



Krungthai
กรุงไทย

Management Discussion and Analysis

For the Year ended December 31, 2023

(Unaudited)

This report discusses the principal changes in the unaudited consolidated financial statement for the year ended December 31, 2023.

Economic Overview

In 2023, the Thai economy continues on a recovery path that is still uneven. The tourism sector has improved and become a key growth engine, supported by the visa-free policy during high season. Foreign tourist arrivals recorded 28.0 million. Such improving momentum in tourism and its related sectors, coupling with a normalization of economic activities, have had positive implications for employment and strengthened 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 lower-than-expected expansion of private investment. Meanwhile, delays in the FY2024 budgetary processes has caused a lower disbursement, impacting public investment. In addition, challenges from policy normalization are building up from both a gradual discontinuation of covid-related fiscal support measures as well as a higher policy interest rate. The Bank of Thailand (BOT) consecutively raised its policy interest rate to reach 2.50% in September 2023. Furthermore, risks associated with the escalating Israel-Hamas war, potential impact of climate change on agricultural production, and high household debt burden both formal and informal, need to be monitored. Amid intensifying pressure, some small businesses which lack competitiveness are struggling with a slow recovery, similar to vulnerable groups and low-income households. The uneven growth implies that Thailand's economy has not fully recovered and remains a "K-shaped economy". Overall, the 2023 economic growth assessed by the BOT in November 2023 is cut to 2.4% (from the September projection of 2.8%). In addition, the BOT made a downward revision in its 2023 headline inflation to 1.3% (from 1.6%) in response to cost-of-living alleviation measures and base effect from last year relatively higher prices.

The Bank and Its Subsidiaries' Overview Performance

The Bank and Its Subsidiaries' Performance for Year of 2023

In 2023, the Thai economy continues on a recovery path but remains uneven or “K-shaped economy”, with the improvement in tourism sector as a key growth engine, driving economic activity normalization and boosting employment and private consumption, assisting in economic recovery. Nonetheless, Thai exports have been adversely affected by global economic slowdown. Public investment has been impacted from lower budgetary disbursement from the annual budgetary processes. In addition, challenges remain for Thai economy from policy normalization in a rate hike environment, the geopolitical conflict, a potential impact of climate change, high household debt both formal and informal loans together and a slower recovery for small businesses, vulnerable groups and low-income households. The Bank prudently operates its businesses and effectively manage its asset quality whilst maintaining high coverage ratio for economic uncertainties and the diminishing growth potential economy. The Bank also focuses on providing financial assistance to all groups of customers to be able to adjust themselves for a sustainable recovery.

In Y2023, Consolidated net profit attributable to equity holders of the Bank was Baht 36,616 million, an increase of 8.7% YoY as the Bank operates in alignment with our strategy under concept “Reshaping Client Value Proposition” which focuses on leveraging innovation to create sustainable value for customers. Its total operating income uplifted by 19.2% YoY from a 1.5% YoY ample loan growth in its strategically focused segments for a justified risk adjusted return amid a 0.6% YoY marginal decline in total loan growth from government related loan. Non-interest income also increased, align with market situation.

The Bank set our priority in IT investment for products and services to enhance customers' experience, especially in the digital banking services as well as prepare for industry growth along with technology evolution and innovation in future. With an effective comprehensive operating cost management, as a result, cost to income ratio registered at 41.6%, decreased from 43.7% in the same period of last year. The Bank and its subsidiaries prudently set aside an increase in allowance for expected credit losses to maintain a high level of coverage ratio given economic uncertainties as well as prudently scrutinize all risk aspects. Coverage ratio including one-time adjustment during the year stood at approximately 190% compare to 179.7% of last year. Additionally, in 4Q2023 the bank set aside an appropriate level of ECL with close status monitoring for one corporate customer and related companies with possibility of credit deterioration. With our continuous prudent asset quality management, NPLs ratio reduced to 3.08%.

