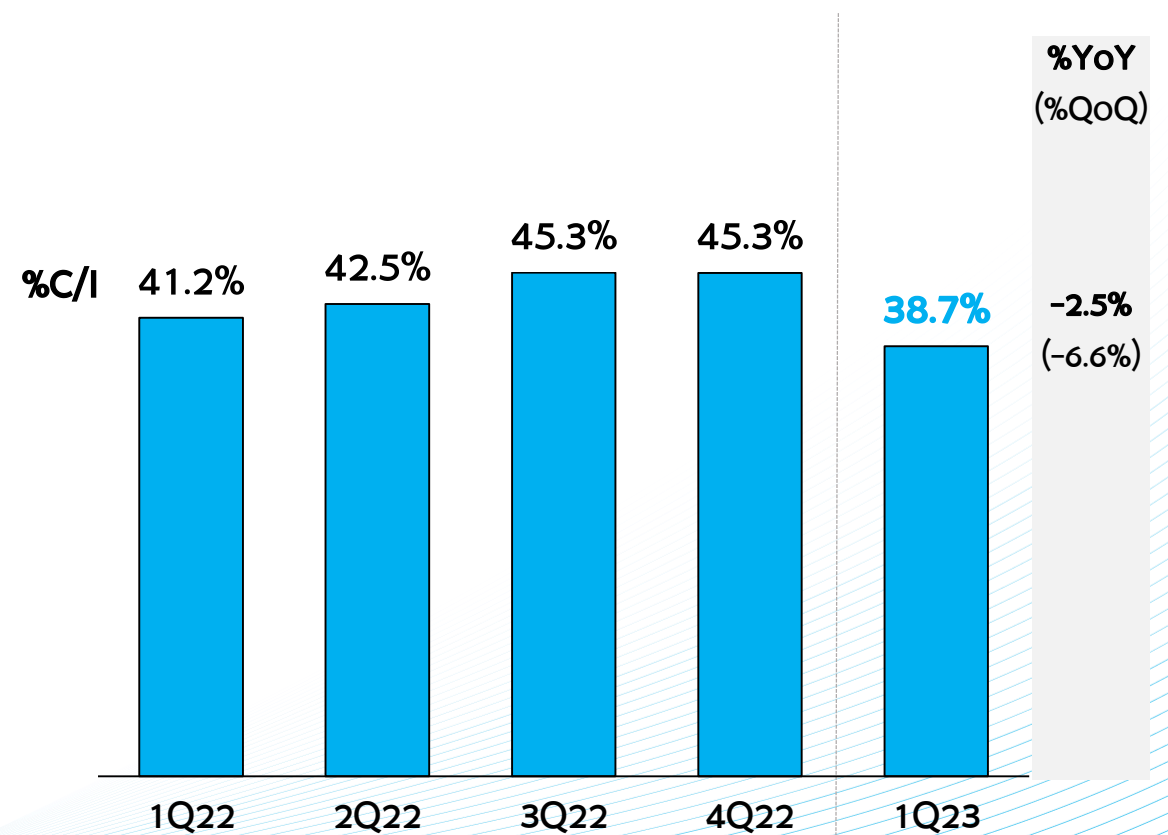
➤ Cost increased to improve customer experiences as well as products and services

(Baht bn)



➤ With effective comprehensive cost management in place

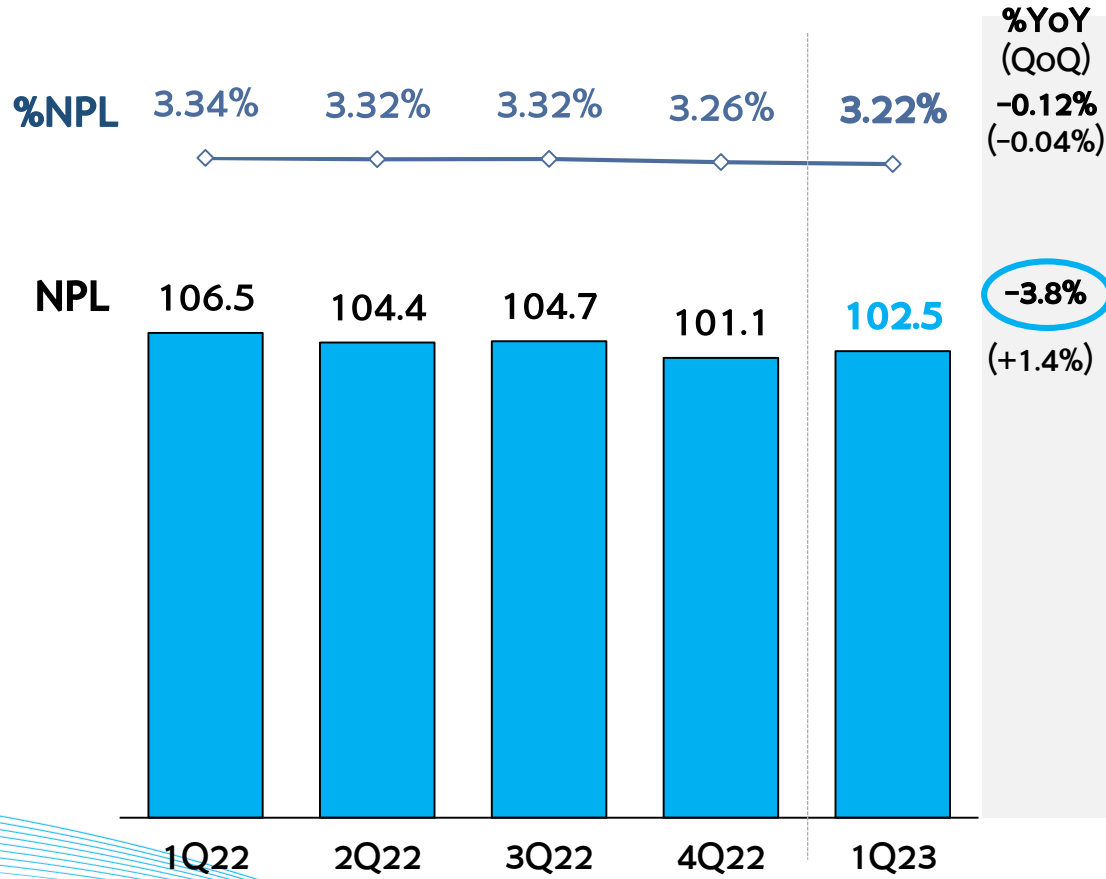
(%Cost to income)



