



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and the Year Ended December 31, 2023



Management Discussion and Analysis

Overview of the Economy and Banking Industry

Thai Economy in 2023

In 2023, the Thai economy continued to expand primarily from the tourism sector and domestic demand. The number of visitors to Thailand reached 28.2 million, up from the previous year, with ASEAN, China, and Europe being key markets. Chinese visitors increased partly due to the implementation of the Thai government's policy to waive visa requirements from September 2023. In terms of domestic demand, private consumption grew in tandem with continuous improvements in employment and consumer confidence, resulting from government measures to lower the cost of living and support tourism.

Thai export value contracted by 1.7 percent from the previous year mainly from subdued demand from trading partners. Moreover, Thai exports were also adversely affected by other factors, such as drought that caused a decline in agricultural production as well as geopolitical conflicts in different parts of the world.

The average headline and core inflation rates for 2023 were around 1.2 and 1.3 percent, respectively. Headline inflation fell from the previous year primarily due to lower food and energy prices. Food prices declined from a high base of fresh food prices in 2022 and higher food output. Meanwhile, energy prices fell due to decreasing global oil prices and the Thai government's measure for energy price reduction policy.

The Monetary Policy Committee raised interest rates eight times since the beginning of the Covid-19 pandemic before maintaining the policy rate at 2.50 percent at the end of 2023. The central bank had been increasing interest rates since August 2022 in an attempt to normalize interest rates after having kept the policy rate low at 0.50 percent to support the economy during the Covid-19 pandemic.

Economic Outlook for 2024

In 2024, the Thai economy is expected to grow at around 3.0 percent underpinned by the recovery in the global economy and domestic exports amid a lower interest rate environment since the second-half of last year; the continued increase of tourist arrivals; and the potential increase in foreign investment in ASEAN, including Thailand.

Nonetheless, Thailand continues to face several challenges. These include ongoing geopolitical tensions, uncertainty in global financial markets, and a fragile recovery in the economies of some of the country's trading partners who continue to face challenges from the effect of previous interest rate hikes. These are some of the key risks that Thailand should monitor closely.

Thai Banking Industry in 2023

After facing challenges from the Covid-19 outbreak since the beginning of 2020, in 2023 with a recovery driven largely by the tourism sector. However, the recovery was relatively slow and uneven leading to a potential rise in economic inequality while the increase in the cost of living and high levels of household debt affected people's purchasing power. Meanwhile, private sector investment recovered, partly due to the expansion of foreign direct investment. Government support for economic expansion was limited partly due to the delay in forming the government following the May 14, 2023 election. In terms of monetary policy, the Bank of Thailand normalized monetary policy by gradually raising the policy interest rate as appropriate to the economic situation. This led to a policy interest rate of 2.50 percent at the end of 2023, an increase from 1.25 percent at the end of 2022. External factors included a moderate global economic recovery amid rising uncertainty; the crisis of some financial institutions in the US and Switzerland in early 2023 resulting from sharp increase in interest rates; a slow decrease in inflation which remained higher than the central banks' target, resulted in the central banks of major economies indicating that interest rates would be higher for longer; US federal debt exceeding the debt ceiling which prevented the US government from fully implementing its fiscal policy to stimulate the economy; and, slower growth in the Chinese economy from the real estate crisis and increased trade and technology tensions with the US, resulted in increasing geoeconomic fragmentation. Moreover, the impacts from geopolitical conflicts between Russia and Ukraine, as well as Israel and Hamas, were additional factors affecting the business operations of Thai commercial banks throughout 2023.

Amid these business challenges, the combined net profit of the commercial banking system in 2023 was Baht 251.4 billion, a 5.8 percent increase from the previous year, due to an increase in net interest income in line with rising interest rates and consumer loans expansion. Loans at the end of 2023 marginally contracted by 0.3 percent, compared with growth of 2.1 percent the previous year due, to gradual repayments from the business sector especially SME, corporations in the manufacturing sector, and government loans, as well as loan portfolio management. Business loans declined by 1.7 percent, while consumer loans grew by 2.3 percent.

Deposits increased by 0.8 percent from the end of 2022, lower than 4.5 percent in 2022. The ratio of loans to deposits at the end of 2023 was 91.0 percent, decreasing from 92.0 percent at the end of 2022. For liquidity management, commercial banks focused on deposit structure, cost management, and reserve requirements to comply with LCR guidelines under Basel III. At the end of 2023, the Liquidity Coverage Ratio (LCR) remained high at 204.4 percent.

In terms of loan quality at the end of 2023, non-performing loan (NPL) or Stage 3 loan improved slightly and stood at Baht 492.8 billion or a ratio of 2.66 percent to total loans, down from Baht 499.2 billion or a ratio of 2.73 percent to total loans at the end of the previous year. The ratio of Significant Increase in Credit Risk (SICR) or Stage 2 loan to total loans was 5.86 percent, a decrease from 6.22 percent at the end of the previous year. Loan quality reflected the unevenness of the recovery across each economic sector. Therefore, commercial banks focused on managing credit quality and restructuring debt in line with a debtor's ability to repay, especially SME and retail businesses, along with the provision of reserves to preemptively provide as a cushion for overall uneven economic recovery. Moreover, commercial banks maintained relatively high capital to cope with economic uncertainty. At the end of 2023, the Capital Adequacy Ratio (CAR) was 20.1 percent, an increase from 19.4 percent from the end of 2022.

Thai Banking Industry in 2024

The foreign and Thai economies are expected to face high uncertainty from significant factors such as slower global economic growth, foreign interest rates which are expected to remain at high levels in the first-half of the year before gradually declining in the second-half, geopolitical conflicts and geoeconomic fragmentation leading to the continued relocation of global supply chains, US debt exceeding the debt ceiling, China's real estate sector problem and the sluggish Chinese economy, economic impact from extreme weather events and new decarbonization policies. Meanwhile, the advancement of Generative Artificial Intelligence (Gen AI) will play a more significant role in the economic system going forward.

