



**KASIKORNTHAI**

# Management Discussion and Analysis (MD&A)

For the Quarter Ending September 30, 2022

**ธนาคารกสิกรไทย**  
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

## Executive Summary of Management Discussion and Analysis For the Quarter Ending September 30, 2022

The Thai economy in the third quarter of 2022 enjoyed continued growth, driven mainly by the tourism sector and domestic spending. However, the recovery of each industry remained uneven, and the export sector showed signs of a slowdown in line with global economic sluggishness. Moreover, China's fragile economy hampered any potential recovery of Chinese tourist arrivals – the main source of income for Thailand's inbound tourism market. During the remainder of 2022, close attention should therefore be paid to the impact of these factors on the Thai economy in addition to soaring production costs, inflation and interest rates at home.

Amid the turbulent economic environment, KBank and its subsidiaries operated business in alignment with K-Strategy under the principles of a Bank of Sustainability, accounting for the balance of three dimensions – economic, social and environmental – along with good corporate governance, appropriate risk management and effective cost management. In order to empower every customer's life and business, we focused on the development of competitive capabilities that go beyond banking and innovation. All of these endeavors were carried out with the aim of building upon our traditional banking business in order to foster a sustainable bank for enhanced customer responsiveness with a focus on the future of finance and uplift in banking. Through collaboration and synergy with our business partners, we set our sights on becoming a Regional Digital Bank in AEC+3 to broaden opportunities among the general public for improved access to financial services of the banking system. We are determined to provide business opportunities and improve people's quality of life and the society within our ecosystem through funding sources and liquidity enhancement as well as the utilization of KBank products and services.

KBank and its subsidiaries reported net profit for the third quarter of 2022 amounting to Baht 10,574 million, a decrease from the preceding quarter of Baht 220 million or 2.04 percent. Net interest income increased by Baht 1,076 million or 3.36 percent due mainly to interest income from loans to customers. Therefore, net interest margin (NIM) stood at 3.33 percent. Non-interest income decreased by Baht 852 million or 8.97 percent due mainly to a decrease in net premiums earned – net, while the mark to market of financial assets increased in line with market conditions. Other operating expenses slightly increased, by Baht 181 million or 1.00 percent, due mainly to an increase in marketing expenses consistent with rising revenue which was in line with business volume, and an increase in employee expenses. As a result, cost to income ratio stood at 43.73 percent in this quarter. Moreover, KBank and its subsidiaries set aside expected credit loss close to the level of the preceding quarter.

For operating performance during the nine-month period of 2022, KBank and its subsidiaries reported net profit of Baht 32,579 million, an increase of Baht 4,428 million or 15.73 percent compared to the same period of 2021. The increase was derived mainly from net interest income which increased by Baht 8,261 million or 9.32 percent. Therefore, NIM stood at 3.26 percent.. Meanwhile, non-interest income decreased by Baht 5,228 million

or 16.22 percent, due mainly to the mark to market of financial assets in line with the market condition of financial assets, representing normal investment business of subsidiaries, as well as a decrease in net premiums earned – net. Other operating expenses increased by Baht 3,145 million or 6.22 percent. Moreover, we set aside slightly lower expected credit loss compared to the same period of last year which remained at a high level under a prudent approach, taking the various economic factors into account. Our allowance for expected credit loss to non-performing loan (coverage ratio) as of September 30, 2022, was equal to 148.74 percent, which was deemed appropriate, reflecting our ability in asset quality management under close monitoring and assessment of the situation, going forward.

With regard to our capital position, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 19.19 percent, with a Tier 1 capital ratio of 17.21 percent and Common Equity Tier 1 Ratio of 16.20 percent, all of which were greater than the Bank of Thailand's requirement, reflecting our robust capital position which is adequate for continuously operating our business under both normal and stressed situations. Through its efficient capital management, KBank could conduct business with optimal capital structure and effective capital management.

