



A member of  MUFG
a global financial group

Management Discussion and Analysis

For the quarter and nine-month period ended
September 30, 2023

Environmental, Social and Governance Division

Email: irgroup@krungsri.com

Tel: +66 2 296-2977

Fax: +66 2 683-1341

ชีวิตง่าย
ได้ทุกวัน
Make Life Simple

Executive Summary

Krungsri Group (the Bank and its business units) recorded a **net profit** of Baht 25,198 million for 9M/23, representing an increase of 8.0%, or Baht 1,876 million from 9M/22. This was due mainly to a continuous growth in operating performance from both net interest income and non-interest income. The increase in net interest income was strongly supported by NIM expansion, driven by both organic domestic loan growth and overseas consumer finance portfolio acquisitions concluded in 2Q/23. The aforementioned developments were partially offset by higher operating expenses corresponding to increased business volume and activities, as well as expected credit loss.

On a quarter-on-quarter basis, notwithstanding the strong top-line performance preliminarily driven by higher net interest income, underscoring both domestic and overseas contributions, a rise in expected credit loss driven by prudential provisions for overseas subsidiaries resulted in a contraction in net profit by Baht 329 million, or 3.9%, to register at Baht 8,096 million in 3Q/23.

On a year-on-year basis, net profit for 3Q/23 slightly increased by 0.3%, or Baht 26 million, driven by an increase in operating income, offset by an increase in operating expenses and expected credit loss.

As of September 30, 2023, **total loans** outstanding was Baht 2,016,837 million, representing an increase of Baht 67,428 million, or 3.5% from the end of December 2022, mainly driven by SME and retail loans from new overseas subsidiaries in 2Q/23. Excluding the newly acquired consumer finance volume, organic loan growth marked an increase of Baht 26,969 million, or 1.4%.

Meanwhile, **deposits** decreased by Baht 32,464 million, or 1.8%, primarily due to a decline in savings deposits, offset by an increase in time deposits.

The non-performing loan (NPL) ratio was at 2.48%, compared with 2.32% at the end of December 2022. With prudential reserves, particularly for overseas subsidiaries, the credit cost in 9M/23 amounted to 149 bps. The **loan loss coverage ratio** stood at 155.1%, moderating from 167.4% at the end of December 2022.

Capital adequacy ratio (Bank only) improved to 18.38%, compared with 17.97% at the end of December 2022.

Summary of Krungsri Group's Financial Performance

Operating Performance

Consolidated (Million Baht)	3Q/23	2Q/23	%QoQ	3Q/22	%YoY
Net Interest Income	25,933	23,299	11.3	21,384	21.3
Non-Interest Income	9,459	8,846	6.9	8,326	13.6
Operating Income	35,392	32,145	10.1	29,710	19.1
Operating Expenses	15,993	13,794	15.9	13,212	21.0
Pre-Provision Operating Profit	19,399	18,351	5.7	16,498	17.6
Expected Credit Loss	9,052	7,811	15.9	6,347	42.6
Net Profit*	8,096	8,425	(3.9)	8,070	0.3
Earning per Share (Baht)	1.10	1.15		1.10	

Consolidated (Million Baht)	9M/23	9M/22	%YoY
Net Interest Income	70,423	61,800	14.0
Non-Interest Income	27,160	24,774	9.6
Operating Income	97,583	86,574	12.7
Operating Expenses	43,118	37,610	14.6
Pre-Provision Operating Profit	54,465	48,964	11.2
Expected Credit Loss	22,662	19,697	15.1
Net Profit*	25,198	23,322	8.0
Earning per Share (Baht)	3.43	3.17	8.2

* Attributable to Owners of the Bank

Financial Position

Consolidated (Million Baht)	Sep. 30, 23	Dec. 31, 22	%YTD
Loans to Customers	2,016,837	1,949,409	3.5
Total Assets	2,759,717	2,636,951	4.7
Deposit	1,772,228	1,804,692	(1.8)
Total Liabilities	2,395,538	2,295,192	4.4
Total Bank's Equity	361,327	340,919	6.0