The Bank of Thailand's policy direction will continue to focus on the transition to a more sustainable economy with the issuance of sustainable banking guidelines for financial institutions to take environmental, social and governance (ESG) considerations into their business operations and the issuance of the Policy Statement: Internalizing Environmental and Climate Change Aspects into Financial Institution Business for financial institutions to appropriately incorporate environmental factors as part of their business processes and offer financial products and services that support environmental transformation of the business sector. Moreover, the Bank of Thailand issued the Thailand Taxonomy as a standard reference tool to classify economic activities deemed as environmentally-sustainable and to create a shared understanding for achieving a green economy. Going forward, the public sector will play a greater role in establishing a transitional path and timeframe for all sectors of the Thai economy to achieve carbon neutrality within 2050 and net-zero greenhouse gas emissions within 2065.

The Bank of Thailand has established the new Thai financial landscape for the digital economy and sustainable growth with three directions: Digital – leveraging on technology and data to drive innovation which consists of open competition to allow service providers to access open infrastructure and benefit from open data; Sustainable – supporting a sustainable economic transition by enabling the financial sector to incorporate environmental considerations into their risk assessments, facilitating businesses and households to adapt without causing wide-ranging negative impacts, reducing inequality in society and sustainably solving household debt problems; Resilient – shifting regulatory framework to ensure the financial sector could timely respond to new type of significant risks, especially those from the use of digital technology.

Given the current business environment, commercial banks placed importance on providing assistance and support to all customer groups. This includes providing financial support and advisory services, responsible lending, and developing products and services to meet customer needs by focusing on sustainable growth and social responsibility. Banks also need to remodel their own businesses in line with the changing business environment, collaborate with partners to create opportunities for new revenue streams, increase risk management capabilities and continuously improve internal operations to control costs as well as enhance operational efficiency.

Factors affecting banking industry performance

The business environment changed rapidly following the Covid-19 pandemic and remains highly uncertain. This current environment, which can be described as BANI (Brittle, Anxious, Nonlinear and Incomprehensible), is the result of many factors such as technological change, social change, environmental change, and changes from government policies and regulations that create challenges for commercial banks. Major factors that may affect our operations in the future are:

- 1. Economic uncertainty** – Going forward, the global economy will face a number of negative risk factors that may cause it to slow down and be more volatile than expected. Significant risk factors are:
 - (1) Geopolitical conflicts and geoeconomics fragmentation – Conflicts between the traditional global powers led by the US and new powers led by China and Russia have caused divisions in economics, international politics, technology, and security. Examples of

significant impacts include global supply chain relocation; the transfer of capital and production bases from China to other areas, which may have a positive effect on ASEAN countries; and the war between Russia and Ukraine which is considered a major turning point in the intensification of geopolitical problems and is a catalyst for global decoupling. These geopolitical factors are amplified by other conflicts, such as the war between Israel and Hamas, tensions between China and Taiwan, and tensions on Korean peninsula. In addition, there will be elections taking place in many countries in 2024 such as the US, Russia, the UK, India, and Taiwan. The outcomes of these elections may significantly affect the geopolitical situation going forward.

- (2) Problems in real estate sector in China and the ongoing economic slowdown -- Increasing demand for real estate significantly increased property prices prior to the Covid-19 pandemic. As a result, the Chinese government issued the measures to control speculation in the real estate market. The measures were introduced during the Covid-19 pandemic when the authorities had implemented a strict nationwide lockdown. The lockdown also caused project development to be delayed affecting sales and liquidity for developers. In addition, the economic slowdown has greatly reduced demand for home purchases. The severe liquidity shortages which many real estate businesses faced a result of these combined issues became a major factor slowing China's economic recovery in 2023. It is likely that this problem will spread to financial intermediaries that provide "shadow banking" services as well as to local government financing vehicles (LGFV) therefore increasing the risk that the Chinese economy will slow down for longer than expected.
- (3) High global debt - According to the Institute of International Finance (IIF), global debt reached a record high of US \$307.4 trillion, accounting for 333.1 percent of global GDP, at the end of September 2023. Global debt and interest rates are high while economic growth is low. This puts the global economy at risk from problems with national economies, financial institutions, and the business and household sectors. Significant risks that must be monitored include US public debt hitting the ceiling, foreign debt in developing countries and emerging markets, zombie firms, and credit card debt. If the government sector deploys ineffective measures to manage these issues, they may inadvertently cause the problem to escalate into a significant economic crisis.

2. The new financial landscape to support Thailand's sustainable digital economy – The Bank of Thailand has issued guidelines to reposition Thailand's financial sector as key part of the country's sustainable digital economy, with the following three key directions:

- (1) Leveraging technology and data to drive innovation with focuses on: **Open Competition** by expanding the business scope or increasing flexibility in providing services to existing players while allowing new player such as Virtual Bank to compete; **Open Infrastructure** by developing payment infrastructure that can be jointly used by and connect with various groups of service providers under good governance and with reasonable price structures; and **Open Data** by promoting connectivity and exchange of information between service providers to make full use of digital payment data in developing innovations and financial services.
- (2) Managing transition towards sustainability by increasing financial institutions' ability to assess environmental risks in their business operations, supporting businesses and households to adapt without causing widespread negative impacts, reducing inequality in society, and developing sustainable solutions to household debt problems.
- (3) Adopting a more flexible supervision approach that will enable financial institutions to timely manage new types of significant risks, especially those from the use of digital technology.