Being aligned with our business strategies, KBank and K Companies gained widespread acceptance and recognition at home and abroad. All of our endeavors were undertaken with prudence and in step with the ever-changing environment, together with awareness of the persistent economic uncertainty. We also assessed the prevailing circumstances, allowing us to devise plans to cope with any potential impacts on our business while also giving our customers support in an efficient and timely manner.

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# 1. Overview of Operating Environment

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## 1.1 Global and Thai Economy in the Third Quarter of 2022

The global economy showed signs of a slowdown in the third quarter of 2022. The economic downturn was exacerbated by policy rate hikes of several central banks to tame inflation which surged in line with soaring oil and commodity prices in the global market. The US Federal Reserve accelerated the rise of its policy rate along with balance sheet reduction. Likewise, the European Central Bank, the Bank of England and several other central banks faced pressures, prompting them to raise their policy rates, although such tightening stance will pose heightened risks to their economic growth. However, the Bank of Japan and the People's Bank of China still maintained a loose monetary policy to support their countries' economic recovery. This move has triggered volatility in foreign exchange movements – a challenge that requires greater attention.

In addition, persistently high inflationary pressure, the upward cycle of policy interest rates, the intensified Russia-Ukraine conflict, and the prolonged COVID-19 situation remained threats to the global economy. Under these circumstances, the International Monetary Fund (IMF) had a cautious view towards the global economic outlook. The IMF maintained its forecast for 2022 global economic growth at 3.2 percent, but downwardly revised its 2023 growth projection to 2.7 percent. The revision was based mainly on the economic outlook of developed countries.

The Thai economy continued to grow in the third quarter of 2022. The growth was driven largely by a recovery in the tourism sector, thanks to the gradual removal of travel restrictions, along with improvement in domestic spending – both household consumption and business investment. However, the gradual economic recovery was hampered by accelerating inflation, production costs and borrowing costs in line with the trend of policy rates that were raised at the recent Monetary Policy Committee (MPC) meetings in August and September. Additionally, the respective recoveries of each industry remained uneven, while the export sector began to show signs of decelerating growth in line with economic trends of Thailand's trading partners.

As for the remainder of this year, the Thai economy will likely be supported by the ongoing tourism recovery and is expected to grow 2.9 percent for full-year 2022. Close attention must be paid to the impact of rising production costs, inflation and interest rates at home on domestic spending, as well as the global economic slowdown which could hamper the export and tourism sector going forward amid pressures from the acceleration of policy rate hikes in many countries, the persistent Russia-Ukraine conflict, and China's fragile growth prospects. Regarding the trend of domestic interest rates, the Bank of Thailand is expected to gradually raise its policy rate to curb inflation risks, particularly if the recovery of Thai economic indicators maintains its momentum, going forward.

## 1.2 Banking Industry and Competition

Thai commercial banks' overall performance in the third quarter of 2022 recorded higher net profit compared to the same period of 2021. The gradual economic recovery helped bolster growth of income from core businesses. Moreover, commercial banks set aside lower expected credit loss compared to the same period of the previous year. Meanwhile, net interest income and net interest margin (NIM) edged up in line with loan growth, reference rate in the market and commercial banks' ongoing focus on funding cost management. In addition, net fees and service income – especially fees related to loans, bancassurance, investment banking and card businesses – increased. However, fees related to capital market slowed somewhat. Regarding asset quality, non-performing loans (NPLs) to total loans of the third quarter of 2022 declined due to commercial banks' acceleration of customers' debt restructuring and proactive NPL management.

At the end of the third quarter of 2022, loans to customers and accrued interest receivables – net at 18 domestically registered commercial banks had risen 2.99 percent from the end of 2021, due mainly to an increase in business loans, especially those granted to large corporate customers, while also increasing 4.61 percent over-year. Meanwhile, outstanding deposits saw increases of 2.04 percent and 3.65 percent compared to the end of 2021 and the same period of last year, respectively. The increases were derived mainly from savings deposit.

