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# Management Discussion and Analysis

For the quarter and six-month period ended  
June 30, 2023

Environmental, Social and Governance Division

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## Executive Summary

Guided by our strategic aspiration of becoming a leading ASEAN bank, key milestones reached in 1H/23 were the completed acquisitions of consumer finance businesses in the two fastest growing markets in the region - the Philippines and Vietnam. These new subsidiaries were attributed to an increase of Baht 34,727 million in loan outstanding recorded for the period.

**For 1H/23, Krungsri Group (the Bank and its business units)** recorded a **net profit** of Baht 17,102 million, increasing by 12.1% or Baht 1,850 million from 1H/22, supported by both higher domestic operating income, following the notable growth in both net interest income and non-interest income, complemented by initial revenue streams from the acquired overseas businesses in the second quarter.

Key net profit growth drivers in 1H/23 were owing to robust increases in both net interest income and non-interest income, notwithstanding higher operating expenses in line with accelerating economic activities and expected credit loss.

**On a quarter-on-quarter basis**, despite a strong growth in net interest income, the rising expected credit loss resulting from prudential provisions for overseas subsidiaries contributed to a decrease of **net profit** by Baht 251 million, or 2.9%, to register at Baht 8,425 million for 2Q/23.

On a year-on-year basis, net profit for 2Q/23 increased by 7.5%, or Baht 591 million, largely driven by an increase in operating income which was offset by surging operating expenses and expected credit loss.

As of June 30, 2023, **total loans** outstanding was Baht 2,010,098 million, representing an increase of Baht 60,689 million, or 3.1% from the end of December 2022. Excluding the Baht 34,727 million consolidation of consumer finance businesses in the Philippines and Vietnam, loans grew by Baht 25,962 million or 1.3%. Meanwhile, **deposits** decreased by Baht 6,857 million, or 0.4%.

**The non-performing loan (NPL) ratio** was at 2.29%, compared with 2.32% at the end of December 2022. On account of Krungsri's prudential risk management, **credit cost** in the second quarter of 2023 increased to 156 bps, maintaining a healthy **loan loss coverage ratio** at 163.3%, compared with 167.4% at the end of December 2022.

**Capital adequacy ratio (Bank only)** was recorded at 17.72%, compared with 17.97% at the end of December 2022.

## Summary of Krungsri Group's Financial Performance

### Operating Performance

Consolidated (Million Baht)	2Q/23	1Q/23	%QoQ	2Q/22	%YoY
Net Interest Income	23,299	21,190	10.0	20,544	13.4
Non-Interest Income	8,846	8,855	(0.1)	8,099	9.2
Operating Income	32,145	30,045	7.0	28,643	12.2
Operating Expenses	13,794	13,330	3.5	12,335	11.8
Pre-Provision Operating Profit	18,351	16,715	9.8	16,308	12.5
Expected Credit Loss	7,811	5,799	34.7	6,566	19.0
Net Profit*	8,425	8,676	(2.9)	7,834	7.5
Earning per Share (Baht)	1.15	1.18		1.06	

Consolidated (Million Baht)	1H/23	1H/22	%YoY
Net Interest Income	44,489	40,415	10.1
Non-Interest Income	17,702	16,448	7.6
Operating Income	62,191	56,863	9.4
Operating Expenses	27,125	24,397	11.2
Pre-Provision Operating Profit	35,066	32,466	8.0
Expected Credit Loss	13,610	13,350	1.9
Net Profit*	17,102	15,252	12.1
Earning per Share (Baht)	2.33	2.07	12.6

\* Attributable to Owners of the Bank

### Financial Position

Consolidated (Million Baht)	Jun. 30, 23	Dec. 31, 22	%YTD
Loans to Customers	2,010,098	1,949,409	3.1
Total Assets	2,698,217	2,636,951	2.3
Deposit	1,797,835	1,804,692	(0.4)
Total Liabilities	2,340,199	2,295,192	2.0
Total Bank's Equity	355,301	340,919	4.2

### Key Financial Ratios

<b>Consolidated</b>	<b>2Q/23</b>	<b>1Q/23</b>	<b>2Q/22</b>
Net Interest Margin	3.64%	3.35%	3.32%
Cost to Income Ratio	42.9%	44.4%	43.1%
Loan Growth	2.8%	0.3%	1.0%
Deposit Growth	-3.3%	3.0%	-0.6%
Return on Equity Ratio	9.57%	10.06%	9.62%
Return on Assets Ratio	1.25%	1.30%	1.20%
Loan to Deposit Ratio	112%	105%	107%
Loan to Deposit and Debenture Ratio	110%	103%	105%
NPL Ratio	2.29%	2.26%	2.11%
Credit Cost (bps)	156	116	137
Loan Loss Coverage Ratio	163.3%	167.1%	189.2%
<b>Bank Only</b>	<b>Jun. 30, 23</b>	<b>Dec. 31, 22</b>	<b>Jun.30, 22</b>
Common Equity Tier 1 Ratio	13.02%	13.23%	12.82%
Tier 1 Capital Ratio	13.02%	13.23%	12.82%
Tier 2 Capital Ratio	4.70%	4.74%	4.77%
Capital Adequacy Ratio	17.72%	17.97%	17.59%