3. Environment, Social and Governance (ESG) plays an increasingly significant role in commercial banks' business operations – Throughout the years, commercial banks have played an increasingly significant role in supporting sustainable development including providing responsible lending, promoting access to financial services for customers, especially grassroots customers, and integrating ESG factors into business processes as well as promoting

them as part of the culture and values of the organization. Meanwhile, the government sector is also paying more attention to ESG issues by launching a plan for the Bank of Thailand to prepare the Directional Paper on Transitioning towards Environmental Sustainability under the new Thai Financial Landscape as a guideline for driving the financial sector to be ready to cope with environmental changes while encouraging the business sector and general people to gradually adapt to an environment-friendly economy, for which the action plan must lay an important foundation. One important initiative was the launch of the Thailand Taxonomy for each sector to use as a reference tool and to help them assess the status of their environmental performance. The country will develop an environment-related data platform so that the data is standardized, comparable, and consistent with international standards. It will also support environmental opportunity analysis and risk management for the financial and business sectors, encourage financial institutions to design financial products and services that take into account the environment, and enhance the knowledge and expertise of personnel in the financial sector to enable them to assess environmental opportunities and risks and to provide appropriate advice to businesses. In addition, the Bank of Thailand has issued the Internalizing Environmental and Climate Change Aspects into Financial Institution Business policy to encourage financial institutions to accelerate and standardize the integration of environmental concepts into their operations. Incentive measures will also be launched to encourage financial institutions, the business sector, and consumers to recognize the urgency of making environment-related transitions going forward.

4. Ongoing digital technology and financial innovation – Digital technology has continuously and rapidly played an increasingly important role in commercial banks’ operations, enabling them to offer a variety of products and services that better meet the needs of their customers. Going forward, important technologies that will play a greater role in the banking sector include:

- (1) Blockchain, which will become an integral part of the infrastructure for conducting financial transactions. It has the potential to further develop financial transactions that will help reduce service costs while increasing service efficiency and transparency as well as preventing corruption.
- (2) Artificial Intelligence (AI), especially Generative AI, will help reduce operating costs while increasing the efficiency of services and work throughout commercial banks’ value chain and improving their competitiveness.
- (3) Cloud Computing plays an important role in storing, processing, and analyzing data via the internet. It helps organizations streamline their work while increasing work efficiency and improving customer service.
- (4) Robotic Process Automation (RPA) will help streamline tasks related to document and data management especially those that are often repetitive, or tasks such as processing transactions, converting data, and storing data files. RPA can also monitor overall work processes in real time, which is useful in operational supervision and risk management.

In addition, there are other technologies that are likely to play a greater role in the banking sector in the future, such as Internet of Things (IoT), Immersive Technology, and Zero Trust.

However, the use of financial technology is vulnerable to cybercrime such as fraud through online channels, websites, social media platforms, and mobile applications; embezzlement from bank accounts through digital banking system; and data fraud. These cybercrimes can cause severe financial losses and may lead to a lack of confidence in the country’s financial system. Therefore, cybersecurity is very essential for the Thai financial sector. The Bank of Thailand has issued regulations on the information technology risk supervision of financial institutions and specialized financial institutions which cover important matters such as IT Governance, IT Security Management, and IT Risk Management so that the Thai financial sector can grow and develop in a sustainable manner and play a part in creating a stable and safe digital society.

5. Structural transformation and business competitiveness enhancement are very important and necessary for Thailand's economic development to keep up with changes in the global economy. The National Economic and Social Development Plan No. 13 (2023 - 2027), has proposed policy guidelines for this matter which can be summarized as follows:

- (1) Restructuring the manufacturing and service sectors towards an innovation-based economy by leveraging the competitiveness of key manufacturing and service sectors to meet the developments of technology and modern society, be environmental-friendly, and connect the local economy with the value chains of target manufacturing and service sectors.
- (2) Creating strong SME businesses with high business capability and adaptability to new competition by promoting the use of technology and innovation in the development of SME products and services to increase value and competitiveness, supporting access to capital and investment for business expansion and sustainable development, and developing skills and training for SME entrepreneurs to increase their competitiveness and adaptability to changes, to enter new markets as well as to build business networks to expand market opportunities.
- (3) Developing human resources for the new global era by equipping Thai people with skills and traits that fit the modern world in terms of knowledge, behavioral skills and manners according to the norm of society in order to prepare the Thai workforce for the needs of labor market.
- (4) Moving towards a society of opportunity and fairness by reducing spatial inequality and competitive opportunities for the business sector as well as supporting those vulnerable and underprivileged groups to have better opportunities towards socioeconomic mobility.
- (5) Transitioning to sustainability to enable Thailand to meet the long-term goal of carbon neutrality by 2050 and achieve net-zero greenhouse gas emissions by 2065 by improving the use of natural resources in manufacturing and consumption to be more efficient, solving pollution problems with sustainable approaches, and reducing greenhouse gas emissions in energy and transportation within the industrial sector and waste management.
- (6) Strengthening Thailand's ability to cope with changes and risks in the new global context by preparing for an aging society, climate change, epidemic and cyber threats, while developing infrastructure and institutional mechanisms to be conducive to society and the digital economy.

6. Government sector places importance on solving household debt problems in a sustainable way – Thai household debt has remained high therefore the government and the Bank of Thailand are placing great emphasis on alleviating household debt problems. The Bank of Thailand has continued to solve problems by adhering to the principle of adopting a comprehensive and correct approach to adjusting measures to help debtors in accordance with the situation, such as issuing measures to help debtors on a widespread basis during the Covid-19 pandemic and adjusting them on a targeted basis when the economic situation improved. In addition, at the end of 2023, the Bank of Thailand released a directional paper on “Sustainable Solutions to Thailand's Household Debt” that will come into effect in 2024. This is a continuation of its approach to mitigate household debt through existing measures that take care of vulnerable debtors and additional new measures. The Bank of Thailand will implement new regulations, including the Responsible Lending regulation which will move from asking for cooperation from financial institutions to requiring them to assist debtors by granting loans responsibly, taking care of debtors who have debt repayment problems through debt restructuring, helping debtors who are in persistent debt to close their debts, protecting debtors' rights, and providing financial knowledge to the public by focusing on youth and working age groups. This will help sustainably reduce the problem of household debt.

The above changing environment are important factors in driving the Thai economy forward through the implementation of government policies, and changes in business models and consumer behavior. Thai commercial banks therefore need to prepare appropriate support to be able to adapt to such changes and move forward to a sustainable future.