As at December 31, 2023, the Bank's Tier 1 capital stood at 17.46% of its RWA and total capital at 20.65% of its RWA, maintaining at a strong level as compared to BOT's requirement. Additionally, the Bank maintains our sufficient level of liquidity position by means of Liquidity Coverage ratio (LCR) at a consistent level, higher than the BOT's requirement.

The Bank and Its Subsidiaries' Performance for 4Q2023

Comparing 4Q2023 to 4Q2022, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 6,111 million, decreased 24.6% YoY as the Bank operates in alignment with our strategy "Accelerating Sustainable Value Creation" whilst continuously provides financial assistance to customers in an uneven economic recovery situation. The Bank and its subsidiaries prudently set aside an increase in expected credit loss to maintain a high level of coverage ratio at 181.2%. Additionally, the bank set aside an appropriate level of ECL with close status monitoring for one corporate customer and related companies with possibility of credit deterioration. Its total operating income uplift by 14.3% YoY from an ample loan growth in its strategically focused segments for a justified risk adjusted return. With an effective comprehensive operating cost management, as a result, cost to income ratio registered at 44.8%, decreased 0.5% YoY.

Compared to 3Q2023, consolidated net profit attributable to equity holders of the Bank was Baht 6,111 million decreased 40.6% QoQ. The Bank and its subsidiaries prudently set aside an increase in expected credit loss to maintain a high level of coverage ratio at 181.2% given economic uncertainties. Total operating income increased 1.8% QoQ. With an effective comprehensive operating cost management, as a result, cost to income ratio stood at 44.8%, slightly increased QoQ.

In 2023, the Bank determined providing modernized products and services for all customer groups and focused on operations with its prioritize to Environmental, Social, and Governance (ESG) dimension, and applying the framework of Sustainable Development Goals (SDGs) in an operating process to strengthen the organization toward a sustainable bank. Consequently, the Bank has been assessed the 2023 SET ESG Ratings at "AAA" level which is the highest level by the Stock Exchange of Thailand. In addition to a set up of Arise by Infinitas, a collaboration between Infinitas by Krungthai and Accenture, to cultivate digital talents for future business growth, Krungthai had partnered with IBM and set up a joint venture called IBM Digital Talent for Business (IBMDT). From the development of digital product and services to serve client in all areas and income range, mobile application users had expanded for all applications with Pao Tang of more than 40 million users, Krungthai NEXT of 17.8 million users and Tung Ngerm application users of 2 million merchants.

In 2024, the Bank conducts its business under the concept "Reshaping Client Value Proposition" using AI Technology for internal process to strengthen competitive edge and business opportunity in future. The Bank also emphasizes on alleviating country's high household debt level through our standard and specific financial assistance to the vulnerable groups with slow income recovery to be able to resist to the change of economic environment along with the responsible lending under BOT's guidelines, including debt restructuring, with a focus on responsible and fair lending, promoting access to formal finance and emphasizing on not to take excessive debt, promote the financial discipline and literacy in saving, investment and financial crime for clients to have financial awareness and financial stability.

The Bank and Its Subsidiaries' Performance for the Quarter and the Year Ended December 31, 2023

Overview Operating Income and Net Profit

Unit : Million Baht

	4/2023	3/2023	Change	4/2022	Change	2023	2022	Change
			%		%			%
Net interest income	30,362	29,667	2.3	24,606	23.4	113,419	90,405	25.5
Net fee and service income	5,434	5,503	(1.2)	5,073	7.1	20,872	20,316	2.7
Other non-interest income	3,794	3,718	2.0	4,973	(23.7)	15,174	14,670	3.3
Total operating income	39,590	38,888	1.8	34,652	14.3	149,465	125,391	19.2
Total other operating expenses	17,745	16,733	6.0	15,696	13.1	62,157	54,770	13.5
Pre-provision profit ⁽¹⁾	21,845	22,155	(1.4)	18,956	15.2	87,308	70,621	23.6
Expected credit losses	13,070	8,157	60.2	7,532	73.5	37,085	24,338	52.4
Operating profit before income tax expenses	8,775	13,998	(37.3)	11,424	(23.2)	50,223	46,283	8.5
Income tax expenses	1,733	2,774	(37.5)	2,494	(30.5)	9,902	9,077	9.1
Net Profit	7,042	11,224	(37.3)	8,930	(21.1)	40,321	37,206	8.4
Net profit (attributable to equity holders of the Bank)	6,111	10,282	(40.6)	8,109	(24.6)	36,616	33,698	8.7
ROA (%) ⁽²⁾	0.66	1.13		0.88		1.01	0.94	
ROE (%) ⁽²⁾	6.11	10.48		8.72		9.40	9.15	