### Key Developments in 2Q/23

#### Krungsri:

#### Business & Financial Operations:

- Key changes in deposit and lending rates are as follows:
  - Deposit rates
    - An increase of 0.05% in savings rate to 0.30%
    - Increases in a range of 0.17 - 0.20 % in the 3-month deposit rates
    - An increase of 0.20% in the 6-month deposit rates
    - An increase of 0.25% in the 12-month deposit rates
    - Increases in a range of 0.30 - 0.40% in the 24-month deposit rates
  - Lending rates
    - An increase of 0.40% in Minimum Loan Rate (MLR) to 7.03%
    - An increase of 0.45% in Minimum Overdraft Rate (MOR) to 7.325%
    - A total increase of 0.35% in Minimum Retail Rate (MRR) to 7.15%

### **Mergers & Acquisitions and Regional Expansion Strategy:**

- On May 22, 2023, Krungsri completed the purchase and receipt of the transferred 50% of charter capital in SHBank Finance Company Limited (SHB Finance) in Vietnam which has since become a subsidiary of Krungsri Group.
- On June 1, 2023, Krungsri completed the purchase and receipt of transferred shares in consumer finance businesses in the Philippines with the details as follows:
  - 75.0% of share capital of HC Consumer Finance Philippines, Inc.
  - 100% of share capital of HCPH Financing 1, Inc. and HCPH Insurance Brokerage, Inc.

These entities have since become subsidiaries of Krungsri Group.

### **Sustainable Banking**

- On June 15, 2023, Krungsri inaugurated the country's first green and blue bond issuance with a total subscription of USD 400 million, equivalent to Baht 14,236 million, through a private placement to the International Finance Corporation (IFC) which aims to further support lending for climate mitigation and adaptation and sustainable ocean health.

### ***Regulatory Developments:***

#### **Monetary Policy:**

- On May 31, 2023, underscoring the Monetary Policy Committee (MPC)'s views on growth and inflation outlook, the Committee announced a policy rate hike by 0.25% to 2.00% from 1.75%.

#### **Sustainability Policy:**

- On June 30, 2023, the Bank of Thailand (BOT) and the Securities and Exchange Commission (SEC), as co-leads of the Thailand Taxonomy Board, released the Thailand Taxonomy Phase I focusing on the economic activities relating to the energy and transportation sectors which contribute to the highest proportion of carbon emissions. The objective of the Taxonomy is to standardize economic activities in order to use it as a benchmark or assess economic activities that are climate-aligned. The Taxonomy can also be one of the alternatives to be used as a credible reference for access to financial tools and services that support transition activities towards climate resilience.

## Progress of Krungsri's measures to assist customers impacted by the coronavirus pandemic

As of June 30, 2023, the loans outstanding under Krungsri's customer relief programs continued to improve to 6.7% of total loans outstanding, or Baht 134,404 million, representing 121,311 retail customer accounts and 4,403 commercial customers. For SMEs, additional credit lines were accumulated for Baht 21,223 million offered to 5,128 SME customers to support their liquidity requirement under the Bank of Thailand's soft loan, special rehabilitation loan and transformation loan programs and the Government Savings Bank's soft loan program.

## Thai Economic Outlook

Barring potential impacts of political uncertainty, the Thai economic expansion is expected to remain on track in second half of 2023, supported mainly by the strength of the tourism sector and private consumption. Meanwhile, exports are projected to broadly recover and improve in line with a moderate expansion in the global economic activity. A key impetus of this growth outlook is a broader-based recovery, which should promote employment and labor income, thereby sustaining the economic momentum and contributing to the growth rate of 3.3% forecasted by Krungsri.

## Key Items of Operating Performance

### Net Interest Income

Consolidated (Million Baht)	2Q/23	1Q/23	%QoQ	2Q/22	%YoY
<b>Interest Income</b>	<b>32,504</b>	<b>29,117</b>	<b>11.6</b>	<b>25,506</b>	<b>27.4</b>
Interest on loans	21,228	18,634	13.9	16,400	29.4
Interest on interbank and money market items	2,421	1,900	27.4	566	327.7
Hire purchase and financial lease income	8,384	8,178	2.5	8,179	2.5
Investments and trading transactions	10	4	150.0	4	150.0
Investments in debt securities	429	366	17.2	349	22.9
Other interest income	32	35	(8.6)	8	300.0
<b>Interest Expenses</b>	<b>9,205</b>	<b>7,927</b>	<b>16.1</b>	<b>4,962</b>	<b>85.5</b>
Interest on deposits	5,041	4,286	17.6	2,475	103.7
Interest on interbank and money market items	1,080	740	45.9	589	83.4
Interest on borrowings	931	819	13.7	820	13.5
Contribution to Financial Institution Development Fund and Deposit Protection Agency	2,034	1,996	1.9	1,049	93.9
Other interest expenses	119	86	38.4	29	310.3
<b>Net Interest Income</b>	<b>23,299</b>	<b>21,190</b>	<b>10.0</b>	<b>20,544</b>	<b>13.4</b>

Consolidated (Million Baht)	1H/23	1H/22	%YoY
<b>Interest Income</b>	<b>61,621</b>	<b>50,257</b>	<b>22.6</b>
Interest on loans	39,862	32,148	24.0
Interest on interbank and money market items	4,321	1,085	298.2
Hire purchase and financial lease income	16,562	16,287	1.7
Investments and trading transactions	14	7	100.0
Investments in debt securities	795	719	10.6
Other interest income	67	11	509.1
<b>Interest Expenses</b>	<b>17,132</b>	<b>9,842</b>	<b>74.1</b>
Interest on deposits	9,327	4,938	88.9
Interest on interbank and money market items	1,820	1,082	68.2
Interest on borrowings	1,750	1,699	3.0
Contribution to Financial Institution Development Fund and Deposit Protection Agency	4,030	2,074	94.3
Other interest expenses	205	49	318.4
<b>Net Interest Income</b>	<b>44,489</b>	<b>40,415</b>	<b>10.1</b>