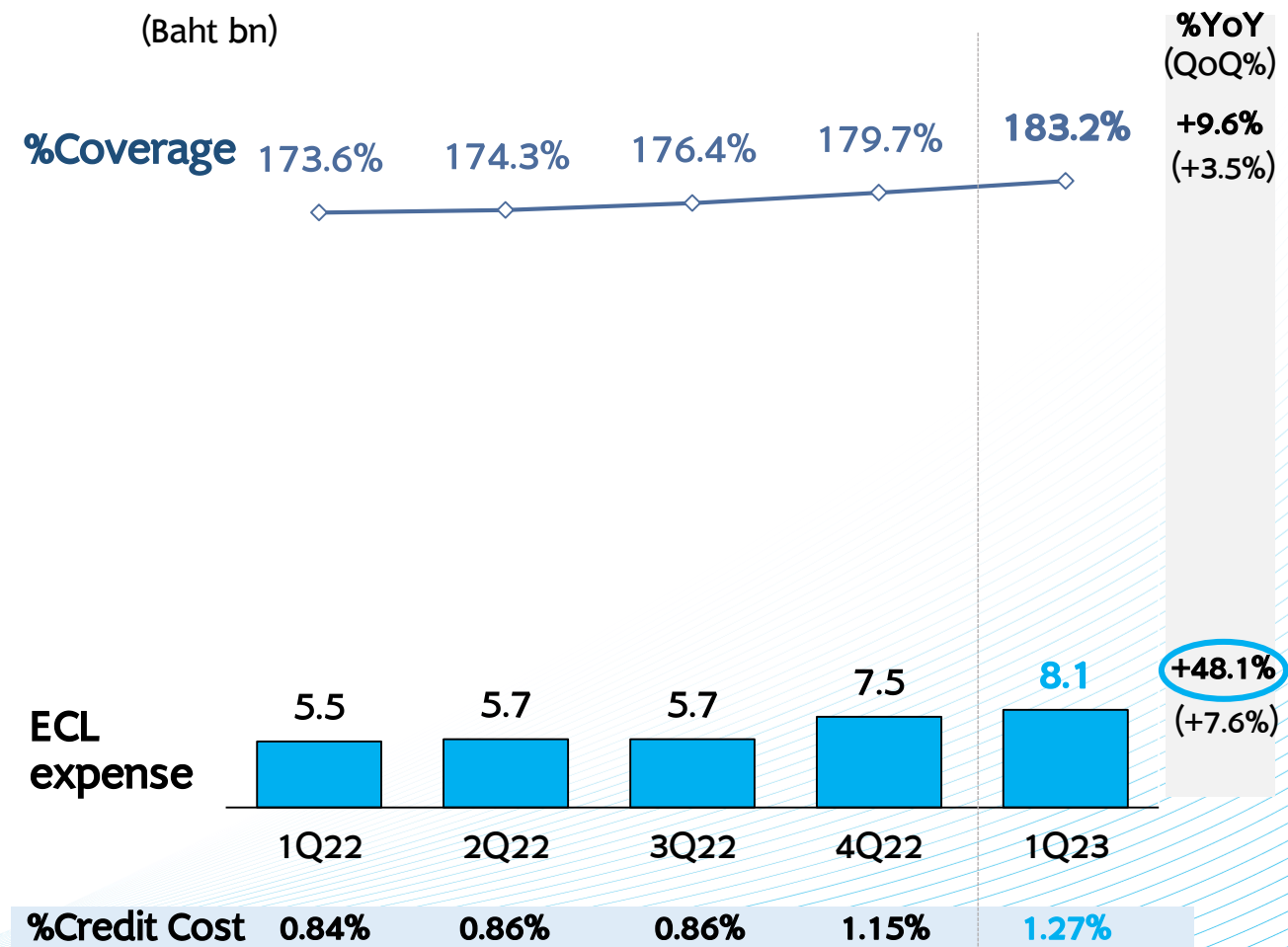
Prudent asset quality management



Manageable NPL level (Baht bn)



Whilst maintaining high coverage ratio for any uncertainties (Baht bn)



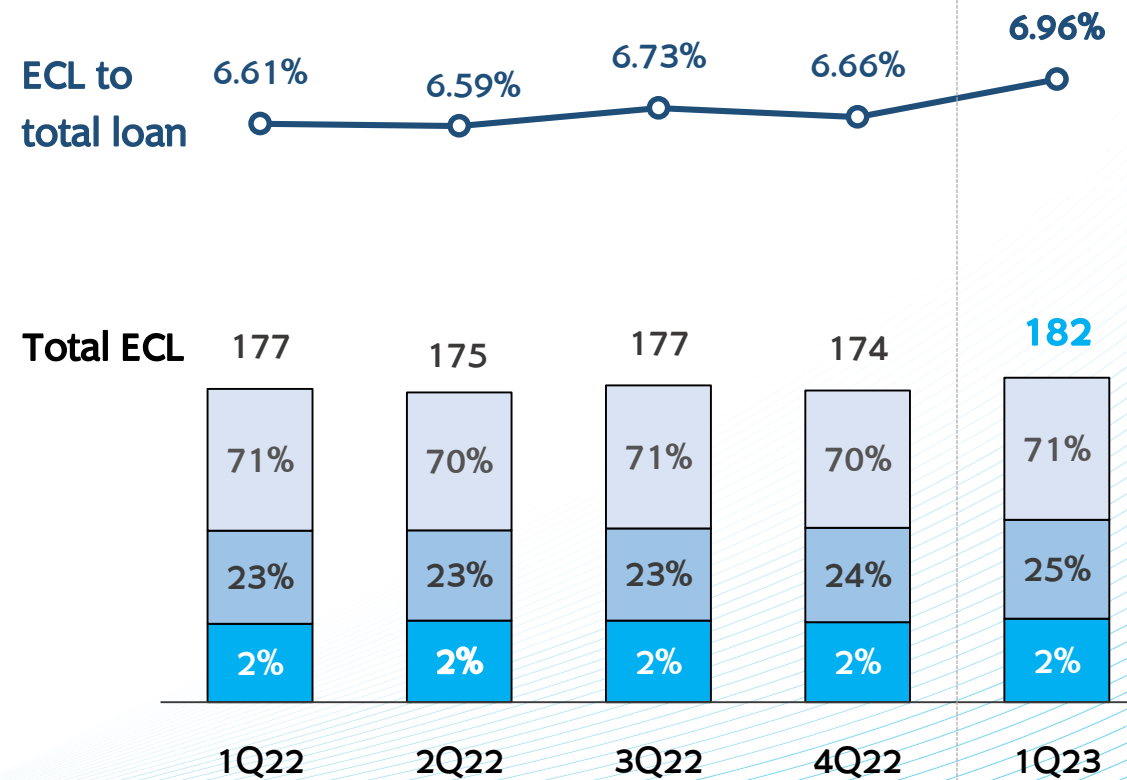
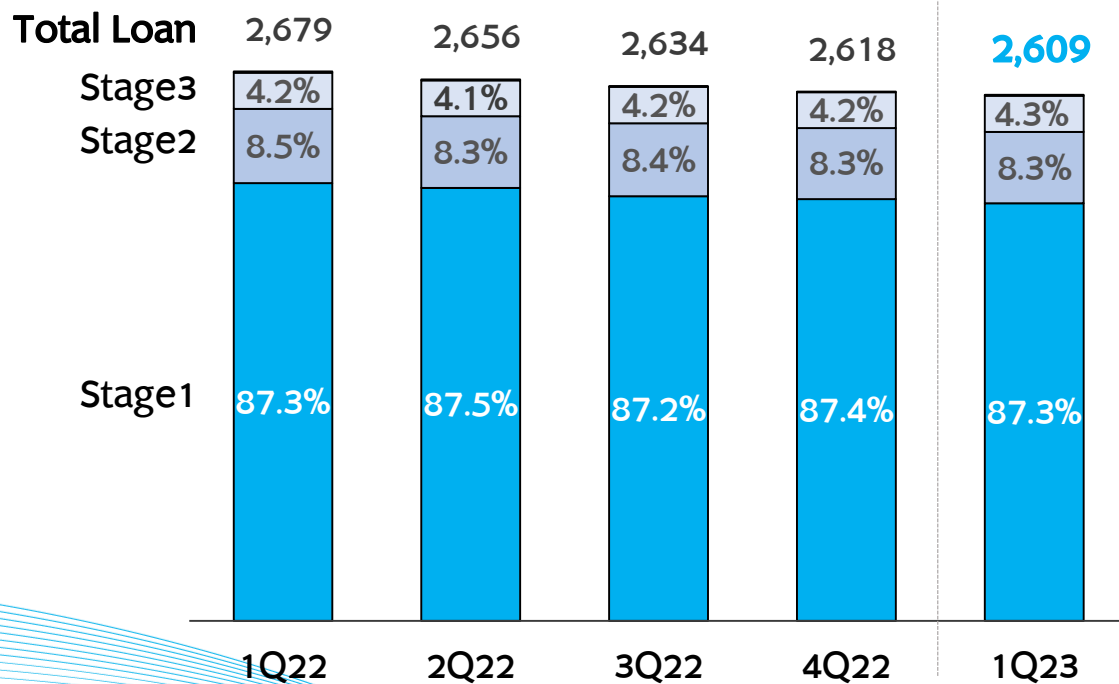
%Credit Cost 0.84% 0.86% 0.86% 1.15% 1.27%