(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 Y2023, Consolidated net profit attributable to equity holders of the Bank was Baht 36,616 million, an increase of 8.7% YoY as the Bank operates in alignment with our strategy under concept “Reshaping Client Value Proposition” which focuses on leveraging innovation to create sustainable value for customers. The Bank and its subsidiaries prudently set aside an increase in allowance for expected credit losses to maintain a high level of coverage ratio given the economic uncertainties as well as prudently scrutinize all risk aspects. Coverage ratio including one-time adjustment during the year stood at approximately 190% compare to 179.7% of last year. Additionally, in 4Q2023 the bank set aside an appropriate level of ECL with close status monitoring for one corporate customer with possibility of credit deterioration. Its total operating income uplifted by 19.2 % YoY from a 1.5 % YoY ample loan growth in its strategically focused segments for a justified risk adjusted return amid a 0.6% YoY marginal decline in total loan growth from repayment of government related loan. Non-interest income also increased, align with market situation. The Bank set our priority in IT investment for products and services to enhance customers' experience for all group of customers and to prepare for future growth as well as to build capability readiness for technology and innovation advancement. With an effective comprehensive operating cost management, as a result, cost to income ratio registered at 41.6%, decreased from 43.7% in the same period of last year.

In 4Q2023 compared to 4Q2022, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank was Baht 6,111 million, decreased 24.6% YoY as the Bank operates in alignment with our strategy "Accelerating Sustainable Value Creation" whilst continuously provides financial assistance to customers. The Bank and its subsidiaries prudently set aside an increase in expected credit loss to maintain a high level of coverage ratio at 181.2% given economic uncertainties. Additionally, the bank set aside an appropriate level of ECL with close status monitoring for one corporate customer and related companies with possibility of credit deterioration. With our continuous prudent asset quality management, NPLs Ratio reduced to 3.08%.

Its total operating income uplift by 14.3% YoY from a 1.5% YoY ample loan growth in its strategically focused segments for a justified risk adjusted return amid a 0.6% YoY marginal decline in total loan growth from repayment of government related loan. The Bank set our priority in IT investment for products and services to enhance customers' experience for all group of customers and to prepare for future growth as well as to build capability readiness for technology and innovation advancement. With an effective comprehensive operating cost management, as a result, cost to income ratio registered at 44.8%

Compared to 3Q2023, Consolidated net profit attributable to equity holders of the Bank decreased 40.6% QoQ. The Bank and its subsidiaries prudently set aside an increase in expected credit loss to maintain a high level of coverage ratio at 181.2% given economic uncertainties. Total operating income increased 1.8% QoQ. With an effective comprehensive operating cost management, as a result, cost to income ratio stood at 44.8%.