Overall Picture of the Bank and its Subsidiaries

Million Baht								
Item	Q4/23	Q3/23	Q4/22	%QoQ	%YoY	Y'23	Y'22	%YoY
Net profit ^{/1}	8,863	11,350	7,569	(21.9)%	17.1%	41,636	29,306	42.1%
Earnings per share (Baht)	4.64	5.95	3.97	(21.9)%	17.1%	21.81	15.35	42.1%
Net interest margin	3.19%	3.11%	2.84%	0.08%	0.35%	3.02%	2.42%	0.60%
Net fees and service income to operating income ratio	16.0%	15.9%	18.9%	0.1%	(2.9)%	16.3%	19.8%	(3.5)%
Cost to income ratio	56.0%	45.1%	51.7%	10.9%	4.3%	48.8%	49.7%	(0.9)%
Return on average assets ^{/1}	0.78%	1.00%	0.68%	(0.22)%	0.10%	0.93%	0.67%	0.26%
Return on average equity ^{/1}	6.65%	8.59%	5.92%	(1.94)%	0.73%	8.01%	5.86%	2.15%

^{/1} Attributable to owners of the Bank

Million Baht					
Item	Dec'23	Sep'23	Dec'22	%QoQ	%YTD
Loans	2,671,964	2,723,751	2,682,691	(1.9)%	(0.4)%
Deposits	3,184,283	3,163,297	3,210,896	0.7%	(0.8)%
Loan to deposit ratio	83.9%	86.1%	83.5%	(2.2)%	0.4%
Non-performing loan (Gross NPL) ^{/1}	85,955	94,884	97,188	(9.4)%	(11.6)%
Gross NPL to total loans ratio ^{/1}	2.7%	3.0%	3.1%	(0.3)%	(0.4)%
Allowance for expected credit losses to NPL ratio ^{/1}	314.7%	283.3%	260.8%	31.4%	53.9%
Total capital adequacy ratio	19.57%	19.57%	19.13%	-	0.44%

^{/1} Including interbank and money market lending

In 2023, Bangkok Bank and its subsidiaries reported a net profit of Baht 41,636 million, an increase of 42.1 percent from the previous year due to an increase of 28.0 percent in net interest income as yields on earning assets rose in line with the interest rate environments. This was offset by a continued rise in the cost of deposits driven by an increase in deposit interest rates and the resumption of the Financial Institutions Development Fund (FIDF) fee to the normal rate since the beginning of 2023. As a result, the net interest margin stood at 3.02 percent. Net fees and service income slightly decreased from lower trading volume in stock market, while fees from bancassurance and mutual fund services, and credit card business perform better than last year. Operating expenses rose by 18.5 percent from last year following higher economic activities and partly from expenses to improve operational efficiency. The cost to income ratio stood at 48.8 percent. As part of its continuous prudent management, the Bank's expected credit losses in the fourth quarter of 2023 declined by 18.1 percent from the previous quarter, resulting in the expected credit losses for the year 2023 of Baht 33,666 million, a similar level to last year.

At the end of December 2023, the Bank's total loans amounted to Baht 2,671,964 million, a similar level to the end of last year. Corporate loans increased while commercial and business loans declined. The non-performing loan to total loans ratio remained manageable at 2.7 percent. Under the Bank's continuous prudent management approach, the ratio of the allowance for expected credit losses to non-performing loans remained strong at 314.7 percent.

As of December 31, 2023, the Bank's deposits amounted to Baht 3,184,283 million, a slight decrease from the end of December 2022, while the loan to deposit ratio stood at 83.9 percent. The total capital adequacy ratio, Tier 1 capital adequacy ratio, and Common Equity Tier 1 capital adequacy ratio of the Bank and its subsidiaries stood at 19.57 percent, 16.14 percent and 15.35 percent respectively, comfortably above the Bank of Thailand's minimum capital requirements.

Operating Income and Expenses of the Bank and its Subsidiaries

	Million Baht							
Item	Q4/23	Q3/23	Q4/22	%QoQ	%YoY	Y'23	Y'22	%YoY
Net interest income	35,165	34,130	30,454	3.0%	15.5%	130,860	102,223	28.0%
Non-interest income	7,027	8,443	6,431	(16.8)%	9.3%	36,627	36,672	(0.1)%
Operating expenses	23,621	19,208	19,071	23.0%	23.9%	81,775	69,019	18.5%
Expected credit loss	7,343	8,969	7,914	(18.1)%	(7.2)%	33,666	32,647	3.1%
Operating profit before tax	11,228	14,396	9,900	(22.0)%	13.4%	52,046	37,229	39.8%
Income tax expenses	2,281	2,938	2,257	(22.4)%	1.1%	9,993	7,484	33.5%
Net profit	8,947	11,458	7,643	(21.9)%	17.1%	42,053	29,745	41.4%
Net profit ^{/1}	8,863	11,350	7,569	(21.9)%	17.1%	41,636	29,306	42.1%
Total comprehensive income (losses) ^{/1}	858	11,322	(4,726)	(92.4)%	118.2%	33,172	20,251	63.8%

^{/1} Attributable to owners of the Bank

Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank in the fourth quarter of 2023 of Baht 8,863 million, declining by 21.9 percent from the previous quarter. This was due to operating expenses from seasonality, combined with a decrease in non-interest income from a decline in gains on financial instruments measured at Fair Value Through Profit or Loss (FVTPL) in accordance with the market environment. In addition, expected credit losses declined as the Bank continuously took a prudent approach in setting aside its reserves.

Compared with the fourth quarter of 2022, net profit attributable to owners of the Bank rose by 17.1 percent. In 2023, net profit attributable to owners of the Bank was Baht 41,636 million, an increase of 42.1 percent from the previous year, primarily from an increase in net interest income as yields on earning assets rose following the interest rate trend. This was offset by the cost of deposits which has gradually increased in line with rising deposit interest rates, and the resumption of the Financial Institutions Development Fund (FIDF) fee to the normal rate since the beginning of 2023. Operating expenses increased in line with economic activities and partly from higher expenses for operational efficiency improvement. The Bank set aside the expected credit losses at a similar level to the previous year by maintaining its prudent approach.