Actively and vigilantly managed portfolio by stage



➤ **Loan and accrued interest by stage**
(Baht bn)

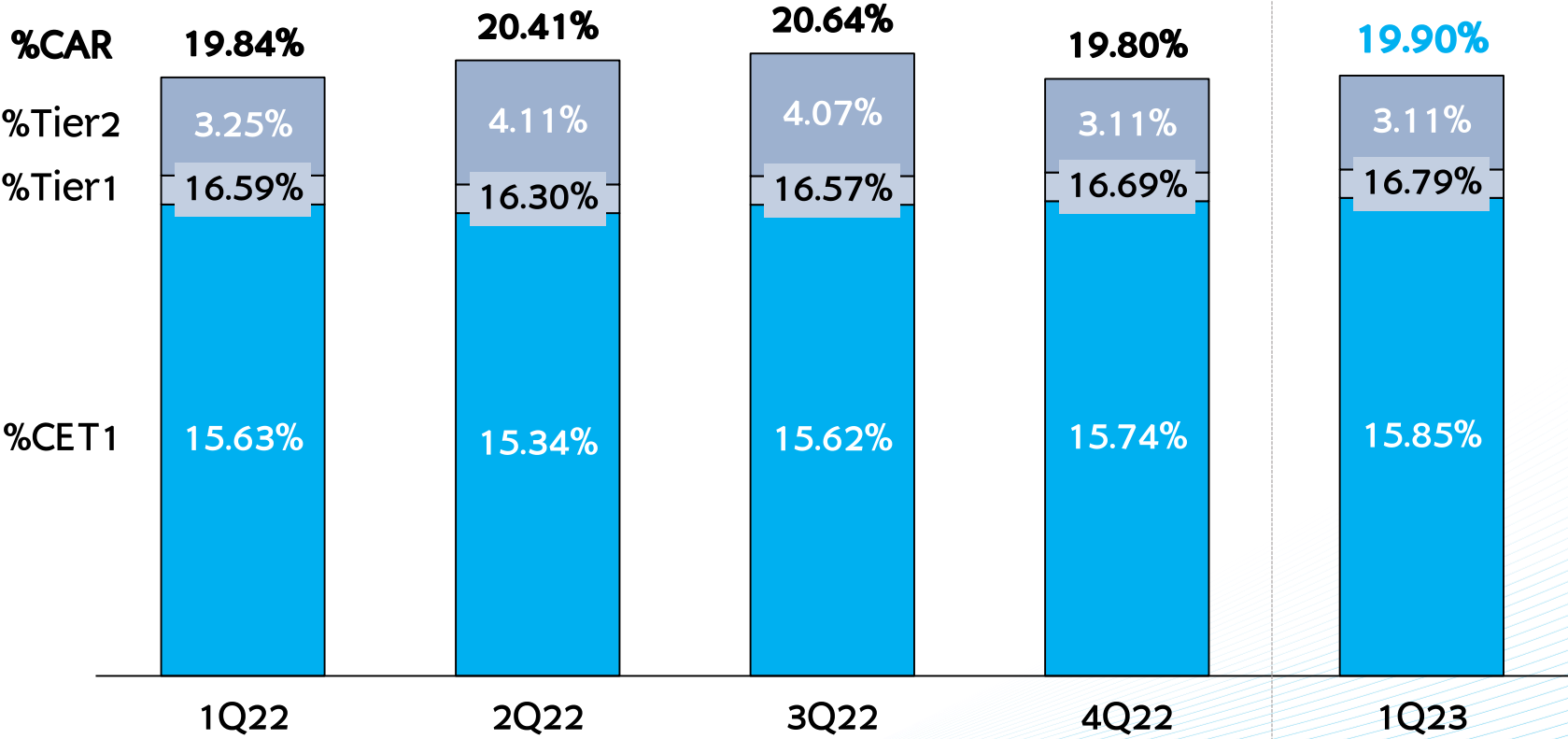
➤ **ECL on loan and accrued interest by stage**
(Baht bn, %ECL to loan)