For the outlook of the banking industry during the remainder of this year, the ongoing economic recovery could be favorable to loan disbursements, while the rising trend of domestic interest rates would be supportive to growth of net interest income. However, uncertain economic circumstances both at home and abroad will pose a major risk to a recovery of income earned from other businesses. Therefore, commercial banks remain compelled to closely monitor customer status, while also maintaining the level of expected credit loss that is appropriate for the prevailing business environment.

## 1.3 Significant Regulations and Rules related to Business Operations

Significant regulations and rules that may have affected KBank's and K Companies' business operations included:

- **Measures to Support the Granting of Loans to Business Operators**

The Bank of Thailand issued Notification No. SorKorSor1. 1/2565 (2022) Re: Measures to Support the Granting of Loan to Business Operators under the Emergency Decree on the Assistance and Rehabilitation of Business Operators Impacted by the Spread of the COVID-19 Pandemic, B.E. 2564 (2021) (No. 3) dated August 10, 2022, effective September 1, 2022.

Salient points of this Notification involve revised criteria for soft loan facility wherein "loan for business adjustment" has been added. This type of loan features a term loan, the objective of which is investment in or improvement or development of machinery, equipment, and tools as well as systems or processes to ensure enhancement of business capability, allowing borrowers to remain competitive and operate business in a

sustainable manner in step with the 'new normal' context which includes the digital transformation trend, "green" business practices and innovation.

Financial institutions are allowed to grant loan for business adjustment up to Baht 150 million (including loan for business rehabilitation and soft loan facility) to pandemic-stricken business operators. Calculation of this loan amount shall be based on credit limits held at each financial institution for business operators having credit line as of February 28, 2021. For those who had no credit line with any financial institution as of February 28, 2021, credit limits at all financial institutions shall be counted.

#### ● **Non-Performing Assets**

The Bank of Thailand issued Notification No. SorNorSor. 5/2565 (2022) Re: Non-Performing Assets, dated August 31, 2022, effective September 24, 2022, which revised criteria for standardization of non-performing assets (NPA) to ensure greater flexibility in coping with economic impacts from the COVID-19 pandemic which have proven to be a hindrance for disposal of NPAs, potentially leading to the transfer of more NPAs to financial institutions. Major points for the revised criteria are as follows:

- Criteria for counting a possession period: The date of NPAs acquired from debt repayment in all cases shall be based on the date the ownership transfer is registered. Possession period of all NPA items is equal (five years per the Financial Institution Business Act, and an additional five years is granted per this Notification). The NPA possession period shall not be counted during the time when rights to the assets cannot be fully exercised.
- Criteria for loan loss provisioning: Possession period of NPAs during 2022-2023 shall not be counted, and financial institutions are not required to set aside additional provisioning during said period. For NPAs under possession in the ninth and tenth year, financial institutions are required to set aside provisioning at the rate of 20 or 50 percent of the appraised value or book value, whichever is lower, respectively.
- Criteria for relaxation of NPA possession period in general: If NPAs cannot be disposed of within the specified period and have qualifications per the criteria as determined by the Bank of Thailand, financial institutions are allowed to dispose of such NPAs within five years after the hindrance disappears.

#### ● **Rules, Conditions and Procedures for Undertaking Digital Asset Businesses**

The Office of the Securities and Exchange Commission issued Notification No. GorThor. 19/2561 (2018) on Rules, Conditions and Procedures for Undertaking Digital Asset Businesses (as amended) which compiles all amendments to previous Notifications. Major points of this Notification, effective in the third quarter of 2022, can be summarized as follows:

**1. Arrangement of training or test of knowledge for customers and submission of report on service quality:**

Digital asset business operators including digital asset exchange, digital asset brokers and digital asset dealers are required to arrange for training or test of knowledge for their clients to ensure their knowledge and understanding of investment in digital assets, which must be appropriate for and consistent with their risk appetite. Business operators are required to submit reports on service quality and IT usage capacity to the Office of the Securities and Exchange Commission and disclose to the public for the sake of customer protection, ensuring that data shall be available for their decision-making in using the service. This requirement was effective July 1, 2022.