Key Financial Ratios

Consolidated	3Q/23	2Q/23	3Q/22	9M/23	9M/22
Net Interest Margin	4.05%	3.64%	3.49%	3.70%	3.44%
Cost to Income Ratio	45.2%	42.9%	44.5%	44.2%	43.4%
Loan Growth	0.3%	2.8%	0.8%	3.5%	3.9%
Deposit Growth	-1.4%	-3.3%	-5.8%	-1.8%	-3.7%
Return on Equity Ratio	9.04%	9.57%	9.77%	9.57%	9.56%
Return on Assets Ratio	1.19%	1.25%	1.24%	1.25%	1.22%
Loan to Deposit Ratio	114%	112%	115%	114%	115%
Loan to Deposit and Debenture Ratio	111%	110%	112%	111%	112%
NPL Ratio	2.48%	2.29%	2.38%	2.48%	2.38%
Credit Cost (bps)	181	156	127	149	132
Loan Loss Coverage Ratio	155.1%	163.3%	175.0%	155.1%	175.0%
Bank Only	Sep. 30, 23	Dec. 31, 22	Sep. 30, 22		
Common Equity Tier 1 Ratio	13.66%	13.23%	12.99%		
Tier 1 Capital Ratio	13.66%	13.23%	12.99%		
Tier 2 Capital Ratio	4.72%	4.74%	4.63%		
Capital Adequacy Ratio	18.38%	17.97%	17.62%		

Key Developments in 3Q/23

Regulatory Developments:

Monetary Policy:

In views of continuing expansion and the aim of keeping inflation sustainably within the target range, while fostering long-term macro-financial stability and ensuring sufficient policy space given uncertain outlook, the Monetary Policy Committee decided to raise the policy rate by 0.25% to 2.5% on September 27, 2023. Concurrently, the Committee projected economic growth to be 2.8% and 4.4% in 2023 and 2024; while headline inflation was projected at 1.6% and 2.6% in 2023 and 2024, respectively.

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

As of September 30, 2023, the loans outstanding under Krungsri's customer relief programs continued to improve to 6.1% of total loans outstanding, or Baht 122,697 million, representing 120,735 retail customer accounts and 4,094 commercial customers. For SMEs, additional credit lines were accumulated for Baht 22,032 million offered to 4,966 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

The Thai economy overall continued to grow in 9M/23, albeit at a slower pace than expected due to soft external demand. Growth should pick up in 4Q/23, mainly attributable to the favorable expansion of private consumption, a steady tourism recovery, and the low base effect in the fourth quarter of the prior year.

However, the downside risks for the aforementioned outlook include the softening of external demand, financial conditions of the household and business sectors affected by rising interest rates, as well as the risk of climate variability, should the El Niño phenomenon intensify.

Key Items of Operating Performance

Net Interest Income

Consolidated (Million Baht)	3Q/23	2Q/23	%QoQ	3Q/22	%YoY
Interest Income	36,544	32,504	12.4	26,734	36.7
Interest on loans	24,649	21,228	16.1	17,285	42.6
Interest on interbank and money market items	2,754	2,421	13.8	865	218.4
Hire purchase and financial lease income	8,583	8,384	2.4	8,213	4.5
Investments and trading transactions	13	10	30.0	2	550.0
Investments in debt securities	504	429	17.5	343	46.9
Other interest income	41	32	28.1	26	57.7
Interest Expenses	10,611	9,205	15.3	5,350	98.3
Interest on deposits	5,414	5,041	7.4	2,581	109.8
Interest on interbank and money market items	2,159	1,080	99.9	908	137.8
Interest on borrowings	896	931	(3.8)	803	11.6
Contribution to Financial Institution Development Fund and Deposit Protection Agency	1,978	2,034	(2.8)	1,008	96.2
Other interest expenses	164	119	37.8	50	228.0
Net Interest Income	25,933	23,299	11.3	21,384	21.3

Consolidated (Million Baht)	9M/23	9M/22	%YoY
Interest Income	98,165	76,991	27.5
Interest on loans	64,511	49,433	30.5
Interest on interbank and money market items	7,075	1,951	262.6
Hire purchase and financial lease income	25,145	24,499	2.6
Investments and trading transactions	27	9	200.0
Investments in debt securities	1,299	1,062	22.3
Other interest income	108	37	191.9
Interest Expenses	27,742	15,191	82.6
Interest on deposits	14,741	7,518	96.1
Interest on interbank and money market items	3,979	1,990	99.9
Interest on borrowings	2,645	2,502	5.7
Contribution to Financial Institution Development Fund and Deposit Protection Agency	6,008	3,082	94.9
Other interest expenses	369	99	272.7
Net Interest Income	70,423	61,800	14.0