Strong capital position to support growth



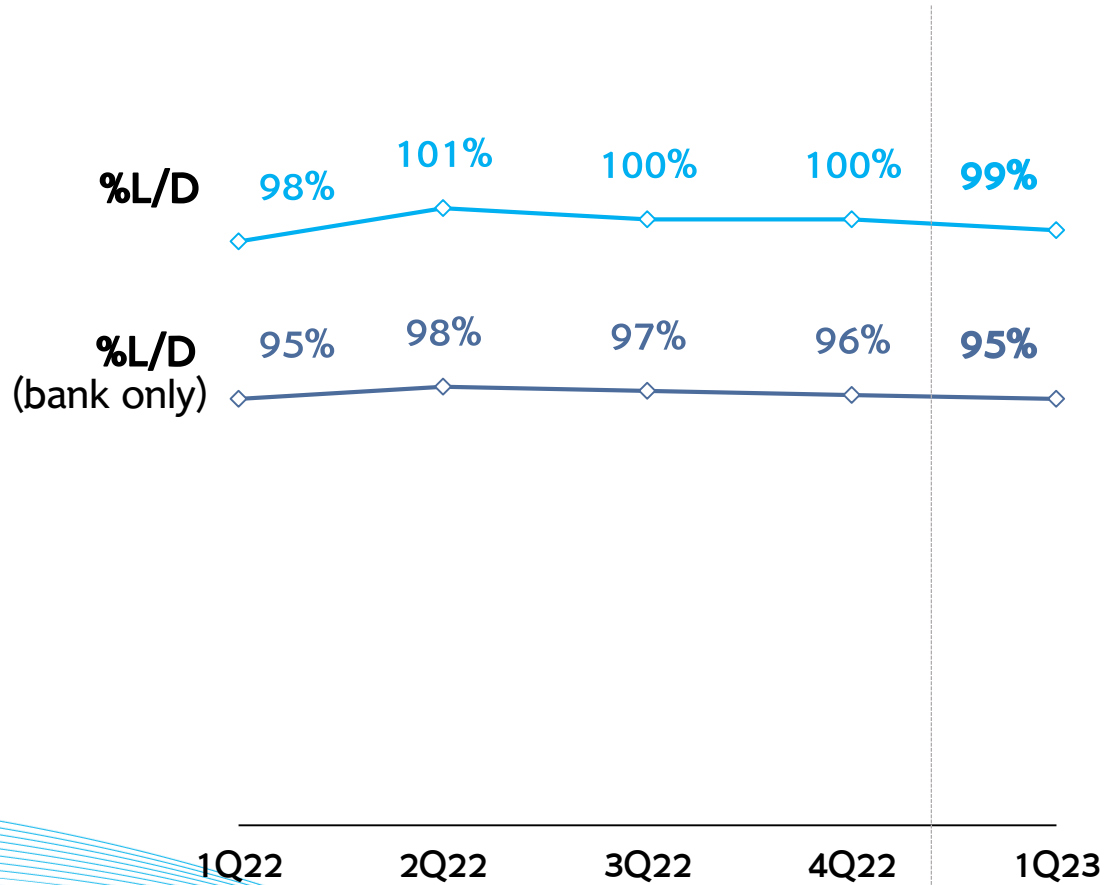
➤ %Capital Ratio



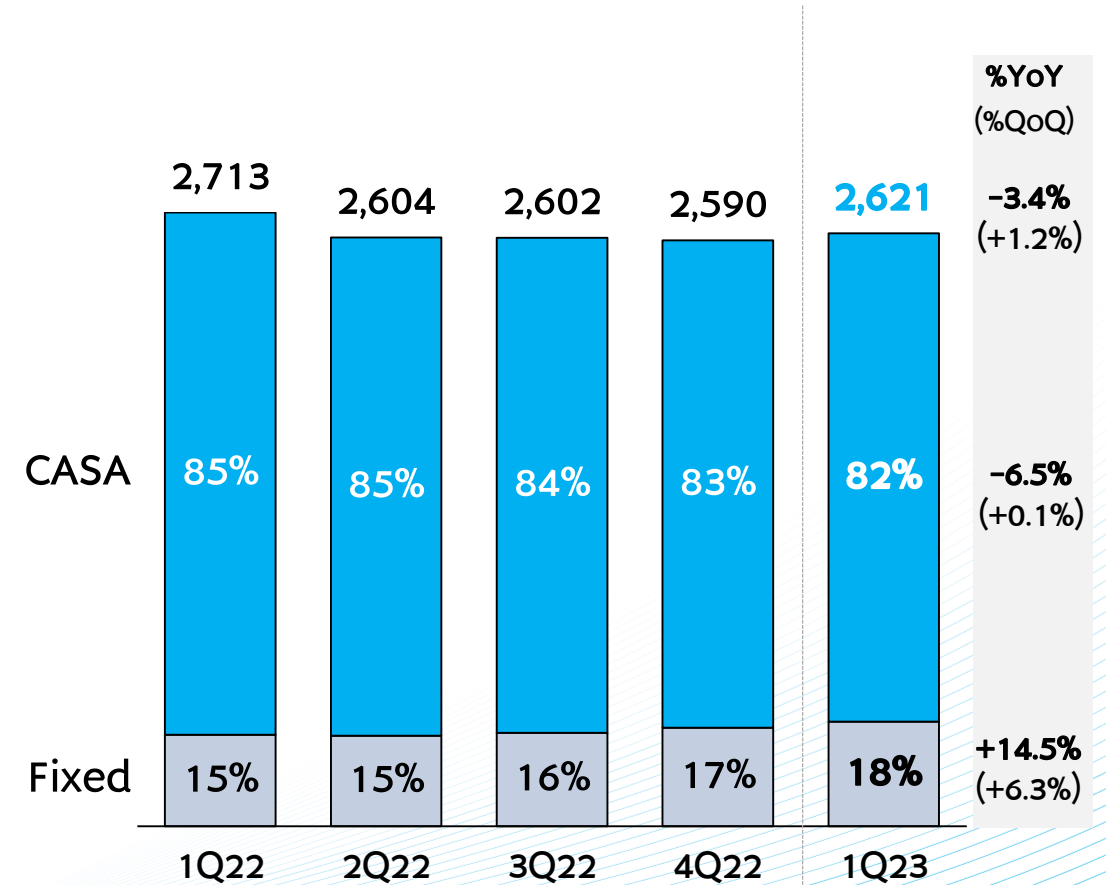
Ample liquidity with high portion of CASA



➤ Loan to Deposit Ratio



➤ Deposit by type (Baht bn)