- Interest income in the second quarter of 2023 was recorded at Baht 32,504 million, an increase of Baht 3,387 million, or 11.6%, from the prior quarter, mainly driven by an increase in interest on loans and interest on interbank and money market items, reflecting the higher outstanding balance of loans, and an increase in the lending rates and market rates, following the policy rate increased during the quarter.
- Meanwhile, interest expenses were recorded at Baht 9,205 million, an increase by Baht 1,278 million, or 16.1%, from the prior quarter, mainly resulting from an increase in interest expense on deposits attributed to deposit rate increases, as well as interest on interbank and money market items, corresponding to higher market rates, coupled with a higher balance of interbank and money market items.
- Consequently, net interest income in the second quarter of 2023 amounted to Baht 23,299 million, representing an increase of Baht 2,109 million, or 10.0%, from the prior quarter.
- On a year-on-year basis, net interest income increased by Baht 2,755 million, or 13.4%, mainly due to higher interest income, driven by the growth in loans and interbank and money market outstanding together with interest rate rises; while being offset by an increase in interest expenses in line with the growth in the time deposit balance, higher deposit rates, and the normalization of the FIDF contribution rate.
- For 1H/23, net interest income was recorded at Baht 44,489 million, an increase of Baht 4,074 million, or 10.1%, from the first half of 2022, driven by a combination of 3.1% loan growth and NIM expansion of 16 bps.

### Net Interest Margin

	2Q/23	1Q/23	2Q/22	1H/23	1H/22
Net Interest Margin	3.64%	3.35%	3.32%	3.52%	3.36%
Yield on Earning Assets	5.08%	4.60%	4.13%	4.87%	4.18%
Yield on Loans	5.98%	5.49%	5.07%	5.70%	5.05%
Cost of Funds	1.66%	1.44%	0.91%	1.55%	0.92%
Cost of Deposits	1.55%	1.37%	0.77%	1.48%	0.78%

### Interest Rate

	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
<b>Policy Rate</b>	2.00%	1.75%	1.25%	1.00%	0.50%
<b>Krungsri Lending Rate</b>					
MLR	7.03%	6.63%	6.08%	5.58%	5.58%
MOR	7.325%	6.875%	6.325%	5.95%	5.95%
MRR	7.15%	6.80%	6.25%	6.05%	6.05%
<b>Krungsri Deposit Rate</b>					
Savings Rate	0.30%	0.25%	0.25%	0.25%	0.25%
3-month deposits	0.70-0.92%	0.50-0.75%	0.40-0.60%	0.10-0.32%	0.10-0.32%
6-month deposits	0.75-1.05%	0.55-0.85%	0.45-0.70%	0.15-0.40%	0.15-0.40%
12-month deposits	0.85-1.45%	0.60-1.20%	0.50-1.00%	0.15-0.40%	0.15-0.40%
24-month deposits	1.10-1.95%	0.80-1.55%	0.60-1.35%	0.20-0.45%	0.20-0.45%

- For 2Q/23, yield on earning assets increased by 48 bps from the prior quarter to 5.08%, largely attributable to the consolidation of consumer finance loans from Vietnam and the Philippines, together with higher lending rates and market rates following the policy rate increase during the quarter. Meanwhile, the cost of funds increased by 22 bps to 1.66%, mainly due to higher cost of deposits from both savings and time deposits. Consequently, net interest margin markedly increased by 29 bps to 3.64% from 3.35% in the prior quarter.
- On a year-on-year basis, NIM increased by 32 bps driven by a higher yield on earning assets, largely driven by the higher retail loan outstanding balance and the lending rate and market rates increases. The aforementioned development was partly offset by an increase in the cost of funds, underscoring the higher interbank and money market outstanding balance, market rate and deposit rate hikes as well as the normalization of the FIDF contribution rate.
- For 1H/23, NIM increased by 16 bps to 3.52%, driven by the improvement in yield on earning assets of 69 bps to 4.87%, while being offset by 63 bps increase in cost of funds.



### Non-Interest Income

Consolidated (Million Baht)	2Q/23	1Q/23	%QoQ	2Q/22	%YoY
<b>Net fees and Service Income</b>	<b>4,582</b>	<b>4,250</b>	<b>7.8</b>	<b>4,204</b>	<b>9.0</b>
Fees and service income	6,545	6,322	3.5	5,885	11.2
Fees and service expense	1,963	2,072	(5.3)	1,681	16.8
<b>Total Non-interest and Non-fees Income</b>	<b>4,264</b>	<b>4,605</b>	<b>(7.4)</b>	<b>3,895</b>	<b>9.5</b>
Gains (losses) on financial instrument measured at fair value through profit or loss (FVTPL)	1,292	1,710	(24.4)	1,175	10.0
Gains (losses) on investments, net	0	0	0.0	(40)	100.0
Share of profit (loss) from investment using equity method	406	385	5.5	394	3.0
Bad debt recoveries	1,730	1,778	(2.7)	1,670	3.6
Other operating income	836	732	14.2	696	20.1
<b>Total Non-Interest Income</b>	<b>8,846</b>	<b>8,855</b>	<b>(0.1)</b>	<b>8,099</b>	<b>9.2</b>