- Interest income in the third quarter of 2023 was recorded at Baht 36,544 million, an increase of Baht 4,040 million, or 12.4%, from the prior quarter, mainly driven by an increase in interest on loans, underscoring robust yield expansion together with growth in higher yield segments, the acquisitions of overseas business entities, and interest on interbank and money market items, following the higher balance of interbank and money market items and an increase in market rates, following the policy rate increase during the quarter.
- Meanwhile, interest expenses were recorded at Baht 10,611 million, an increase by Baht 1,406 million, or 15.3%, from the prior quarter, mainly resulting from an increase in interest on interbank and money market items, corresponding to higher market rates and a higher balance of interbank and money market items.
- Consequently, net interest income in the third quarter of 2023 amounted to Baht 25,933 million, representing an increase of Baht 2,634 million, or 11.3%, from the prior quarter.
- On a year-on-year basis, net interest income increased by Baht 4,549 million, or 21.3%, mainly due to higher interest income. This increase was driven by the organic growth in loans, the acquisitions of business entities in the second quarter of 2023, along with rising lending rates, and interest on interbank and money market items due to a higher balance and market rates. This growth was offset by an increase in interest expenses resulting from higher funding cost in line with the growth in the time deposit balance, the rising interest rates, and the normalization of the FIDF contribution rate.
- For 9M/23, net interest income was recorded at Baht 70,423 million, an increase of Baht 8,623 million, or 14.0%, from the 9M/22, driven by a loan expansion, including the acquisitions of overseas business entities, and NIM expansion of 26 bps corresponding to the policy rate hikes.

Net Interest Margin

	3Q/23	2Q/23	3Q/22	9M/23	9M/22
Net Interest Margin	4.05%	3.64%	3.49%	3.70%	3.44%
Yield on Earning Assets	5.71%	5.08%	4.37%	5.16%	4.28%
Yield on Loans	6.60%	5.98%	5.21%	6.03%	5.11%
Cost of Funds	1.90%	1.66%	1.00%	1.66%	0.96%
Cost of Deposits	1.66%	1.55%	0.81%	1.55%	0.81%

Interest Rate

	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
Policy Rate	2.50%	2.00%	1.75%	1.25%	1.00%
Krungsri Lending Rate					
MLR	7.03%	7.03%	6.63%	6.08%	5.58%
MOR	7.325%	7.325%	6.875%	6.325%	5.95%
MRR	7.15%	7.15%	6.80%	6.25%	6.05%
Krungsri Deposit Rate					
Savings Rate	0.30%	0.30%	0.25%	0.25%	0.25%
3-month deposits	0.70-0.92%	0.70-0.92%	0.50-0.75%	0.40-0.60%	0.10-0.32%
6-month deposits	0.75-1.05%	0.75-1.05%	0.55-0.85%	0.45-0.70%	0.15-0.40%
12-month deposits	0.85-1.45%	0.85-1.45%	0.60-1.20%	0.50-1.00%	0.15-0.40%
24-month deposits	1.10-1.95%	1.10-1.95%	0.80-1.55%	0.60-1.35%	0.20-0.45%

- For 3Q/23, yield on earning assets increased by 63 bps from the prior quarter to 5.71%, primarily due to higher market rates resulting from a 50-bps policy rate increase during the quarter and the newly acquired consumer finance portfolios in Vietnam and the Philippines. Meanwhile, the cost of funds increased by 24 bps to 1.90%, mainly due to a higher outstanding balance of time deposits and deposit rate repricing. Consequently, net interest margin steadily increased by 41 bps to 4.05% from 3.64% in the prior quarter.
- On a year-on-year basis, NIM increased by 56 bps driven by a higher yield on earning assets of 134 bps, largely due to the higher retail loan outstanding balance, as well as an increase in lending rates and market rates. The aforementioned development was partly offset by an increase in the cost of funds of 90 bps, underscoring the higher interbank and money market outstanding balance, market rate hikes, deposit rate increases, and the normalization of the FIDF contribution rate.
- For 9M/23, NIM increased by 26 bps to 3.70% from the 9M/22, driven by an improvement in the yield on earning assets by 88 bps to 5.16%, despite a 70-bps increase in the cost of funds.