Appendix

Transition to
**Low carbon
society**

Thailand's main engine
transition to
Tourism

Transitioning with
**rising cost
environment**



2023 Year of Transition

Global
slowdown
Without policy
backstop

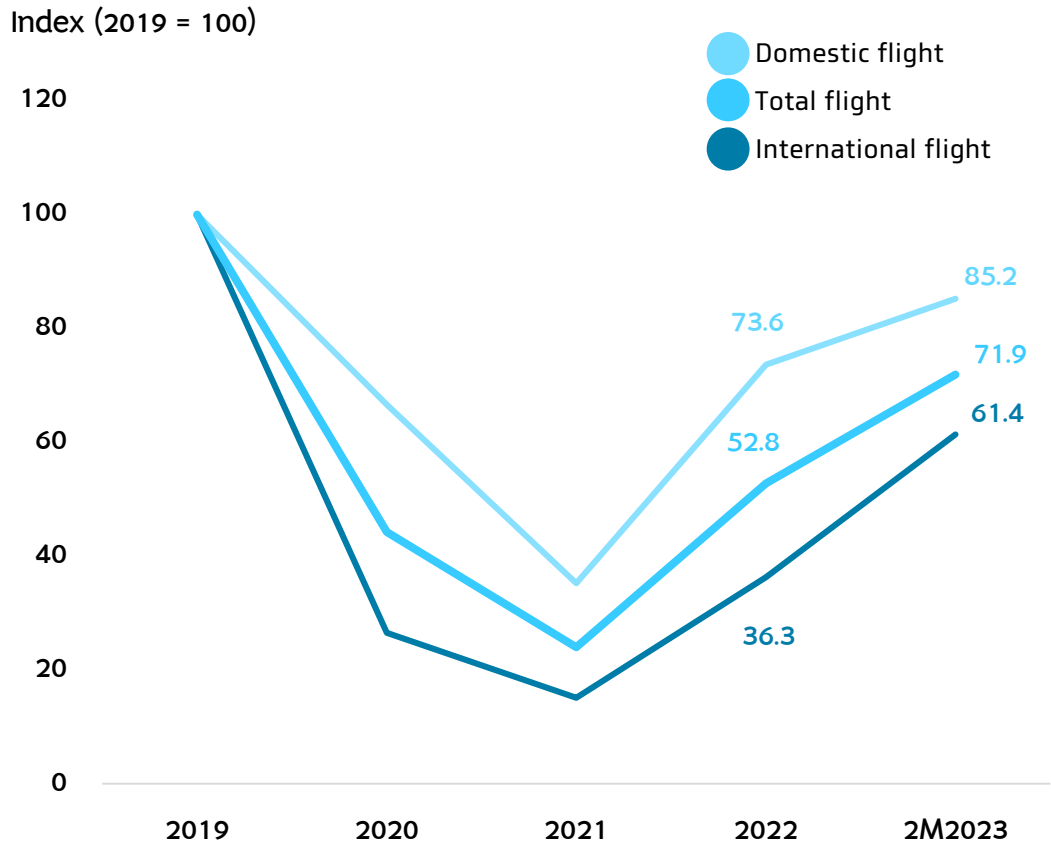
Thailand
transition to
**Interest rate
upcycle**



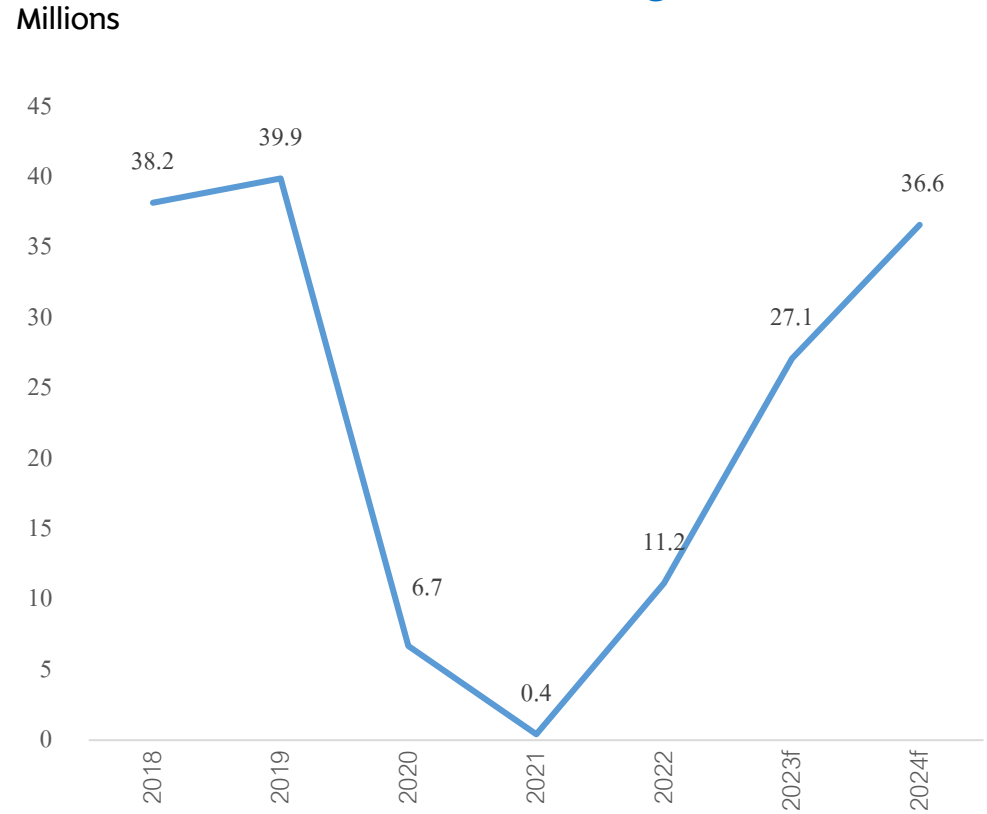
Thailand main engine transition to tourism

Tourism sector has rebounded continually as the flights are returning to the pre-pandemic level, while tourist arrivals over the first three months of 2023 reaches 6.5 millions. The number of foreign tourists in 2023 has now been revised toward 25-30 million. The momentum from tourism improvement, associated with the return to normal economic activities, have boosted employment and strengthened domestic demand to support further recovery.