Consolidated (Million Baht)	1H/23	1H/22	%YoY
<b>Net fees and Service Income</b>	<b>8,832</b>	<b>8,435</b>	<b>4.7</b>
Fees and service income	12,867	11,916	8.0
Fees and service expense	4,035	3,481	15.9
<b>Total Non-interest and Non-fees Income</b>	<b>8,870</b>	<b>8,013</b>	<b>10.7</b>
Gains (losses) on financial instrument measured at fair value through profit or loss (FVTPL)	3,002	2,307	30.1
Gains (losses) on investments, net	0	(40)	100.0
Share of profit (loss) from investment using equity method	792	808	(2.0)
Bad debt recoveries	3,509	3,273	7.2
Other operating income	1,567	1,665	(5.9)
<b>Total Non-Interest Income</b>	<b>17,702</b>	<b>16,448</b>	<b>7.6</b>

- Non-interest income in the second quarter of 2023 amounted to Baht 8,846 million, relatively unchanged from the prior quarter.
- On a year-on-year basis, non-interest income increased by 9.2%, or Baht 747 million, driven by net fees and service income, other operating income, and gains on financial instrument measures at FVTPL.
- For 1H/23, non-interest income increased by 7.6%, or Baht 1,254 million, from the first half of 2022. The increase was largely due to gains on financial instruments measured at fair value through profit or loss (FVTPL), net fees and service income from the acquired overseas businesses, as well as bad debt recoveries.

### Fees and Service Income Breakdown

	2Q/23	1Q/23	2Q/22	1H/23	1H/22
Loan - related Fees	5%	4%	5%	4%	5%
Bancassurance Fees	14%	13%	14%	15%	14%
Transaction Fees	8%	10%	10%	9%	10%
Auto HP Fees	14%	14%	14%	14%	14%
Card - related Fees	35%	38%	34%	37%	33%
Others*	24%	21%	23%	21%	24%
<b>Total Fee and Service Income</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Others: Comprised of wealth and fund management, securities-related, and investment banking fees.

- Fees and service income in the second quarter of 2023 amounted to Baht 6,545 million, representing an increase of Baht 223 million, or 3.5% from the prior quarter. The increase was driven by the consolidation of overseas businesses during the quarter.
- On a year-on-year basis, fees and service income increased by 11.2%, or Baht 660 million, mainly driven by card-related fees, mirroring a higher spending volume boosted by the recovery of economic activities and the consolidation the aforementioned overseas entities.
- For 1H/23, fees and service income amounted to Baht 12,867 million, increasing by 8.0%, or Baht 951 million, from 1H/22, mainly from card related fees and the consolidation the aforementioned overseas entities.

### Operating Expenses

Consolidated (Million Baht)	2Q/23	1Q/23	%QoQ	2Q/22	%YoY
Employee expenses	7,237	7,154	1.2	6,715	7.8
Premises and equipment expenses	1,953	1,857	5.2	1,804	8.3
Taxes and duties	796	706	12.7	554	43.7
Directors' remuneration	19	18	5.6	17	11.8
Other expenses	3,789	3,595	5.4	3,245	16.8
<b>Total Operating Expenses</b>	<b>13,794</b>	<b>13,330</b>	<b>3.5</b>	<b>12,335</b>	<b>11.8</b>
<b>Cost to Income Ratio</b>	<b>42.9%</b>	<b>44.4%</b>		<b>43.1%</b>	

Consolidated (Million Baht)	1H/23	1H/22	%YoY
Employee expenses	14,391	13,424	7.2
Premises and equipment expenses	3,811	3,525	8.1
Taxes and duties	1,502	1,286	16.8
Directors' remuneration	37	34	8.8
Other expenses	7,384	6,128	20.5
<b>Total Operating Expenses</b>	<b>27,125</b>	<b>24,397</b>	<b>11.2</b>
<b>Cost to Income Ratio</b>	<b>43.6%</b>	<b>42.9%</b>	

- Total operating expenses in the second quarter of 2023 amounted to Baht 13,794 million, representing an increase of Baht 464 million, or 3.5%, from the prior quarter, driven by an increase in other expenses - mainly from impairment on foreclosed properties and marketing promotion expenses, as well as the consolidation of overseas business entities.
- On a year-on-year basis, total operating expenses increased by Baht 1,459 million, or 11.8%, largely due to an increase in other expenses, mainly from IT related expenses, and marketing promotion expenses, as well as employee expenses which included the consolidation of overseas business entities in 2Q/23.
- For 1H/23, total operating expenses increased by 11.2%, or Baht 2,728 million, from 1H/22. The increase was driven by other expenses, mainly from marketing promotion expenses, corresponding to higher business activities, professional expenses, and employee expenses including business entities consolidation in 1H/23.

The cost to income ratio in the second quarter of 2023 improved to 42.9%, from 44.4% in the prior quarter, and from 43.1% for 2Q/22.

For 1H/23, the cost to income ratio was at 43.6%, increasing from 42.9% in 1H/22, underscoring the acceleration in economic activities and the consolidations of business entities acquired in 1H/23.

Krungsri Group will continue our proactive management of operating expenses as the Bank strives to achieve the target cost to income ratio of the mid-40s for the whole year.

### Expected credit loss (ECL)

Consolidated (Million Baht)	2Q/23	1Q/23	%QoQ	2Q/22	%YoY
Expected Credit Loss	7,811	5,799	34.7	6,566	19.0
Credit Cost (bps)	156	116		137	

Consolidated (Million Baht)	1H/23	1H/22	%YoY
Expected Credit Loss	13,610	13,350	1.9
Credit Cost (bps)	134	136	

The expected credit loss in the second quarter of 2023 amounted to Baht 7,811 million, equivalent to a credit cost of 156 bps, compared to 116 bps in the prior quarter and 137 bps in the same period last year. On a quarter-on-quarter basis, the incremental amount of the expected credit loss cost in 2Q/23 was mainly driven by prudential provisions for overseas subsidiaries, particularly those of newly acquired consumer finance businesses and Hattha Bank Plc. in Cambodia<sup>1/</sup>. Excluding these aforementioned provisions, the expected credit loss remained largely unchanged from the prior quarter.