Net Interest Income

Net interest income in the fourth quarter of 2023 amounted to Baht 35,165 million, an increase of 3.0 percent from the previous quarter and 15.5 percent from the same quarter last year. In 2023, net interest income amounted to Baht 130,860 million, an increase of 28.0 percent from the rise in yields on earning assets following the interest rates trend. This was offset by a gradual increase in the cost of deposits from rising deposit interest rates and the resumption of the FIDF fee to the normal rate of 0.46 percent at the beginning of 2023. The net interest margin stood at 3.02 percent.

Million Baht								
Item	Q4/23	Q3/23	Q4/22	%QoQ	%YoY	Y'23	Y'22	%YoY
Interest Income								
Loans	40,966	39,786	34,170	3.0%	19.9%	153,619	116,499	31.9%
Interbank and money market items	5,864	5,109	3,221	14.8%	82.1%	20,368	8,169	149.3%
Investments	5,808	5,389	4,017	7.8%	44.6%	20,378	14,420	41.3%
Total interest income	52,638	50,284	41,408	4.7%	27.1%	194,365	139,088	39.7%
Interest expenses								
Deposits	9,778	9,114	6,329	7.3%	54.5%	35,263	19,708	78.9%
Interbank and money market items	1,987	1,661	951	19.6%	108.9%	6,813	2,163	215.0%
Contributions to Financial Institutions Development Fund and Deposit Protection Agency	3,098	3,095	1,700	0.1%	82.2%	12,432	6,800	82.8%
Debt issued and borrowings	2,610	2,284	1,974	14.3%	32.2%	8,997	8,194	9.8%
Total interest expenses	17,473	16,154	10,954	8.2%	59.5%	63,505	36,865	72.3%
Net interest income	35,165	34,130	30,454	3.0%	15.5%	130,860	102,223	28.0%
Yield on earning assets	4.78%	4.58%	3.86%	0.20%	0.92%	4.48%	3.30%	1.18%
Cost of funds	1.86%	1.72%	1.20%	0.14%	0.66%	1.71%	1.02%	0.69%
Net interest margin	3.19%	3.11%	2.84%	0.08%	0.35%	3.02%	2.42%	0.60%

Bangkok Bank Interest Rate	Dec'23	Sep'23	Jun'23	Mar'23	Dec'22	Sep'22	Jun'22	Mar'22	Dec'21
Loans (%)									
MOR	7.550	7.550	7.300	6.900	6.350	6.250	5.875	5.875	5.875
MRR	7.300	7.300	7.050	6.800	6.250	6.250	5.950	5.950	5.950
MLR	7.100	7.100	6.850	6.450	5.850	5.650	5.250	5.250	5.250
Deposits (%)									
Savings	0.450	0.450	0.350	0.500	0.450	0.450	0.250	0.250	0.250
3-month Fixed	1.200	1.200	0.950	0.750	0.600	0.550	0.375	0.375	0.375
6-month Fixed	1.250	1.250	1.050	0.850	0.700	0.650	0.500	0.500	0.500
12-month Fixed	1.600	1.600	1.350	1.150	1.000	0.800	0.500	0.500	0.500
Bank of Thailand Policy Rate (%)	2.500	2.500	2.000	1.750	1.250	1.000	0.500	0.500	0.500

Non-interest Income

Non-interest income for the fourth quarter of 2023 amounted to Baht 7,027 million, decreasing by 16.8 percent from the previous quarter due to a decline in gains on financial instruments measured at FVTPL in line with market environment.

Compared with the fourth quarter of 2022, non-interest income rose by 9.3 percent from an increase in gains on financial instruments measured at FVTPL. Net fees and service income declined by 2.7 percent from loan related fees and the securities business in accordance with market transaction volume.

In 2023, the Bank's non-interest income was Baht 36,627 million, a similar level to last year. Net fees and service income slightly decreased from the securities business in line with lower trading volume in stock market while fees from bancassurance and mutual fund services, and credit card business performed better than last year.

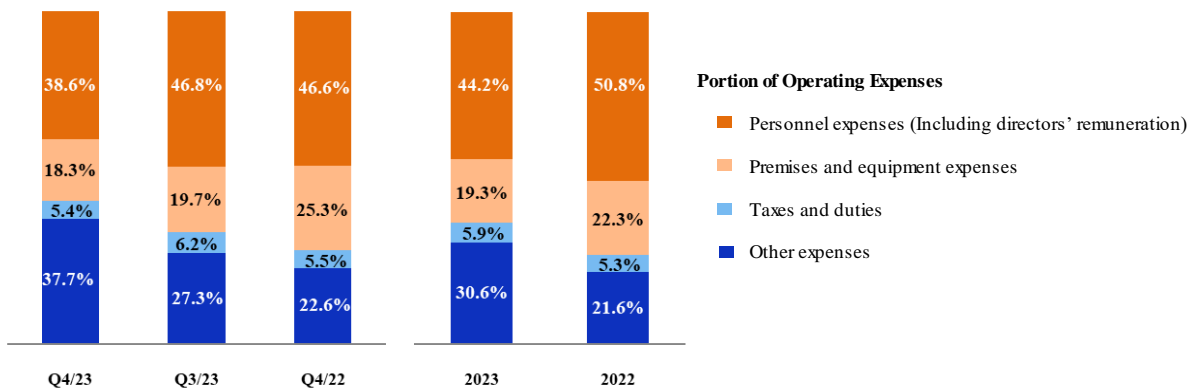
	Million Baht							
Item	Q4/23	Q3/23	Q4/22	%QoQ	%YoY	Y'23	Y'22	%YoY
Fees and service income	10,941	10,536	10,783	3.8%	1.5%	42,899	41,132	4.3%
<u>Less</u> fees and service expenses	4,173	3,763	3,825	10.9%	9.1%	15,665	13,624	15.0%
Net fees and service income	6,768	6,773	6,958	(0.1)%	(2.7)%	27,234	27,508	(1.0)%
Gains (losses) on financial instruments measured at FVTPL	(41)	768	(1,955)	(105.3)%	97.9%	5,544	5,155	7.5%
Losses on investments	(357)	(57)	(646)	(526.3)%	44.7%	(482)	(1,454)	66.9%
Share of profit from investment using equity method	36	45	50	(20.0)%	(28.0)%	187	190	(1.6)%
Gains on disposal of assets	94	69	1,463	36.2%	(93.6)%	864	1,891	(54.3)%
Dividend income	267	636	297	(58.0)%	(10.1)%	2,330	2,307	1.0%
Other operating income	260	209	264	24.4%	(1.5)%	950	1,075	(11.6)%
Total other operating income	259	1,670	(527)	(84.5)%	149.1%	9,393	9,164	2.5%
Total non-interest income	7,027	8,443	6,431	(16.8)%	9.3%	36,627	36,672	(0.1)%
Net fees and service income to operating income ratio	16.0%	15.9%	18.9%	0.1%	(2.9)%	16.3%	19.8%	(3.5)%