Average number of flights per month



Number of foreign tourists

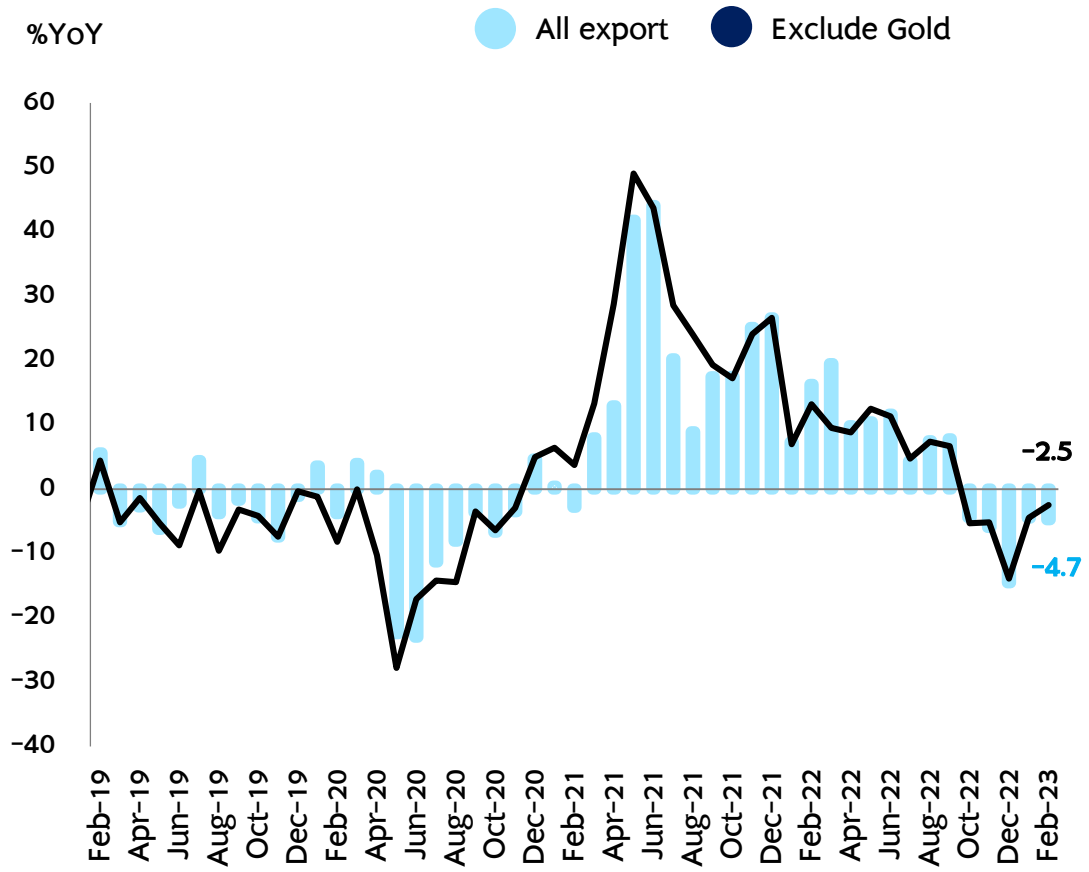


Source: Ministry of Tourism and Sports, forecasted by Krungthai COMPASS

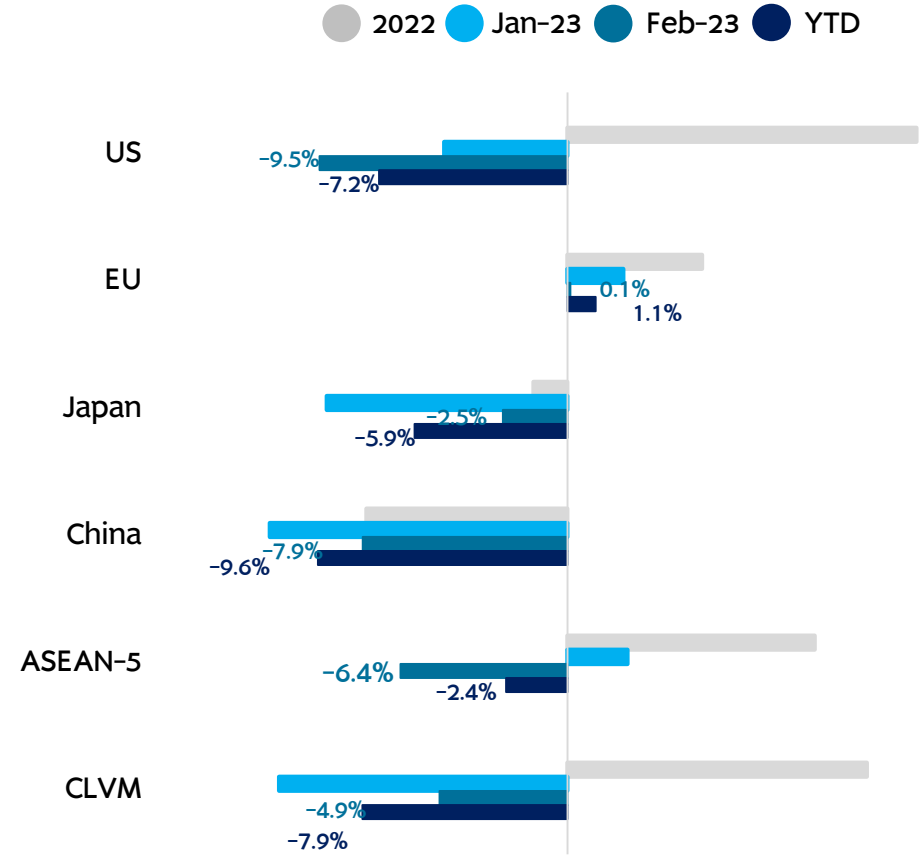
Global slowdown and its impact on Thai exports

Thai exports have been adversely affected by the transition of global economy that shifts toward a slowdown. Exports in February dropped by 4.7%YoY, contracting for the fifth straight month. External demand from major trade partners fell. Some exporting products such as electronics, which used to benefit from work-from-home, are likely to experience a downturn cycle. Exports of goods in 2023 are expected to slip into contraction territory.