<sup>1/</sup> The increase in delinquency in Hattha Bank Plc. was in part attributed to macro-economic slowdown together with the fractions of loans became delinquent after the completion of Covid-19 forbearance program in June 2022.

For 1H/23, the expected credit loss was recorded at Baht 13,610 million, equivalent to a credit cost of 134 bps, compared to 136 bps level for 1H/22, mirroring the Bank's prudential safeguard.

## Key Items of Financial Position

### Assets

Consolidated (Million Baht)	Jun. 30, 23	Mar. 31, 23	%QoQ	Dec. 31, 22	%YTD
Cash	27,149	27,716	(2.0)	29,810	(8.9)
Net interbank and money market items	441,595	504,431	(12.5)	460,920	(4.2)
Financial assets measured at FVTPL	2,287	3,689	(38.0)	998	129.2
Net investment	141,779	146,021	(2.9)	145,167	(2.3)
Net investments in Subsidiaries, Associate and Joint Ventures	17,205	16,981	1.3	16,580	3.8
Loans to customers	2,010,098	1,954,554	2.8	1,949,409	3.1
Accrued Interest Receivables and Undue Interest Receivables	13,293	12,134	9.6	11,933	11.4
Allowance for Expected Credit Loss	(87,079)	(87,824)	0.8	(87,851)	0.9
Loans to customers and accrued interest receivable, net	1,936,312	1,878,864	3.1	1,873,491	3.4
Net Properties for Sales	5,831	5,579	4.5	5,212	11.9
Others	126,059	100,857	25.0	104,773	20.3
<b>Total Assets</b>	<b>2,698,217</b>	<b>2,684,138</b>	<b>0.5</b>	<b>2,636,951</b>	<b>2.3</b>

- As of June 30, 2023, total assets stood at Baht 2,698,217 million, representing an increase of Baht 14,079 million, or 0.5%, from the prior quarter. The key drivers are as follows:
  - Loans to customers increased by Baht 55,544 million, or 2.8%. The consolidation of consumer finance loans from Vietnam and the Philippines was among the key growth drivers for the quarter.
  - Other assets increased by Baht 25,202 million, or 25.0%, mainly from derivative assets and the recognition of goodwill resulting from the completed business acquisitions during the quarter.
  - Net interbank and money market items decreased by Baht 62,836 million, or 12.5%, driven by a decrease in repurchase agreements.
- Compared to the end of December 2022, total assets increased by Baht 61,266 million, or 2.3%. The key drivers are as follows:
  - Loans to customers increased by Baht 60,689 million, or 3.1%, largely driven by increased loans to the SME and retail loans consolidated with overseas subsidiaries.
  - Other assets increased by Baht 21,286 million, or 20.3%, mainly from derivative assets and the recognition of goodwill resulting from the completed business acquisitions during the quarter.
  - Net interbank and money market items decreased by Baht 19,325 million, or 4.2%, driven by a decrease in deposits at financial institutions and loans to financial institutions.

### Investment Classification

Consolidated (Million Baht)	Jun. 30, 23	Mar. 31, 23	%QoQ	Dec. 31, 22	%YTD
<b>Financial Assets Measured at FVTPL</b>	<b>2,287</b>	<b>3,689</b>	<b>(38.0)</b>	<b>998</b>	<b>129.2</b>
<b>Net Investment</b>	<b>141,779</b>	<b>146,021</b>	<b>(2.9)</b>	<b>145,167</b>	<b>(2.3)</b>
Investment in Debt Securities Measured at Amortised Cost	3,522	3,307	6.5	518	579.9
Investment in Debt Securities Measured at FVOCI	129,488	133,586	(3.1)	135,224	(4.2)
Investment in Equity Securities Measured at FVOCI	8,769	9,128	(3.9)	9,425	(7.0)
<b>Net Investments in Subsidiaries, Associate and Joint Ventures</b>	<b>17,205</b>	<b>16,981</b>	<b>1.3</b>	<b>16,580</b>	<b>3.8</b>
<b>Total Investment</b>	<b>161,271</b>	<b>166,691</b>	<b>(3.3)</b>	<b>162,745</b>	<b>(0.9)</b>

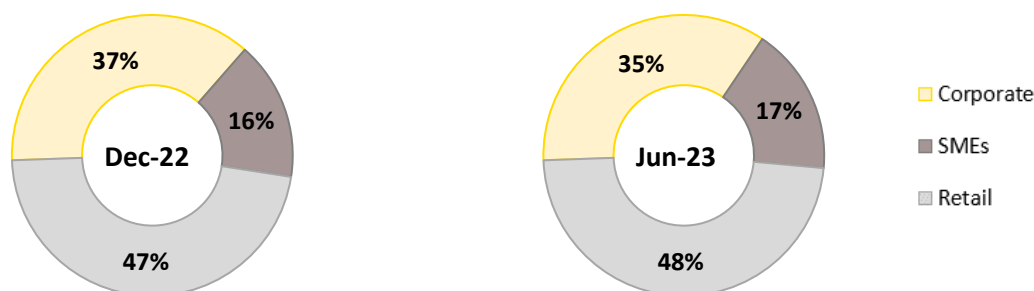
- As of June 30, 2023, total investment decreased by 3.3%, or Baht 5,420 million, from the prior quarter, mostly due to lower investment in debt securities measured at FVOCI and financial assets measured at FVTPL.
- Compared to the end of December 2022, total investment decreased by 0.9%, or Baht 1,474 million, driven by lower net investment, and offset by an increase in financial assets measured at FVTPL.