Operating Expenses

Operating expenses for the fourth quarter of 2023 amounted to Baht 23,621 million, increasing by 23.0 percent from the previous quarter due to seasonality.

Compared with the fourth quarter of 2022, operating expenses increased by 23.9 percent. In 2023, operating expenses were Baht 81,775 million, an increase of 18.5 percent from last year, in line with an increase in economic activities and partly from expenses for operational efficiency improvement. The cost to income ratio declined to 48.8 percent.

Million Baht								
Item	Q4/23	Q3/23	Q4/22	%QoQ	%YoY	Y'23	Y'22	%YoY
Personnel expenses	9,040	8,941	8,862	1.1%	2.0%	35,921	34,794	3.2%
Directors' remuneration	80	41	26	95.1%	207.7%	246	259	(5.0)%
Premises and equipment expenses	4,320	3,779	4,817	14.3%	(10.3)%	15,738	15,371	2.4%
Taxes and duties	1,269	1,198	1,060	5.9%	19.7%	4,834	3,643	32.7%
Other expenses	8,912	5,249	4,306	69.8%	107.0%	25,036	14,952	67.4%
Total operating expenses	23,621	19,208	19,071	23.0%	23.9%	81,775	69,019	18.5%
Cost to income ratio	56.0%	45.1%	51.7%	10.9%	4.3%	48.8%	49.7%	(0.9)%



Expected Credit Losses

The Bank set aside expected credit losses of Baht 7,343 million in the fourth quarter of 2023 and Baht 33,666 million for 2023 under its prudent approach. Although the overall Thai economy continues to recover, there are external risk factors that need to be monitored, including uncertainties from the global economic recovery and geopolitical conflicts.

Significant Items in the Financial Position

Assets

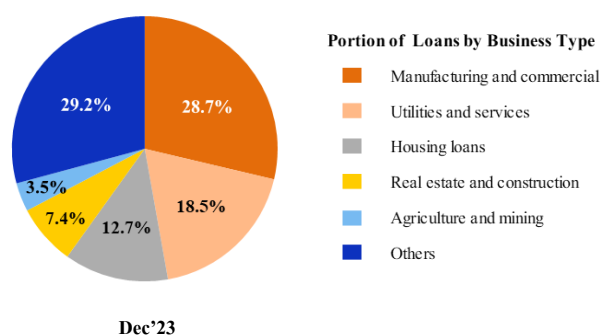
As of December 31, 2023, total assets amounted to Baht 4,514,484 million, a similar level to the end of the previous quarter and the end of last year.

Item	Million Baht				
	Dec'23	Sep'23	Dec'22	%QoQ	%YTD
Net interbank and money market items	757,120	694,436	766,074	9.0%	(1.2)%
Financial assets measured at FVTPL	88,978	84,010	75,036	5.9%	18.6%
Net investments	972,287	971,085	850,151	0.1%	14.4%
Net investments in associates	1,403	1,384	1,421	1.4%	(1.3)%
Loans	2,671,964	2,723,751	2,682,691	(1.9)%	(0.4)%
Net properties for sale	10,929	13,089	12,017	(16.5)%	(9.1)%
Total assets	4,514,484	4,559,185	4,421,752	(1.0)%	2.1%

Loans

As of December 31, 2023, loans amounted to Baht 2,671,964 million, decreasing from the end of the previous quarter. Compared with the end of last year, loans were at a similar level as corporate loans increased while commercial and business loans declined.

Loans by Business Type	Million Baht				
	Dec'23	Sep'23	Dec'22	%QoQ	%YTD
Manufacturing and commercial	766,783	797,351	825,508	(3.8)%	(7.1)%
Utilities and services	495,808	496,981	527,351	(0.2)%	(6.0)%
Housing loans	338,489	341,958	336,256	(1.0)%	0.7%
Real estate and construction	196,673	196,934	196,482	(0.1)%	0.1%
Agriculture and mining	92,721	87,219	88,014	6.3%	5.3%
Others	781,490	803,308	709,080	(2.7)%	10.2%
Total loans	2,671,964	2,723,751	2,682,691	(1.9)%	(0.4)%



The Bank and its subsidiaries had loans distributed across business sectors, with 28.7 percent in the manufacturing and commercial sector, 18.5 percent in the utilities and services sector, 12.7 percent in the housing loans sector, and 7.4 percent in the real estate and construction sector. The decrease in loans from the end of September 2023 was mainly driven by the manufacturing and commercial sector and the others sector. The decrease from the end of December 2022 was mainly driven by the manufacturing and commercial sector and the utilities and services sector, while the others sector increased.



Classified Loans and Allowance for Expected Credit Losses

Non-performing loan (Gross NPL) at the end of December 2023 was Baht 85,955 million, while the gross NPL to total loans ratio stood at 2.7 percent.