Non-Interest Income

Consolidated (Million Baht)	3Q/23	2Q/23	%QoQ	3Q/22	%YoY
Net fees and Service Income	5,139	4,582	12.2	4,217	21.9
Fees and service income	7,238	6,545	10.6	6,060	19.4
Fees and service expense	2,099	1,963	6.9	1,843	13.9
Total Non-interest and Non-fees Income	4,320	4,264	1.3	4,109	5.1
Gains (losses) on financial instrument measured at fair value through profit or loss (FVTPL)	1,167	1,292	(9.7)	1,125	3.7
Share of profit (loss) from investment using equity method	419	406	3.2	404	3.7
Bad debt recoveries	2,176	1,730	25.8	1,788	21.7
Other operating income	558	836	(33.3)	792	(29.5)
Total Non-Interest Income	9,459	8,846	6.9	8,326	13.6

Consolidated (Million Baht)	9M/23	9M/22	%YoY
Net fees and Service Income	13,970	12,652	10.4
Fees and service income	20,104	17,976	11.8
Fees and service expense	6,134	5,324	15.2
Total Non-interest and Non-fees Income	13,190	12,122	8.8
Gains (losses) on financial instrument measured at fair value through profit or loss (FVTPL)	4,169	3,432	21.5
Gains (losses) on investments, net	0	(40)	100.0
Share of profit (loss) from investment using equity method	1,211	1,212	(0.1)
Bad debt recoveries	5,685	5,061	12.3
Other operating income	2,125	2,457	(13.5)
Total Non-Interest Income	27,160	24,774	9.6

- Non-interest income in the third quarter of 2023 amounted to Baht 9,459 million, increasing by 6.9%, or Baht 613 million, from the prior quarter. On a year-on-year basis, non-interest income increased by 13.6%, or Baht 1,133 million.
- The increases in non-interest income quarter-on-quarter and year-on-year were driven by net fees and service income and bad debt recoveries.
- For 9M/23, non-interest income increased by 9.6%, or Baht 2,386 million, from 9M/22. The increase was largely due to net fees and service income, gains on financial instruments measured at fair value through profit or loss (FVTPL), and bad debt recoveries.

Fees and Service Income Breakdown

	3Q/23	2Q/23	3Q/22	9M/23	9M/22
Loan - related Fees	5%	5%	5%	5%	5%
Bancassurance Fees	13%	14%	14%	13%	14%
Transaction Fees	8%	8%	10%	9%	10%
Auto HP Fees	13%	14%	13%	13%	14%
Card - related Fees	33%	35%	36%	35%	34%
Others*	28%	24%	22%	25%	23%
Total Fee and Service Income	100%	100%	100%	100%	100%

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

- Fees and service income in the third quarter of 2023 amounted to Baht 7,238 million, representing an increase of Baht 693 million, or 10.6% from the prior quarter. The increase was driven by fees from overseas business entities, and domestic card-related fees and loan related fees.
- On a year-on-year basis, fees and service income increased by 19.4%, or Baht 1,178 million, mainly driven by the acquisitions of business entities, card-related fees, mirroring a higher spending volume boosted by the recovery of economic activities and auto hire purchase fees, corresponding to the expansion of auto hire purchase loan portfolio.
- For 9M/23, fees and service income amounted to Baht 20,104 million, increasing by 11.8%, or Baht 2,128 million, from 9M/22, mainly from card related fees, the acquisitions of business entities in 2Q/23 and bancassurance.

Operating Expenses

Consolidated (Million Baht)	3Q/23	2Q/23	%QoQ	3Q/22	%YoY
Employee expenses	7,824	7,237	8.1	7,074	10.6
Premises and equipment expenses	2,174	1,953	11.3	1,927	12.8
Taxes and duties	953	796	19.7	580	64.3
Directors' remuneration	19	19	0.0	17	11.8
Other expenses	5,023	3,789	32.6	3,614	39.0
Total Operating Expenses	15,993	13,794	15.9	13,212	21.0
Cost to Income Ratio	45.2%	42.9%		44.5%	

Consolidated (Million Baht)	9M/23	9M/22	%YoY
Employee expenses	22,216	20,497	8.4
Premises and equipment expenses	5,984	5,453	9.7
Taxes and duties	2,455	1,867	31.5
Directors' remuneration	56	51	9.8
Other expenses	12,407	9,742	27.4
Total Operating Expenses	43,118	37,610	14.6
Cost to Income Ratio	44.2%	43.4%	

- Total operating expenses in the third quarter of 2023 amounted to Baht 15,993 million, representing an increase of Baht 2,199 million, or 15.9%, from the prior quarter.
- On a year-on-year basis, total operating expenses increased by Baht 2,781 million, or 21.0%.
- For 9M/23, total operating expenses increased by 14.6%, or Baht 5,508 million, from 9M/22.
- The increases in operating expenses quarter-on-quarter, year-on-year and 9M/23 over-year were driven by other expenses, mainly from impairment on foreclosed properties, marketing promotion expenses, corresponding to higher business activities, and IT related expenses, as well as an increase in employee expenses from the acquisitions of overseas business entities in 2Q/23.