Net Interest Income

Unit : Million Baht

	4/2023	3/2023	Change	4/2022	Change	2023	2022	Change
			%		%			%
Interest income	41,741	39,650	5.3	31,248	33.6	152,369	113,475	34.3
- Interbank and money market items	4,077	3,209	27.0	1,896	115.0	12,185	4,338	180.9
- Investments and trading transactions	64	43	48.8	56	14.3	190	217	(12.4)
- Investment in debt securities	1,406	1,259	11.7	1,046	34.4	4,637	4,246	9.2
- Loans	35,970	34,942	2.9	28,085	28.1	134,635	104,302	29.1
- Hire purchase and financial lease	54	62	(12.9)	38	42.1	231	111	108.1
- Others	170	135	25.9	127	33.9	491	261	88.1
Less Interest expense	11,379	9,983	14.0	6,642	71.3	38,950	23,070	68.8
- Deposits	5,029	4,066	23.7	2,644	90.2	15,393	9,651	59.5
- Interbank and money market items	1,203	1,084	11.0	719	67.3	4,049	1,904	112.7
- Contributions to BOT and DPA	3,138	3,070	2.2	1,619	93.8	12,409	6,443	92.6
- Debts issued	1,858	1,604	15.8	1,518	22.4	6,502	4,806	35.3
- Others	151	159	(5.0)	142	6.3	597	266	124.4
Net interest income	30,362	29,667	2.3	24,606	23.4	113,419	90,405	25.5
Earning Asset Yield (%) ⁽¹⁾	4.69	4.51		3.55		4.32	3.27	
Cost of Fund (%) ⁽¹⁾	1.48	1.31		0.86		1.27	0.76	
Net interest margin [based on earning assets] (%) ⁽¹⁾	3.41	3.38		2.80		3.22	2.60	

(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 Y2023, consolidated net interest income was Baht 113,419 million, increased by 25.5% YoY, mainly due to loan growth in its strategically focused segments both retail and corporate segments for a justified risk adjusted return in economic uncertainties. NIM registered at 3.22%, compared to 2.60% last year as a result of portfolio optimization as well as interest rate trend, offset by a rising cost of fund including FIDF rate normalization.

In 4Q2023 compared to 4Q2022, Consolidated net interest income amounted of Baht 30,362 million, an increased of 23.4% YoY, mainly from loan growth in its strategically focused segments both retail and corporate segments for a justified risk adjusted return. NIM registered at 3.41% rose from 2.80% in 4Q2022 from portfolio optimization coupled with an interest rate trend.

Compared to 3Q2023, consolidated net interest income increased by 2.3% QoQ, mainly from loan growth in its strategically focused segments. NIM registered at 3.41% rose from 3.38% in the previous quarter.

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%
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	5 Oct 2023	6 Jun 2023	13 Apr 2023	1 Feb 2023	3 Jan 2023	9 Dec 2022	4 Oct 2022
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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 as well as uplift our fixed deposit rates to support our depositor and alleviate the pressure from higher cost of living while ensuring the availability of financial assistance to our clients to support sustainable 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

	4/2023	3/2023	Change	4/2022	Change	2023	2022	Change
			%		%			%
Fee and service income	7,368	7,440	(1.0)	7,098	3.8	28,671	28,096	2.0
Less Fee and service expense	1,934	1,937	(0.2)	2,025	(4.5)	7,799	7,780	0.2
Net fee and service income	5,434	5,503	(1.2)	5,073	7.1	20,872	20,316	2.7

In Y2023, Consolidated net fee and service income was Baht 20,872 million, increased by 2.7% YoY, from a expansion of bancassurance fee and fee related to credit card services in alignment with economic activity normalization

In 4Q2023 compared to 4Q2022, consolidated net fee and service income was Baht 5,434 million, increased by 7.1% YoY, mainly owing to a continuing expansion of bancassurance fee and fee related to credit card services in alignment with economic activity normalization. Compared to 3Q2023, consolidated net fee and service income slightly reduced by 1.2% QoQ.

Total Other Operating Income

Unit : Million Baht

	4/2023	3/2023	Change	4/2022	Change	2023	2022	Change
			%		%			%
Gains (loss) on financial instruments measured at fair value through profit or loss	1,145	913	25.3	1,621	(29.4)	5,178	5,233	(1.0)
Gain (loss) on investments, net	(4)	4	(204.8)	69	(105.9)	195	239	(18.3)
Share of profit (loss) from investments for using equity method	261	560	(53.3)	133	96.8	1,353	1,095	23.6
Dividend income	34	50	(32.3)	38	(10.0)	320	352	(9.2)
Other income	2,358	2,191	7.6	3,112	(24.2)	8,128	7,751	4.8
Total other operating income	3,794	3,718	2.0	4,973	(23.7)	15,174	14,670	3.3

In Y2023, Consolidated total other operating income was Baht 15,174 million, an increase of 3.3% YoY, mainly due to other income from bad debt recovery and share of profit from investments for using equity method.