### Loans to Customers

#### Loans by Segment

Consolidated (Million Baht)	Jun. 30, 23	Mar. 31, 23	%QoQ	Dec. 31, 22	%YTD
<b>Corporate</b>	<b>712,000</b>	<b>703,499</b>	<b>1.2</b>	<b>720,724</b>	<b>(1.2)</b>
Thai Corporate	462,814	448,114	3.3	451,252	2.6
International Corporate (JPC/MNC)	249,186	255,385	(2.4)	269,472	(7.5)
<b>SMEs</b>	<b>332,679</b>	<b>321,528</b>	<b>3.5</b>	<b>304,936</b>	<b>9.1</b>
<b>Retail</b>	<b>965,419</b>	<b>929,527</b>	<b>3.9</b>	<b>923,749</b>	<b>4.5</b>
Hire purchase	428,996	422,607	1.5	414,856	3.4
Mortgage	284,529	289,093	(1.6)	292,507	(2.7)
Credit cards, personal loans and others	251,894	217,827	15.6	216,386	16.4
<b>Total Loans</b>	<b>2,010,098</b>	<b>1,954,554</b>	<b>2.8</b>	<b>1,949,409</b>	<b>3.1</b>

Loan Breakdown



Retail	
Auto HP	21%
Mortgage	15%
Credit card, Personal Loans and Others	11%

Retail	
Auto HP	21%
Mortgage	14%
Credit card, Personal Loans and Others	13%

As of June 30, 2023, total outstanding loans stood at Baht 2,010,098 million, an increase of Baht 55,544 million, or 2.8% from the end of March 2023, and Baht 60,689 million, or 3.1% from the end of December 2022, underpinning the improving strength in domestic economic activities, supplemented by the consolidation of consumer finance portfolios from the Philippines and Vietnam. These new subsidiaries were attributed to an increase of Baht 34,727 million of loan outstanding recorded for the period.

Details of loan performance by segment are as follows:

- Corporate loans** increased by 1.2%, or Baht 8,501 million, from the end of March 2023, mainly from Thai corporate loans which increased by Baht 14,700 million, or 3.3%. Meanwhile, attributable to the seasonal pattern, International Corporate (JPC/MNC) loans decreased by 2.4%, or Baht 6,199 million.

Compared to the end of December 2022, corporate loans decreased by 1.2%, or Baht 8,724 million, largely driven by a decrease of 7.5%, or Baht 20,286 million in International Corporate (JPC/MNC) loans, yet Thai corporate loans increased by 2.6%, or Baht 11,562 million.

- SME loans** grew by 3.5% or Baht 11,151 million from the end of March 2023, and by 9.1%, or Baht 27,743 million, from the end of December 2022. The key growth driver for 1H/23 was from SME-M segment, as a result of the improved broad-based business sentiment encompassing both manufacturing and services sectors.
- Overall, the retail loan segment improved in tandem with the economic recovery. And supplemented by the consolidation of overseas business entities, **retail loans** grew by 3.9%, or

Baht 35,892 million from the end of March 2023, and by 4.5%, or Baht 41,670 million from the end of December 2022. Excluding the aforementioned overseas loan consolidation, retail loans increased by 0.1%, or Baht 1,164 million from 1Q/23. Details of retail loan performance by segment are as follows:

- **Auto hire purchase loans** increased by 1.5%, or Baht 6,389 million, from the end of March 2023, and by 3.4% or Baht 14,140 million from the end of December 2022, encompassing all product segments.
- **Mortgage loans** decreased by Baht 4,564 million, or 1.6% from the end of March 2023, and by 2.7%, or Baht 7,978 million from the end of December 2022, corresponding to the unfavorable development due to reduced affordability of home buyers impacted by both interest rate hikes and increased in construction costs.
- **Credit card, personal loans and others** increased by 15.6%, or Baht 34,067 million, from the end of March 2023, and by 16.4%, or Baht 35,508 million from the end of December 2022, mainly from the consolidation of loans from the business acquisitions in the first half of 2023. Excluding the overseas portfolio consolidation, credit card, personal loans and others contracted by Baht 661 million, or 0.3% from 1Q/23, underpinning our tightening underwriting policy in the unsecured segments impacted by rising costs of living and elevated household debt burden.

Subsequently, commercial loans, comprising corporate and SME loans, accounted for 52% of the total loan portfolio, while retail lending represented the remaining 48% as of the end of June 2023.

## Asset Quality

### Loan Classification

Consolidated (Million Baht)	Jun. 30, 23		Dec. 31, 22	
	Loan to Customers and Accrued Interest Receivable	Allowance for ECL	Loan to Customers and Accrued Interest Receivable	Allowance for ECL
Stage 1 (Performing)	1,793,596	34,433	1,743,186	38,474
Stage 2 (Under-performing)	171,051	22,439	161,442	19,409
Stage 3 (Non-performing)	58,105	30,207	56,714	29,968
POCI (Purchased or Originated Credit-Impaired)	639	0	0	0
<b>Total</b>	<b>2,023,391</b>	<b>87,079</b>	<b>1,961,342</b>	<b>87,851</b>