The cost to income ratio in the third quarter of 2023 increased to 45.2%, from 42.9% in the prior quarter, and from 44.5% for 3Q/22.

For 9M/23, the cost to income ratio was at 44.2%, increasing from 43.4% in 9M/22, underscoring the marketing and promotion expenses corresponding to business volume growth and the employee expenses, mainly resulting from the acquisitions of new business entities in 2Q/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)	3Q/23	2Q/23	%QoQ	3Q/22	%YoY
Expected Credit Loss	9,052	7,811	15.9	6,347	42.6
Credit Cost (bps)	181	156		127	

Consolidated (Million Baht)	9M/23	9M/22	%YoY
Expected Credit Loss	22,662	19,697	15.1
Credit Cost (bps)	149	132	

The expected credit loss in the third quarter of 2023 amounted to Baht 9,052 million, equivalent to a credit cost of 181 bps, compared to 156 bps in the prior quarter and 127 bps in the same period of last year. The increase in expected credit loss cost in 3Q/23 on a quarter-on-quarter basis was mainly attributed to the new overseas acquisitions and the Bank's continued prudential provisions.

For 9M/23, the expected credit loss was recorded at Baht 22,662 million, equivalent to a credit cost of 149 bps, compared to 132 bps level for 9M/22.

Key Items of Financial Position

Assets

Consolidated (Million Baht)	Sep. 30, 23	Jun. 30, 23	%QoQ	Dec. 31, 22	%YTD
Cash	26,694	27,149	(1.7)	29,810	(10.5)
Net interbank and money market items	477,082	441,595	8.0	460,920	3.5
Financial assets measured at FVTPL	2,550	2,287	11.5	998	155.5
Derivative assets	50,428	40,888	23.3	30,027	67.9
Net investment	144,958	141,779	2.2	145,167	(0.1)
Net investments in subsidiaries, associate and joint ventures	17,628	17,205	2.5	16,580	6.3
Loans to customers	2,016,837	2,010,098	0.3	1,949,409	3.5
Accrued interest receivables and undue interest receivables	13,700	13,293	3.1	11,933	14.8
Allowance for expected credit loss	(89,260)	(87,079)	(2.5)	(87,851)	(1.6)
Net loans to customers and accrued interest receivable	1,941,277	1,936,312	0.3	1,873,491	3.6
Net properties for sales	6,190	5,831	6.2	5,212	18.8
Others	92,910	85,171	9.1	74,746	24.3
Total Assets	2,759,717	2,698,217	2.3	2,636,951	4.7

- As of September 30, 2023, total assets stood at Baht 2,759,717 million, representing an increase of Baht 61,500 million, or 2.3%, from the prior quarter. The key drivers are as follows:
 - Net interbank and money market items increased by Baht 35,487 million, or 8.0%, driven by an increase in deposits at financial institutions.
 - Derivative assets increased by Baht 9,540 million, or 23.3%.
 - Other assets increased by Baht 7,739 million, or 9.1%, mainly from account receivable, margin calls to counterparties, and the recognition of goodwill resulting from the business acquisitions.
- Compared to the end of December 2022, total assets increased by Baht 122,766 million, or 4.7%. The key drivers are as follows:
 - Loans to customers increased by Baht 67,428 million, or 3.5%, largely driven by the SME and retail loans from new overseas subsidiaries in 2Q/23.
 - Derivative assets increased by Baht 20,401 million, or 67.9%.

- Other assets increased by Baht 18,164 million, or 24.3%, mainly from the recognition of goodwill resulting from the business acquisitions, and account receivable from securities business.
- Net interbank and money market items increased by Baht 16,162 million, or 3.5%, driven by an increase in deposits at financial institutions, offset by a decrease in loans to financial institutions.