Thai merchandise export growth



Thai exports classified by major markets

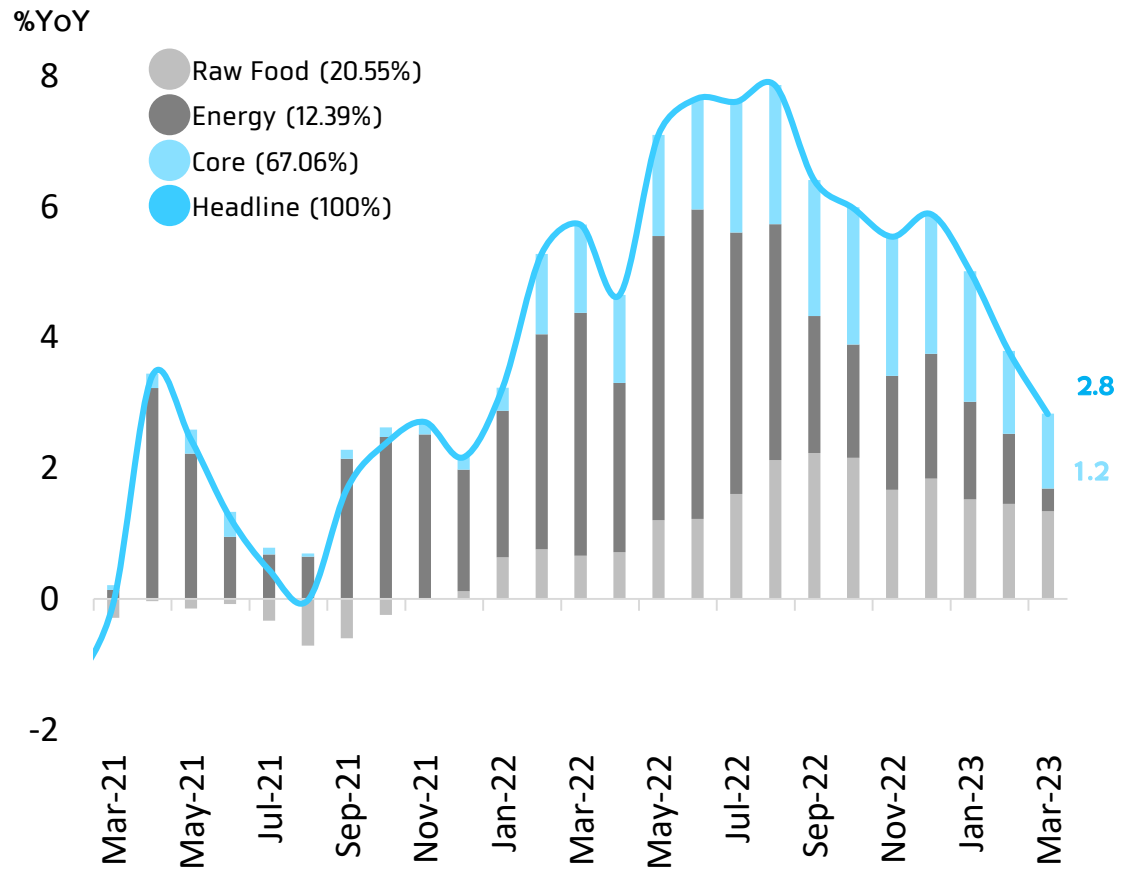


Source: Ministry of Commerce

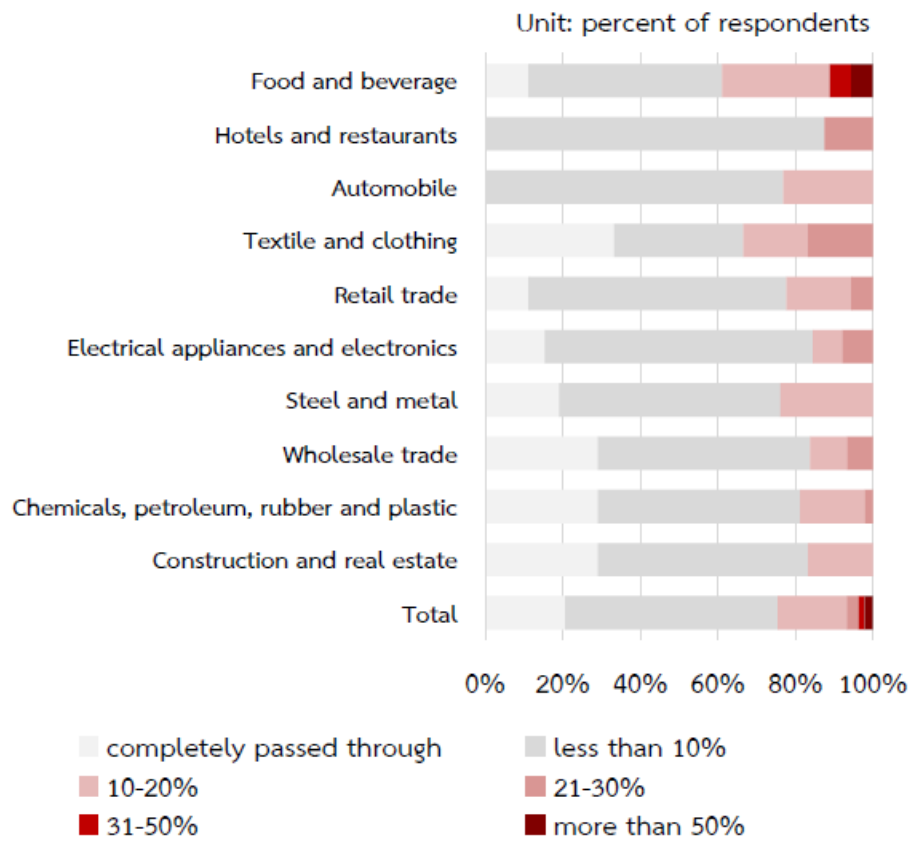
Transition with rising cost environment

Headline inflation has passed the peak and moved in the downward trend due mainly to lower energy cost and easing supply constraint. Meanwhile, core inflation has declines slowly. The recovery of domestic demand is likely to support the producers in further passing the cost on prices. In 2023, inflation is likely to remain high relative to pre-pandemic level.

Headline inflation and contribution to its movement



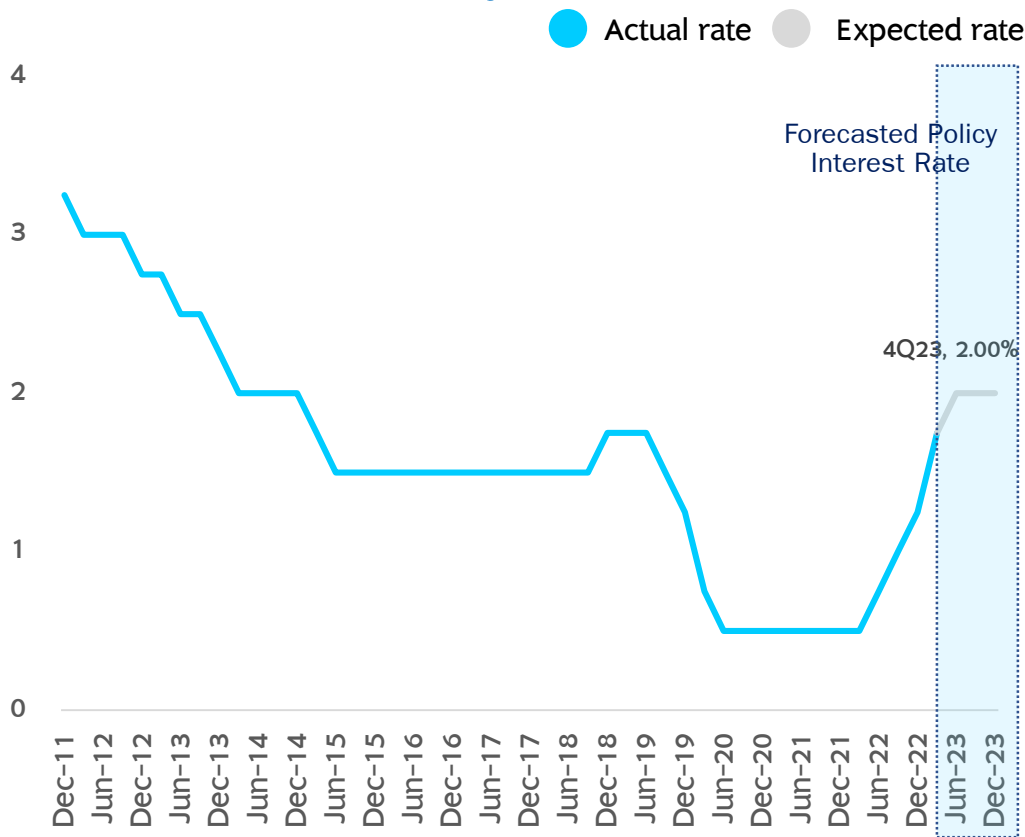
Producers could pass on higher cost absorbed in the past



Thailand transition to interest rate upcycle

It is expected the Bank of Thailand (BOT) to raise interest rates by another 25 bps in May, which will bring the policy interest rate to reach 2.00% in 2023. The BOT signaled further rate hike, reflected by its positive outlook on growth despite concerns over longer-than-expected high inflation driven by strengthening domestic demand. On the financial stability front, the BOT assessed that Thai financial institutions remain resilient to withstand external banking turmoil, which also supports the BOT to continue raising interest rates.