The allowance for expected credit losses was Baht 270,539 million. The allowance for expected credit losses to NPL ratio was 314.7 percent.

	Million Baht				
Item	Dec'23	Sep'23	Dec'22	%QoQ	%YTD
<u>Consolidated</u>					
Non-performing loan (Gross NPL) ^{/1}	85,955	94,884	97,188	(9.4)%	(11.6)%
Gross NPL to total loans ratio ^{/1}	2.7%	3.0%	3.1%	(0.3)%	(0.4)%
Net NPL to net total loans ratio ^{/1}	0.7%	0.8%	0.9%	(0.1)%	(0.2)%
Allowance for expected credit losses to NPL ratio	314.7%	283.3%	260.8%	31.4%	53.9%
<u>The Bank</u>					
Non-performing loan (Gross NPL) ^{/1}	71,162	79,175	80,991	(10.1)%	(12.1)%
Gross NPL to total loans ratio ^{/1}	2.6%	2.9%	2.9%	(0.3)%	(0.3)%

^{/1} Including interbank and money market lending

	Million Baht					
Item	Loans and Interbank & Money Market			Allowance for Expected Credit Losses ^{/1}		
	Dec'23	Sep'23	Dec'22	Dec'23	Sep'23	Dec'22
Non-credit-impaired	3,343,700	3,324,208	3,351,508	202,486	193,697	179,648
Credit-impaired	85,955	94,884	97,188	68,053	75,089	73,811
Total	3,429,655	3,419,092	3,448,696	270,539	268,786	253,459

^{/1} Including allowance for expected credit losses of loans, interbank and money market items, loan commitments and financial guarantee contracts

Investments

As of December 31, 2023, investments amounted to Baht 1,061,265 million, the same level as the end of the previous quarter. Compared with the end of 2022, investments increased by 14.7 percent from investments in Thai government and state enterprise securities.

The Bank and its subsidiaries had Baht 622,652 million in investments in Thai government and state enterprise securities, accounting for 58.7 percent of total investments. Foreign debt securities amounted to Baht 230,850 million, and net investment in equity securities amounted to Baht 106,275 million.

	Million Baht				
Investments by Investment Holding	Dec'23	Sep'23	Dec'22	%QoQ	%YTD
Trading securities	14,479	12,774	5,141	13.3%	181.6%
Securities measured at FVTPL	74,499	71,236	69,895	4.6%	6.6%
Debt securities measured at amortized cost	119,464	126,871	88,212	(5.8)%	35.4%
Debt securities measured at FVOCI	757,846	745,833	672,065	1.6%	12.8%
Equity securities measured at FVOCI	94,977	98,381	89,874	(3.5)%	5.7%
Total investments	1,061,265	1,055,095	925,187	0.6%	14.7%

**Liabilities and Shareholders' Equity**

Total liabilities as of December 31, 2023, amounted to Baht 3,983,654 million, decreasing by 1.1 percent from the end of the previous quarter from debt issued and borrowings. Compared with the end of last year, total liabilities increased by 1.8 percent mainly from interbank and money market items.

Million Baht					
Item	Dec'23	Sep'23	Dec'22	%QoQ	%YTD
Deposits	3,184,283	3,163,297	3,210,896	0.7%	(0.8)%
Interbank and money market items	334,219	323,105	262,522	3.4%	27.3%
Financial liabilities measured at FVTPL	18,384	18,622	17,960	(1.3)%	2.4%
Debt issued and borrowings	212,505	243,371	188,302	(12.7)%	12.9%
Total liabilities	3,983,654	4,029,234	3,914,610	(1.1)%	1.8%
Shareholders' equity ^{/1}	528,975	528,117	505,346	0.2%	4.7%

^{/1} Attributable to owners of the Bank

Deposits

Total deposits as of December 31, 2023, amounted to Baht 3,184,283 million, increasing by 0.7 percent from the end of the previous quarter due to all type of deposits. Compared with the end of last year, total deposits slightly decreased from savings and current deposits. The loan to deposit ratio was 83.9 percent.

Million Baht								
Deposits Classified by Product Type	Dec'23		Sep'23		Dec'22		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
Current	283,678	8.9%	278,945	8.8%	302,855	9.4%	1.7%	(6.3)%
Savings	1,680,979	52.8%	1,667,957	52.7%	1,708,362	53.2%	0.8%	(1.6)%
Fixed	1,219,626	38.3%	1,216,395	38.5%	1,199,679	37.4%	0.3%	1.7%
Total deposits	3,184,283	100.0%	3,163,297	100.0%	3,210,896	100.0%	0.7%	(0.8)%
Loan to deposit ratio		83.9%		86.1%		83.5%	(2.2)%	0.4%

*Debt Issued and Borrowings*

Total debt issued and borrowings as of December 31, 2023, amounted to Baht 212,505 million, decreasing by 12.7 percent from the end of September 2023 due to the maturity of USD 500 million worth of senior unsecured notes in October 2023 and the decrease in value of foreign-denominated debentures following the appreciation of the baht.

Compared with the end of last year, total debt issued and borrowings increased by 12.9 percent due to the issuance of senior unsecured notes in September 2023 of USD 1,250 million, divided into USD 500 million worth of 5-year notes and USD 750 million worth of 10-year notes offset by the maturity of the senior unsecured notes in October as mentioned above.