Investment Classification

Consolidated (Million Baht)	Sep. 30, 23	Jun. 30, 23	%QoQ	Dec. 31, 22	%YTD
Financial Assets Measured at FVTPL	2,550	2,287	11.5	998	155.5
Net Investment	144,958	141,779	2.2	145,167	(0.1)
Investment in Debt Securities Measured at Amortised Cost	3,465	3,522	(1.6)	518	568.9
Investment in Debt Securities Measured at FVOCI	132,596	129,488	2.4	135,224	(1.9)
Investment in Equity Securities Measured at FVOCI	8,897	8,769	1.5	9,425	(5.6)
Net Investments in Subsidiaries, Associate and Joint Ventures	17,628	17,205	2.5	16,580	6.3
Total Investment	165,136	161,271	2.4	162,745	1.5

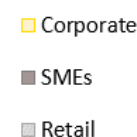
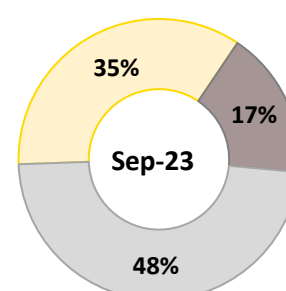
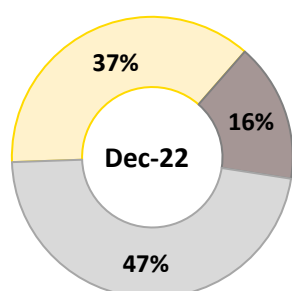
- As of September 30, 2023, total investment increased by 2.4%, or Baht 3,865 million, from the prior quarter, mostly due to higher investment in debt securities measured at FVOCI.
- Compared to the end of December 2022, total investment increased by 1.5%, or Baht 2,391 million, driven by higher investment in debt securities measured at amortized cost and financial assets measures at FVTPL, offset by a decrease in investment in debt securities measured at FVOCI.

Loans to Customers

Loans by Segment

Consolidated (Million Baht)	Sep. 30, 23	Jun. 30, 23	%QoQ	Dec. 31, 22	%YTD
Corporate	712,131	712,000	0.0	720,724	(1.2)
Thai Corporate	463,300	462,814	0.1	451,252	2.7
International Corporate (JPC/MNC)	248,831	249,186	(0.1)	269,472	(7.7)
SMEs	335,466	332,679	0.8	304,936	10.0
Retail	969,240	965,419	0.4	923,749	4.9
Hire purchase	430,879	428,996	0.4	414,856	3.9
Mortgage	281,810	284,529	(1.0)	292,507	(3.7)
Credit cards, personal loans and others	256,551	251,894	1.8	216,386	18.6
Total Loans	2,016,837	2,010,098	0.3	1,949,409	3.5

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 September 30, 2023, total outstanding loans stood at Baht 2,016,837 million, an increase of Baht 6,739 million, or 0.3% from the end of June 2023, and Baht 67,428 million, or 3.5% from the end of December 2022. This growth is mainly driven by the domestic commercial portfolio and auto-hire purchase portfolio, underscoring improving trends in both private investment and consumption for the first nine months of 2023, complemented by growth stemming from the acquisitions of overseas consumer finance portfolios.

Details of loan performance by segment are as follows:

Corporate loans were relatively unchanged from the end of June 2023. Compared to the end of December 2022, corporate loans decreased by 1.2%, or Baht 8,593 million, largely driven by a decrease of 7.7%, or Baht 20,641 million in International Corporate (JPC/MNC) loans, underscoring softening external demand.

Meanwhile, corresponding to the pick-up in domestic private investment, Thai corporate loans increased by 2.7%, or Baht 12,048 million, year-to-date.

- **SME loans** grew by 0.8% or Baht 2,787 million from the end of June 2023, and by 10.0%, or Baht 30,530 million, from the end of December 2022, driven by the SME-M segment, underlying both private investment expansion and strengthening business sentiment.
- The retail loan segment showed improvement in line with the economic recovery and further supported by the acquisitions of overseas business entities. **Retail loans** grew by 0.4%, or Baht 3,821 million from the end of June 2023, and by 4.9%, or Baht 45,491 million from the end of December 2022. Details of retail loan performance by segment are as follows:
 - **Auto hire purchase loans** increased by 0.4%, or Baht 1,883 million, from the end of June 2023, and by 3.9% or Baht 16,023 million from the end of December 2022, encompassing all product segments.
 - **Mortgage loans** decreased by Baht 2,719 million, or 1.0% from the end of June 2023, and by 3.7%, or Baht 10,697 million from the end of December 2022, corresponding to the unfavorable development due to reduced affordability of homebuyers impacted by both interest rate hikes and an increase in construction costs.
 - **Credit card, personal loans and others** increased by 1.8%, or Baht 4,657 million, from the end of June 2023, and by 18.6%, or Baht 40,165 million from the end of December 2022. This robust year-to-date growth was mainly due to loans from the business acquisitions in 2Q/23. Excluding the overseas portfolio acquisitions, credit card, personal loans and others decreased by Baht 293 million, or 0.1%, underpinning our tightening underwriting policy in the unsecured segments impacted by rising cost 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 September 2023.