BOT Policy Interest Rate



No significant impacts from recent bank stress on the Thai financial system

Uncertainty warrants close monitoring on the developments

No significant impact on the Thai financial system to date

Banking sector

Banking system remains resilient^{1/}

- Capital (BIS ratio) 19.4%^{2/}
- Liquidity (LCR) 197.3%
- NPL coverage ratio 171.9%






The share of foreign assets to total assets is negligible with low exposure to the troubled assets

Capital market

The share of investment position related to the troubled assets is at low level for all investor types

Note: 1/ data at the end of 2022
2/ higher than the minimum requirement at 8.5%, mainly from Common Equity Tier 1 capital (CET1)

Short-to-medium Term Post-Covid Challenge and Opportunity

Blockers	Possible economic impacts
 <p>1. High debt burden</p>	<ul style="list-style-type: none"> • Highly leveraged business might be hit harder from interest rate hike cycle. • Rising debt payment would limit customers' spending.
 <p>2. Challenges of ESG compliance</p>	<ul style="list-style-type: none"> • Strict ESG measures such as Taxonomy, CBAM measures, and plastic usage reduction will affect some businesses which are lagging behind and unable to follow regulations.
 <p>3. De-coupling</p>	<ul style="list-style-type: none"> • Geopolitical conflicts, especially between China and US & allies, have increase the risk of supply chain disruption, raw material shortage, and prolonged high cost.
 <p>4. Technological disruption and changes in consumer behavior</p>	<ul style="list-style-type: none"> • Some certain goods and services are threatened by the change in customer demand and would be replaced by the arrival of new technologies.
 <p>5. Loss of competitiveness</p>	<ul style="list-style-type: none"> • Higher cost of production than competitors in other countries would diminish comparative advantage.

Short-to-medium Term Post-Covid Challenge and Opportunity

Drivers	Possible economic impacts
 <p>1. Economic restructuring policies from the government</p>	<ul style="list-style-type: none"> • Manufacturing under BOI's promotion scheme and the targeted S-curve & New S-curve industries, especially in the EEC area, will be the new growth drivers. • Driving towards the BCG economy and the Better and Green Thailand 2030 policy will stimulate private investment through business transformation.
 <p>2. Health consciousness</p>	<ul style="list-style-type: none"> • Wellness and medical-related sectors will gain more business opportunities from growing health focus customers as well as concerns over aging society.
 <p>3. Global sustainability trend</p>	<ul style="list-style-type: none"> • The ESG compliance would benefit businesses that serve demand for transformation. The more eco-friendly adoption is expected to create greater income vulnerability.
 <p>4. Production base relocation for supply chain diversification</p>	<ul style="list-style-type: none"> • The inbound foreign direct investment to Thailand will strengthen domestic manufacturers along the supply chain and induce domestic demand.

Branches*

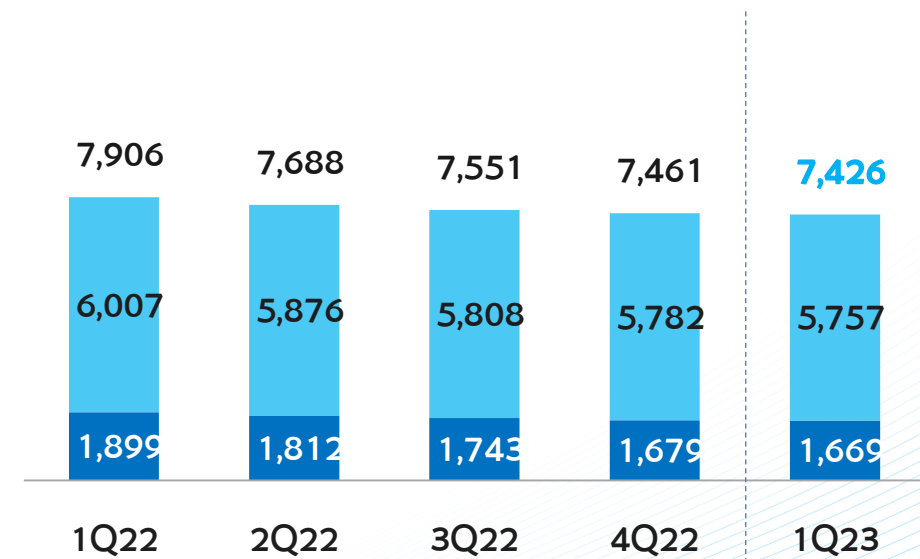
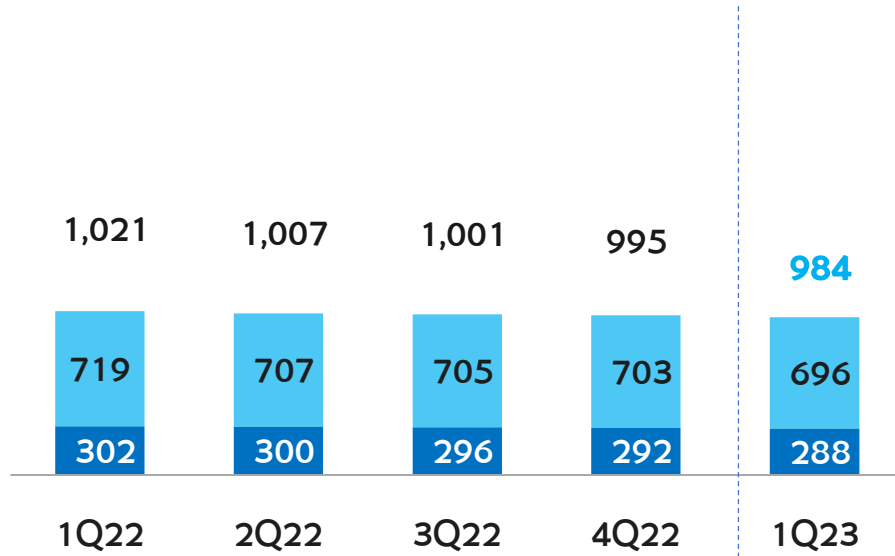
(unit: branches)

ATMs

(unit: machines)

■ Metro ■ Upcountry

■ Metro ■ Upcountry



* Including Head Office



Thank you

Krungthai Bank PCL

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