In 4Q2023 compared to 4Q2022, consolidated total other operating income was Baht 3,794 million, a decline of 23.7% YoY, mainly due to gains on financial instruments measured at fair value through profit or loss in line with market situation. Compared to 3Q2023, consolidated total other operating income increased by 2.0% QoQ, mainly owing to gains on financial instruments measured at fair value through profit or loss in line with market situation.

Other Operating Expenses

Unit : Million Baht

	4/2023	3/2023	Change %	4/2022	Change %	2023	2022	Change %
Employees' expenses	6,446	6,361	1.3	6,803	(5.2)	25,766	25,763	0.0
Premises and equipment expenses	2,725	2,668	2.1	2,541	7.2	10,289	9,644	6.7
Taxes and duties	1,345	1,322	1.8	1,105	21.8	5,080	4,054	25.3
Impairment loss of properties for sale	2,395	1,297	84.6	(102)	2455.2	4,549	1,313	246.5
Others ⁽¹⁾	4,834	5,085	(4.9)	5,349	(9.6)	16,473	13,996	17.7
Total other operating expenses	17,745	16,733	6.0	15,696	13.1	62,157	54,770	13.5
Cost to income ratio (%)	44.8	43.0		45.3		41.6	43.7	

(1) Including Directors' remuneration

In Y2023, The Bank set our priority in IT investment for products and services to enhance customers' experience for all group of customers and to prepare for future growth as well as to build capability readiness for technology and innovation advancement. Together with an effective comprehensive operating cost management, cost to income ratio registered at 41.6%, decreased from 43.7% in the same period of last year. Other operating expenses was Baht 62,157 million, increased by 13.5% YoY, mainly owing to an increase in IT cost and impairment loss of properties for sale.

In 4Q2023 compared to 4Q2022, the Bank's focus in an effective comprehensive operating cost management, as a result, consolidated cost to income ratio registered at 44.8%. Other operating expenses was Baht 17,745 million, increased by 13.1% YoY, mainly owing to an increase in IT cost and impairment loss of properties for sale. Compared to 3Q2023, with an effective comprehensive operating cost management, consolidated cost to income ratio registered at 44.8%. Other operating expenses increased by 6.0% QoQ, mainly owing to an increase in seasonal marketing expenses, IT cost and impairment loss of properties for sale.

Expected credit losses

	4/2023	3/2023	Change %	4/2022	Change %	2023	2022	Change %
Expected credit losses ⁽¹⁾	13,070	8,157	60.2	7,532	73.5	37,085	24,338	52.4

Unit : Million Baht

(1) Expected credit losses for interbank and money market items, investments in debt securities, loans to customers (including loss from criteria change) and loan commitments & financial guarantee contracts

In Y2023, Consolidated expected credit losses prudently set aside the expected credit losses in amounted Baht 37,085 million, increased by 52.4% YoY amid a changing business environment as well as economic uncertainties as well as prudently scrutinize all risk aspects whilst maintaining high coverage ratio of 181.2%.. Coverage ratio including one-time adjustment during the year stood at approximately 190% compare to 179.7% of last year. Additionally, in 4Q2023 the bank set aside an appropriate level of ECL with close status monitoring for one corporate customer and related companies with possibility of credit deterioration.

In 4Q2023 compared to 4Q2022, the Bank and its subsidiaries prudently set aside the expected credit losses in amounted Baht 13,070 million with a consideration of factors relating to business environment and economic uncertainties in addition to an appropriate level of ECL set aside with close status monitoring for one corporate customer with possibility of credit deterioration. An increase of the expected credit losses at 73.5% YoY maintained a high coverage ratio at 181.2%. Besides, NPLs Ratio stood at 3.08%, decreased from 3.26% as at December 31, 2022. Compared to 3Q2023, Bank and its subsidiaries prudently set aside additional expected credit losses to maintain a high level of coverage ratio at 181.2% given the economic uncertainties in addition to an appropriate level of expected credit losses for one of corporate customer and related companies to reflect the credit deterioration and closely monitor the financial status.