## Management Discussion and Analysis

### Non-performing Loans\*

Consolidated	Jun. 30, 23	Mar. 31, 23	Dec. 31, 22	Sep. 30, 22	Jun. 30, 22
<b>Non-performing Loans (Million Baht)</b>	<b>54,871</b>	<b>54,048</b>	<b>53,875</b>	<b>52,880</b>	<b>48,373</b>
<b>NPL Ratio</b>	<b>2.29%</b>	<b>2.26%</b>	<b>2.32%</b>	<b>2.38%</b>	<b>2.11%</b>
<b>Non-performing Loans by Segment</b>					
Corporate	0.7%	0.8%	0.8%	0.9%	0.8%
SMEs	4.8%	5.0%	5.2%	5.3%	4.7%
Retail	3.5%	3.5%	3.5%	3.3%	3.1%
Hire Purchase	2.3%	2.2%	2.3%	2.0%	1.8%
Mortgage	5.0%	5.2%	5.0%	4.9%	4.7%
Personal Loans, Credit Card and Others	3.9%	3.9%	3.9%	3.5%	3.4%
<b>Coverage Ratio</b>	<b>163.3%</b>	<b>167.1%</b>	<b>167.4%</b>	<b>175.0%</b>	<b>189.2%</b>

\*Excluding accrued interest in accordance with the BOT's guideline

- Krungsri continued to be vigilant on risk management practices together with ongoing efforts to resolve NPLs. The Bank sold Baht 2,777 million of NPLs in the second quarter of 2023.
- As of June 30, 2023, gross NPLs stood at Baht 54,871 million, representing an increase of Baht 823 million, or 1.5% from the prior quarter, and Baht 996 million, or 1.8% from the end of December 2022.
- Overall asset quality remained sound with the NPL ratio at 2.29% as of the end of June 2023, compared to 2.26% at the end of March 2023, and 2.32% at the end of December 2022.
- The coverage ratio was maintained at a high level of 163.3% as of the end of June 2023, compared to 167.1% at the end of March 2023, and 167.4% at the end of December 2022.

### Liabilities and Shareholders' Equity

Consolidated (Million Baht)	Jun. 30, 23	Mar. 31, 23	%QoQ	Dec. 31, 22	%YTD
<b>Liabilities</b>	<b>2,340,199</b>	<b>2,334,175</b>	<b>0.3</b>	<b>2,295,192</b>	<b>2.0</b>
Deposits	1,797,835	1,858,656	(3.3)	1,804,692	(0.4)
Interbank and money market items	318,298	272,549	16.8	289,977	9.8
Debt Issues and Borrowings	105,427	102,032	3.3	98,199	7.4
Others	118,639	100,938	17.5	102,324	15.9
<b>Total Bank's Equity</b>	<b>355,301</b>	<b>349,032</b>	<b>1.8</b>	<b>340,919</b>	<b>4.2</b>
<b>Total Shareholders' Equity</b>	<b>358,018</b>	<b>349,963</b>	<b>2.3</b>	<b>341,759</b>	<b>4.8</b>
<b>Book Value per Share (Baht)</b>	<b>48.67</b>	<b>47.58</b>		<b>46.46</b>	



## Management Discussion and Analysis

- As of June 30, 2023, total liabilities stood at Baht 2,340,199 million, representing an increase of Baht 6,024 million, or 0.3%, from the end of March 2023. Key items are as follows:
  - Interbank and money market items increased by Baht 45,749 million, or 16.8%, driven by an increase in loans and deposits from financial institutions.
  - Other liabilities increased by Baht 17,701 million, or 17.5%.
  - Deposits decreased by Baht 60,821 million, or 3.3%, largely due to savings deposits.
- Compared to the end of December 2022, total liabilities increased by Baht 45,007 million, or 2.0%, mainly from an increase in interbank and money market items and other liabilities.
- As of June 30, 2023, total Bank's equity stood at Baht 355,301 million, representing an increase of Baht 14,382 million, or 4.2%, from the end of December 2022 due to an increase in equity holders' net profit of Baht 17,102 million in the first half of 2023, which was partially offset by dividends paid of Baht 3,310 million.
- Book value per share as of June 30, 2023 increased to Baht 48.67 from Baht 46.46 at the end of December 2022.

## Funding Structure

### Deposits

Consolidated (Million Baht)	Jun. 30, 23	Mar. 31, 23	%QoQ	Dec. 31, 22	%YTD
<b>Current</b>	<b>53,793</b>	<b>50,431</b>	<b>6.7</b>	<b>50,344</b>	<b>6.9</b>
<b>Savings</b>	<b>1,021,191</b>	<b>1,069,265</b>	<b>(4.5)</b>	<b>1,099,683</b>	<b>(7.1)</b>
<b>Time</b>	<b>722,388</b>	<b>738,960</b>	<b>(2.2)</b>	<b>654,665</b>	<b>10.3</b>
< 6 Months	311,613	366,575	(15.0)	358,756	(13.1)
6 Months and < 1 Year	14,813	13,060	13.4	13,503	9.7
1 Year and over 1 Year	395,962	359,325	10.2	282,406	40.2
<b>Certificate of deposit</b>	<b>463</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>Total Deposits</b>	<b>1,797,835</b>	<b>1,858,656</b>	<b>(3.3)</b>	<b>1,804,692</b>	<b>(0.4)</b>
<b>Proportion of Current and Savings Deposits</b>	<b>59.8%</b>	<b>60.2%</b>		<b>63.7%</b>	

- As of June 30, 2023, total deposits stood at Baht 1,797,835 million, representing a decrease of Baht 60,821 million, or 3.3%, from the prior quarter. The decrease was mainly due to saving deposits and time deposits with a tenor less than six months.
- Compared to the end of December 2022, total deposits decreased by 0.4%, or Baht 6,857 million, mainly due to a decrease in savings and time deposits with a tenor less than six months, notwithstanding an increase in time deposits with a tenor of one year and more, particularly

## Management Discussion and Analysis

from the 20-month step-up time deposit product offered during the period from December 23, 2022 to April 30, 2023.