Asset Quality

Loan Classification

Consolidated (Million Baht)	Sep. 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)	1,802,230	34,686	1,743,186	38,474
Stage 2 (Under-performing)	164,628	22,206	161,442	19,409
Stage 3 (Non-performing)	63,354	32,368	56,714	29,968
POCI (Purchased or Originated Credit-Impaired)	325	0	0	0
Total	2,030,537	89,260	1,961,342	87,851

Non-performing Loans*

Consolidated	Sep. 30, 23	Jun. 30, 23	Mar. 31, 23	Dec. 31, 22	Sep. 30, 22
Non-performing Loans (Million Baht)	59,135	54,871	54,048	53,875	52,880
NPL Ratio	2.48%	2.29%	2.26%	2.32%	2.38%
Non-performing Loans by Segment					
Corporate	0.7%	0.7%	0.8%	0.8%	0.9%
SMEs	4.9%	4.8%	5.0%	5.2%	5.3%
Retail	3.9%	3.5%	3.5%	3.5%	3.3%
Hire Purchase	2.3%	2.3%	2.2%	2.3%	2.0%
Mortgage	5.3%	5.0%	5.2%	5.0%	4.9%
Personal Loans, Credit Card and Others	4.9%	3.9%	3.9%	3.9%	3.5%
Coverage Ratio	155.1%	163.3%	167.1%	167.4%	175.0%

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

- As of September 30, 2023, gross NPLs stood at Baht 59,135 million, representing an increase of Baht 4,264 million, or 7.8% from the prior quarter, and Baht 5,260 million, or 9.8% from the end of December 2022. The increase in gross NPLs primarily reflected the Bank's rigorous risk management practice.
- The NPL ratio was at 2.48% as of the end of September 2023, compared to 2.29% at the end of June 2023, and 2.32% at the end of December 2022.
- The coverage ratio was maintained at a high level of 155.1% at the end of September 2023, compared to 163.3% at the end of June 2023, and 167.4% at the end of December 2022.

Liabilities and Shareholders' Equity

Consolidated (Million Baht)	Sep. 30, 23	Jun. 30, 23	%QoQ	Dec. 31, 22	%YTD
Liabilities	2,395,538	2,340,199	2.4	2,295,192	4.4
Deposits	1,772,228	1,797,835	(1.4)	1,804,692	(1.8)
Interbank and money market items	384,402	318,298	20.8	289,977	32.6
Derivative liabilities	40,303	32,389	24.4	37,340	7.9
Debt Issues and Borrowings	106,622	105,427	1.1	98,199	8.6
Others	91,983	86,250	6.6	64,984	41.5
Total Bank's Equity	361,327	355,301	1.7	340,919	6.0
Total Shareholders' Equity	364,179	358,018	1.7	341,759	6.6
Book Value per Share (Baht)	49.51	48.67		46.46	

- As of September 30, 2023, total liabilities stood at Baht 2,395,538 million, representing an increase of Baht 55,339 million, or 2.4%, from the end of June 2023. Key items are as follows:

 - Interbank and money market items increased by Baht 66,104 million, or 20.8%, driven by an increase in loans from financial institutions.
 - Derivative liabilities increased by Baht 7,914 million, or 24.4%.
 - Other liabilities increased by Baht 5,733 million, or 6.6%, mainly from accrued interest payable and margin calls from counterparties.
 - Deposits decreased by Baht 25,607 million, or 1.4%, largely due to savings deposits, offset by an increase in time deposits.
- Compared to the end of December 2022, total liabilities increased by Baht 100,346 million, or 4.4%. Key items are as follows:

 - Interbank and money market items increased by Baht 94,425 million, or 32.6%, driven by an increase in loans from financial institutions.
 - Other liabilities increased by Baht 26,999 million, or 41.5%, mainly from margin calls from counterparties, accrued interest payable, and account payable from securities business.
 - Deposits decreased by Baht 32,464 million, or 1.8%, largely due to savings deposits, offset by an increase in time deposits.
- As of September 30, 2023, total Bank's equity stood at Baht 361,327 million, representing an increase of Baht 20,408 million, or 6.0%, from the end of December 2022 due to an increase in net profit of the Bank's equity holders by Baht 25,198 million in 9M/2023, which was partially offset by dividends paid of Baht 6,252 million.
- Book value per share as of September 30, 2023 increased to Baht 49.51 from Baht 46.46 at the end of December 2022.