The Bank and Its Subsidiaries' Financial Status as at December 31, 2023

Loans to Customers

The consolidated loans to customers (less deferred revenue) registered at Baht 2,576,516 million with our expansion in its strategically focused segments for a justified risk adjusted return. Loan for strategically focused segments had an ample growth of 1.5% YoY amid a 0.6% YoY marginal decline in total loan growth from repayment of government related loan. Accrued interest receivables increase from September 2023 mainly from Effective Interest Rate (EIR) recognition especially for housing loans with fixed rate conditions in the early payment period. Besides, accrued interest receivables has dropped during the fourth quarter and inflated at end of the year as a holiday.

Unit : Million Baht

Consolidated Financial Statements	31 Dec 2023		30 Sep 2023		Change		31 Dec 2022		Change	
	Amount	%	Amount	%	%	Amount	%	%		
Loans to customers	2,577,131		2,630,944		(2.0)	2,593,370		(0.6)		
Less Deferred revenue	615		700		(12.1)	532		15.7		
Add Accrued interest receivables ⁽¹⁾	22,909		21,926		4.5	25,372		(9.7)		
Less Allowance for expected credit losses	(173,317)		171,303		1.2	174,378		(0.6)		
Loans to customers and accrued interest receivables, net	2,426,108		2,480,867		(2.2)	2,443,832		(0.7)		

(1) The Bank and its subsidiaries recognise interest income by using the Effective Interest Rate (EIR) method in accordance with TFRS 9 standard. Accrued interest receivables were majority from the EIR of stage 1 loans especially retail loans with fixed interest rate in the early payment period and step up rate later ie. housing loans, loans with one-monthly interest payment conditions. In addition, in case of month-end holidays, the interest payment date will be postponed to the next working day for some group of loans, resulting in an increment of accrued interest receivables.

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

Unit : Million Baht

Consolidated Financial Statement	31 Dec 2023		30 Sep 2023		Change		31 Dec 2022		Change	
	Amount	(%)	Amount	(%)	%	Amount	(%)	%		
Private Corporate	739,942	28.7	735,709	28.0	0.6	736,516	28.4	0.5		
Government and State	377,865		450,931	17.1		427,429	16.5			
Enterprise		14.7			(16.2)			(11.6)		
SMEs	291,514	11.3	294,089	11.2	(0.9)	317,632	12.2	(8.2)		
Retail	1,167,508	45.3	1,149,900	43.7	1.5	1,111,433	42.9	5.0		
- Housing	484,590	18.8	482,859	18.4	0.4	472,640	18.2	2.5		
- Personal	605,071	23.5	594,132	22.6	1.8	566,714	21.9	6.8		
- Credit card	74,132	2.9	68,945	2.6	7.5	69,174	2.7	7.2		
- Leasing	3,715	0.1	3,964	0.1	(6.3)	2,905	0.1	27.9		
Others	302	0.0	315	0.0	(4.2)	360	0.0	(16.2)		
Total loans (per F/S)	2,577,131	100.0	2,630,944	100.0	(2.0)	2,593,370	100.0	(0.6)		

Asset Quality

Loan classification and expected credit loss

Consolidated Financial Statement	Unit : Million Baht		
	31 Dec 2023	30 Sep 2023	31 Dec 2022
NPL ⁽¹⁾	99,439	98,309	101,096
NPL Ratio	3.08%	3.10%	3.26%
Allowance for Expected Credit Losses (total) ⁽²⁾	180,204	177,321	181,637
Coverage Ratio ⁽³⁾	181.2%	180.4%	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.