As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased to 59.8%, compared with 60.2% and 63.7% at the end of March 2023 and December 2022, respectively.

### Borrowing

Consolidated (Million Baht)	Jun. 30, 23	Mar. 31, 23	%QoQ	Dec. 31, 22	%YTD
Debenture	34,693	34,567	0.4	30,289	14.5
Subordinated debenture	61,421	61,430	(0.0)	61,439	(0.0)
Other	9,313	6,035	54.3	6,471	43.9
<b>Total Borrowing</b>	<b>105,427</b>	<b>102,032</b>	<b>3.3</b>	<b>98,199</b>	<b>7.4</b>

- As of June 30, 2023, total borrowing stood at Baht 105,427 million, representing an increase of Baht 3,395 million, or 3.3% from the prior quarter, driven by an increase in other borrowing, partly due to the consolidation of borrowing from the consumer finance business in the Philippines during the quarter.
- Compared to the end of December 2022, total borrowing increased by 7.4%, or Baht 7,228 million, mainly due to the new issuance of Krungsri Group's debentures, which exceeded the redemption amount.

### Liquidity

Consolidated	Jun. 30, 23	Mar. 31, 23	Dec. 31, 22	Sep. 30, 22	Jun. 30, 22
Loan to Deposit Ratio	112%	105%	108%	115%	107%
Loan to Deposit and Debenture Ratio	110%	103%	106%	112%	105%

The loan to deposit ratio and the loan to deposit plus debentures ratio increased to 112% and 110%, respectively, compared with 105% and 103% at the end of March 2023, and 108% and 106% at the end of December 2022.

### Contingencies

Consolidated (Million Baht)	Jun. 30, 23	Mar. 31, 23	%QoQ	Dec. 31, 22	%YTD
Avals to bills and Guarantees of loans	3,566	3,140	13.6	3,987	(10.6)
Liability under unmatured import bills	2,320	1,881	23.3	3,108	(25.4)
Letters of credit	6,959	9,514	(26.9)	7,911	(12.0)
Other Contingencies	158,280	161,890	(2.2)	149,816	5.6
<b>Total Contingencies</b>	<b>171,125</b>	<b>176,425</b>	<b>(3.0)</b>	<b>164,822</b>	<b>3.8</b>

## Management Discussion and Analysis

- Krungsri Group's contingencies as of June 30, 2023, totaled Baht 171,125 million, a decrease of Baht 5,300 million, or 3.0%, from the end of March 2023, mainly from firm commitment of Baht 10,800 million and letter of credit of Baht 2,555 million, and offset by an increase in Bank liabilities under acceptances of Baht 3,745 million and other guarantees of Baht 3,175 million.
- Compared to end of December 2022, contingencies increased by 3.8% or Baht 6,303 million, mainly due to an increase in Bank liabilities under acceptances of Baht 20,386 million offset by a decrease in firm commitment of Baht 15,955 million

### Statutory Capital

As of June 30, 2023, Krungsri's capital (Bank only) stood at Baht 299,617 million, equivalent to 17.72% of risk-weighted assets, comprising Common Equity Tier 1 (CET1) capital and Tier 1 Capital of 13.02% and Tier 2 capital of 4.70%

The current level of capital is well above the minimum regulatory capital requirements which include the capital conservation buffer and the additional CET1 requirement for Domestic Systemically Important Banks (D-SIBs).

Bank only	Capital Fund (Million Baht)			Capital Adequacy Ratio		
	Jun. 30, 23	Mar. 31, 23	Dec. 31, 22	Jun. 30, 23	Mar. 31, 23	Dec. 31, 22
Common Equity Tier 1	220,188	220,950	221,435	13.02%	13.21%	13.23%
Tier 1 Capital	220,188	220,950	221,435	13.02%	13.21%	13.23%
Tier 2 Capital	79,429	79,217	79,269	4.70%	4.74%	4.74%
<b>Total Capital Fund</b>	<b>299,617</b>	<b>300,167</b>	<b>300,704</b>	<b>17.72%</b>	<b>17.95%</b>	<b>17.97%</b>

## Credit Ratings

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's, Fitch Ratings, and TRIS Rating are shown in the table below.

<b>Moody's Investors Service</b>	
Bank Deposit-Long Term	A3
Bank Deposit-Short Term	P-2
Baseline Credit Assessment (BCA)	baa2
Outlook	Stable
<b>Standard &amp; Poor's</b>	
Long-term Issuer Credit Rating	BBB+
Short-term Issuer Credit Rating	A-2
Long-term Senior Debt	BBB+
Stand-alone Credit Profile (SACP)	bb
Outlook	Stable
<b>Fitch Ratings</b>	
<u>International Ratings</u>	
Long-term Issuer Default Rating	BBB+
Short-term Issuer Default Rating	F1
Viability Rating	bbb
Outlook	Stable
<u>National Ratings</u>	
Long-term Rating	AAA (tha)
Long-term Debenture	AAA (tha)
Short-term	F1+(tha)
Subordinated Debt	AA (tha)
Outlook	Stable
<b>TRIS Rating</b>	
Company Rating	AAA
Issue Rating-Senior Unsecured	AAA
Stand-alone Credit Profile (SACP)	aa
Outlook	Stable