Funding Structure

Deposits

Consolidated (Million Baht)	Sep. 30, 23	Jun. 30, 23	%QoQ	Dec. 31, 22	%YTD
Current	48,947	53,793	(9.0)	50,344	(2.8)
Savings	975,127	1,021,191	(4.5)	1,099,683	(11.3)
Time	747,203	722,388	3.4	654,665	14.1
< 6 Months	280,240	311,613	(10.1)	358,756	(21.9)
6 Months and < 1 Year	31,170	14,813	110.4	13,503	130.8
1 Year and over 1 Year	435,793	395,962	10.1	282,406	54.3
Certificate of deposit	951	463	105.4	0	-
Total Deposits	1,772,228	1,797,835	(1.4)	1,804,692	(1.8)
Proportion of Current and Savings Deposits	57.8%	59.8%		63.7%	

- As of September 30, 2023, total deposits stood at Baht 1,772,228 million, representing a decrease of Baht 25,607 million, or 1.4%, from the prior quarter. The decrease was mainly due to savings deposits, offset by an increase in time deposits.
- Compared to the end of December 2022, total deposits decreased by 1.8%, or Baht 32,464 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.
- As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased to 57.8%, compared with 59.8% and 63.7% at the end of June 2023 and December 2022, respectively.

Borrowing

Consolidated (Million Baht)	Sep. 30, 23	Jun. 30, 23	%QoQ	Dec. 31, 22	%YTD
Debenture	39,753	34,693	14.6	30,289	31.2
Subordinated debenture	61,437	61,421	0.0	61,439	(0.0)
Other	5,432	9,313	(41.7)	6,471	(16.1)
Total Borrowing	106,622	105,427	1.1	98,199	8.6

- As of September 30, 2023, total borrowing stood at Baht 106,622 million, representing an increase of Baht 1,195 million, or 1.1% from the prior quarter, driven by the new issuance of Krungsri Group's debentures, which exceeded the redemption amount, offset by a decrease in other borrowing.
- Compared to the end of December 2022, total borrowing increased by 8.6%, or Baht 8,423 million, mainly from debentures, offset by a decrease in other borrowing.

Liquidity

Consolidated	Sep. 30, 23	Jun. 30, 23	Mar. 31, 23	Dec. 31, 22	Sep. 30, 22
Loan to Deposit Ratio	114%	112%	105%	108%	115%
Loan to Deposit and Debenture Ratio	111%	110%	103%	106%	112%

The loan to deposit ratio and the loan to deposit plus debentures ratio increased to 114% and 111%, respectively, compared with 112% and 110% at the end of June 2023, and 108% and 106% at the end of December 2022.

Contingencies

Consolidated (Million Baht)	Sep. 30, 23	Jun. 30, 23	%QoQ	Dec. 31, 22	%YTD
Avals to bills and Guarantees of loans	3,189	3,566	(10.6)	3,987	(20.0)
Liability under unmatured import bills	1,769	2,320	(23.8)	3,108	(43.1)
Letters of credit	7,102	6,959	2.1	7,911	(10.2)
Other Contingencies	156,673	158,280	(1.0)	149,816	4.6
Total Contingencies	168,733	171,125	(1.4)	164,822	2.4

- Krungsri Group's contingencies as of September 30, 2023, totaled Baht 168,733 million, a decrease of Baht 2,392 million, or 1.4%, from the end of June 2023, mainly from unused credit line and liabilities under collateral delivered, offset by an increase in other guarantees.
- Compared to end of December 2022, contingencies increased by 2.4% or Baht 3,911 million, mainly due to an increase in liabilities under collateral delivered offset by a decrease in firm commitment.

Statutory Capital

As of September 30, 2023, Krungsri's capital (Bank only) stood at Baht 309,115 million, equivalent to 18.38% of risk-weighted assets, comprising Common Equity Tier 1 (CET1) capital and Tier 1 Capital of 13.66% and Tier 2 capital of 4.72%

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

Bank only	Capital Fund (Million Baht)			Capital Adequacy Ratio		
	Sep. 30, 23	Jun. 30, 23	Dec. 31, 22	Sep. 30, 23	Jun. 30, 23	Dec. 31, 22
Common Equity Tier 1	229,745	220,188	221,435	13.66%	13.02%	13.23%
Tier 1 Capital	229,745	220,188	221,435	13.66%	13.02%	13.23%
Tier 2 Capital	79,370	79,429	79,269	4.72%	4.70%	4.74%
Total Capital Fund	309,115	299,617	300,704	18.38%	17.72%	17.97%

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.

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