The Bank's consolidated NPL as at December 31, 2023 was Baht 99,439 million or a 3.08% NPL Ratio, a reduction from December 31, 2022, a manageable 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 at 181.2% given the economic uncertainties. Additionally, in 4Q2023 the bank set aside an appropriate level of ECL with close status monitoring for one corporate customer and related companies with possibility of credit deterioration in addition to the Bank's asset quality close monitoring

Deposits

The Bank's consolidated deposits was Baht 2,646,872 million, increases 2.2% from December 31, 2022 from fixed deposit. 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 97.34%, relatively stable to 100.10 % as at December 31, 2022.

Sources and Uses of Funds

Unit : Million Baht

	31 Dec 2023		30 Sep 2023		Change %	31 Dec 2022		Change %
	Amount	(%)	Amount	(%)		Amount	(%)	
Net Interbank and money market items (asset)	701,161	19.1	565,749	15.6	23.9	550,941	15.3	27.3
Financial assets measured at fair value through profit or loss	25,946	0.7	14,899	0.4	74.1	33,568	0.9	(22.7)
Net investments and net investments in associates	277,241	7.5	274,253	7.6	1.1	289,375	8.1	(4.2)
Loans to customers (less deferred revenue)	2,576,516	70.1	2,630,244	72.5	(2.0)	2,592,838	72.2	(0.6)
<u>Less</u> Allowance for expected credit losses	173,317	4.7	171,303	4.7	1.2	174,378	4.9	(0.6)
Other assets	270,153	7.3	313,507	8.6	(13.8)	300,075	8.4	(10.0)
Total Asset	3,677,700	100.0	3,627,349	100.0	1.4	3,592,419	100.0	2.4
Deposits	2,646,872	72.0	2,611,352	72.0	1.4	2,590,236	72.1	2.2
Net Interbank and money market items (liabilities)	282,696	7.7	242,497	6.7	16.6	277,099	7.7	2.0
Debt issued and borrowings	160,839	4.4	162,153	4.4	(0.8)	151,172	4.2	6.4
Other liabilities	166,446	4.5	202,601	5.6	(17.8)	181,340	5.1	(8.2)
Total equity	420,847	11.4	408,746	11.3	3.0	392,572	10.9	7.2
- Equity holders of the Bank	402,377	10.9	391,208	10.8	2.9	376,305	10.5	6.9
- Non-controlling interest	18,470	0.5	17,538	0.5	5.3	16,267	0.4	13.5
Total liabilities and equity	3,677,700	100.0	3,627,349	100.0	1.4	3,592,419	100.0	2.4
Loans to customers (less deferred revenue)- to-deposits ratio (%)	97.34		100.72			100.10		

As at December 31, 2023, the Bank's consolidated major source of funds was 72% 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 70% loans to customers (less deferred revenue), 19% net interbank and money market items, and 8% net investments and net investments in associates.

Equity

The total equity (equity holders of the Bank) as at December 31, 2023 was Baht 402,377 million, increased 6.9% from December 31, 2022.

Book value per share (equity holders of the Bank) was Baht 28.78 per share increased from Baht 26.91 per share at December 31, 2022.

Statutory Capital Fund

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	31 Dec 2023 ⁽²⁾		30 Sep 2023 ⁽²⁾		31 Dec 2022		The minimum rate required (%) ⁽¹⁾
	Amount	(%)	Amount	(%)	Amount	(%)	
Common Equity Tier 1 capital	336,904	16.54	336,010	16.38	319,896	15.59	>8.000
Tier 1 capital	355,551	17.46	354,657	17.28	338,543	16.50	>9.500
Tier 2 capital	64,954		65,331		65,317		
Total capital fund	420,505	20.65	419,988	20.47	403,860	19.68	>12.000
Risk-weighted assets	2,036,783		2,051,914		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 December 31, 2023, the Bank's Common Equity Tier 1 was Baht 336,904 million, Tier 1 capital was Baht 355,551 million and Total capital was Baht 420,505 million (16.54%, 17.46% and 20.65% 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	Dec 2023	Sep 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	Dec 2023	Sep 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	Dec 2023	Sep 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.