Debt Issued and Borrowings Classified by Type of Instruments	Dec'23		Sep'23		Dec'22		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
	Senior unsecured notes	110,761	52.1%	134,554	55.2%	85,045		
Subordinated notes	100,970	47.4%	107,885	44.3%	101,998	54.1%	(6.4)%	(1.0)%
Bills of exchange	-	-	-	-	413	0.2%	-	(100.0)%
Others	1,018	0.5%	1,205	0.5%	915	0.5%	(15.5)%	11.3%
Total (before less discount on borrowings)	212,749	100.0%	243,644	100.0%	188,371	100.0%	(12.7)%	12.9%
Less discount on borrowings	244		273		69		(10.6)%	253.6%
Total debt issued and borrowings	212,505		243,371		188,302		(12.7)%	12.9%

Million Baht

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of December 31, 2023, amounted to Baht 528,975 million, an increase of Baht 23,629 million or 4.7 percent from the end of 2022. This was due to net profit attributable to owners of the Bank in 2023 of Baht 41,636 million, offset by a dividend payment during 2023 of Baht 9,543 million which consisted of the final dividend payment for the operating performance in 2022 of Baht 5,726 million (3.00 baht per share) according to the resolution of the shareholders' meeting on April 12, 2023 and the interim dividend payment from the net profit from operations in the first half of 2023 of Baht 3,817 million (2.00 baht per share).

Sources and Utilization of Funds

As of December 31, 2023, the Bank and its subsidiaries' primary sources of funds consisted of deposits of Baht 3,184,283 million or 70.5 percent, equity attributable to owners of the Bank of Baht 528,975 million or 11.7 percent, interbank and money market items on liabilities of Baht 334,219 million or 7.4 percent and debt securities issued and borrowing including financial liabilities measured at FVTPL amounting to Baht 230,889 million or 5.1 percent.

The utilization of funds comprised loans of Baht 2,671,964 million or 59.2 percent, net investments including financial assets measured at FVTPL and net investments in associates of Baht 1,062,668 million or 23.5 percent, and net interbank and money market assets of Baht 757,120 million or 16.8 percent.

Capital Reserves and Capital Adequacy Ratio

Under the principles of Basel III, the Bank of Thailand (BOT) currently requires commercial banks registered in Thailand and members of their financial groups to maintain minimum levels of capital adequacy as measured by three ratios: the Common Equity Tier 1 capital adequacy ratio at no less than 4.50 percent, the Tier 1 capital adequacy ratio at no less than 6.00 percent, and the Total Capital Adequacy ratio at no less than 8.50 percent – measured as a percentage of total risk-weighted assets. The BOT also requires a capital conservation buffer of more than 2.50 percent. Since the Bank is classified by the BOT as a Domestic Systemically Important Bank (D-SIB), it must have an additional Common Equity Tier 1 ratio at 1.00 percent for Higher Loss Absorbency (HLA). Consequently, the Bank is required to maintain the Common Equity Tier 1 capital adequacy ratio at more than 8.00 percent, the Tier 1 capital adequacy ratio at more than 9.50 percent, and the total capital adequacy ratio at more than 12.00 percent – measured as percentages of total risk-weighted assets.

As of December 31, 2023, the Bank's Common Equity Tier 1 capital adequacy ratio was 15.35 percent, the Tier 1 capital adequacy ratio was 16.14 percent, and the total capital adequacy ratio was 19.57 percent, which was above the Bank of Thailand's minimum capital requirements.

Consolidated

Million Baht

Item	Dec'23		Sep'23		Dec'22		BOT's requirements
	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	
Common Equity Tier 1 capital	464,060	15.35%	469,721	15.38%	447,590	14.88%	> 8.00%
Tier 1 capital	487,845	16.14%	493,504	16.15%	471,366	15.67%	> 9.50%
Tier 2 capital	103,884	3.43%	104,389	3.42%	104,108	3.46%	
Total capital	591,729	19.57%	597,893	19.57%	575,474	19.13%	> 12.00%

The Bank

Million Baht

Item	Dec'23		Sep'23		Dec'22		BOT's requirements
	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	
Common Equity Tier 1 capital	458,235	16.87%	456,058	16.65%	444,882	16.51%	> 8.00%
Tier 1 capital	481,827	17.74%	479,650	17.51%	468,474	17.38%	> 9.50%
Tier 2 capital	100,500	3.70%	100,494	3.67%	100,807	3.74%	
Total capital	582,327	21.44%	580,144	21.18%	569,281	21.12%	> 12.00%

Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, debt securities, and marketable equity securities. As of December 31, 2023, the ratio of liquid assets to total assets and liquid assets to deposits was 39.5 percent and 56.0 percent, respectively.

Item	Dec'23	Sep'23	Dec'22
Liquid assets/Total assets (%)	39.5	37.5	37.7
Liquid assets/Deposits (%)	56.0	54.1	51.9

Credit Ratings

Details of the Bank's credit ratings are as follows:

Credit Rating Agency	Dec'23	Sep'23	Dec'22
Moody's Investors Service			
Long-term Deposit	Baa1	Baa1	Baa1
Short-term Deposit	P-2	P-2	P-2
Senior Unsecured Debt Instrument	Baa1	Baa1	Baa1
Subordinated Debt Instrument	Baa2	Baa2	Baa2
Subordinated Debt (Basel III-compliant Tier 2 securities)	Baa3	Baa3	Baa3
Subordinated Debt (Basel III-compliant Tier 1 securities)	Ba1	Ba1	Ba1
Financial Strength (BCA)	baa1	baa1	baa1
Outlook	Stable	Stable	Stable
S&P Global Ratings			
Long-term Issuer Credit Rating	BBB+	BBB+	BBB+
Short-term Issuer Credit Rating	A-2	A-2	A-2
Senior Unsecured Debt Instrument	BBB+	BBB+	BBB+
Subordinated Debt Instrument	BBB	BBB	BBB
Financial Strength (SACP)	bbb-	bbb-	bbb-
Outlook	Stable	Stable	Stable
Fitch Ratings			
International Rating			
Long-term Issuer Default Rating	BBB	BBB	BBB
Short-term Issuer Default Rating	F2	F2	F2
Senior Unsecured Debt Instrument	BBB	BBB	BBB
Subordinated Debt Instrument	BB+	BB+	BB+
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+	BB+	BB+
Financial Strength (VR)	bbb	bbb	bbb
Outlook	Stable	Stable	Stable
National Rating			
Long-term	AA+(tha)	AA+(tha)	AA+(tha)
Short-term	F1+(tha)	F1+(tha)	F1+(tha)
Outlook	Stable	Stable	Stable