**2. Criteria for advertisement of digital asset business operators:**

Digital asset business operators are required to publish the advertisement with appropriate content, proportion of content and method of presentation to ensure that customers will receive the necessary data which is beneficial to the use of services provided by digital asset business operators or the decision-making for investment in digital assets. This criteria, effective September 1, 2022, contains the following major points:

- Advertisement shall not be false, exaggerating, or distorting or concealing the facts or misleading in material aspects.
- Advertisement must display prescribed warnings about investment risk and complete data for the benefits of making informed decision.
- Advertisement of cryptocurrency must be made through the business operator's official channels only.
- Business operators must ensure that advertising agencies or producers shall comply with regulatory requirements.
- Business operators must submit advertisement detail to the Office of the Securities and Exchange Commission for approval.

● **Determination of Additional Types of Digital Asset Business**

**1. Determination of digital asset custodial wallet provider to be a digital asset business:**

The Ministry of Finance and the Office of the Securities and Exchange Commission issued regulation that determines Digital Asset custodial wallet provider (DA custodial wallet provider) to be a digital asset business. DA custodial wallet provider means a person who provides digital asset safekeeping or a custodial service, and/or provides a service that fully or partial manages cryptographic key or confidential data required to make transfer or transaction in digital assets. DA custodial wallet provider must be securities companies, commercial banks or other financial institutions as determined by the Securities and Exchange Commission, Thailand Securities Depository Company Limited, or a newly established company for the purpose of undertaking DA custodial wallet provider business, and shall not be an operator which has been granted a license to operate other digital asset businesses. This requirement became effective July 13, 2022.



(Source: Notification of Ministry of Finance regarding Determination of Other Digital Asset-related Businesses to be a Digital Asset Business (No. 2) B.E. 2565 (2022)

Notification of Ministry of Finance Re: Permission for Undertaking Digital Asset Businesses (No. 3 B.E. 2565 (2022)

Notification of the Securities and Exchange Commission No. GorThor. 26/2565 (2022) Re: Determination of Characteristics of Services Not Deemed as Digital Asset Custodial Wallet Provider)

## 2. Criteria for undertaking digital asset custodial wallet provider business:

The Securities and Exchange Commission issued rules for undertaking digital asset custodial wallet provider business, effective September 16, 2022, which contain the salient points as follows:

- **DA custodial wallet provider must have initial registered capital of Baht 50 million and shall maintain net capital (NC) at more than Baht 25 million, or total value of 100 percent of the digital asset value in the hot wallet and not less than 2 percent of the digital asset value in the cold wallet.**
- **DA custodial wallet provider must operate business under the same standards as those of other digital asset business operators.** However, additional specific work systems must be in place, including segregation of client assets, registry for the deposit and safeguarding of customers' digital assets, and a system to accommodate the determination of conditions for digital asset transfer.
- **DA custodial wallet provider is prohibited from providing services to any digital asset business operator having a relationship** in the manner that may cause lack of independence.

(Source: Notification of the Securities and Exchange Commission No. GorThor. 27/2565 (2022) Re: Rules, Conditions and Procedures for Undertaking Digital Asset Businesses (No. 18)

Notification of the Securities and Exchange Commission No. GorThor. 20/2565 (2022) Re: Determination on Paid-up Registered Capital for Applicant for License to Operate Digital Asset Businesses (No. 2))

KBank has acknowledged and complied with all relevant regulatory requirements.

## 2. Risk Management and Risk Factors

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### 2.1 Credit Risk Management

In the third quarter of 2022, the easing COVID-19 situation prompted the government to relax its control measures, which was a boon to the Thai economy, especially the tourism sector. However, the protracted Russia-Ukraine conflict continued to loom over the global economy, thus impacting Thai exports and imports. This situation led to a continued rise in production costs and households' cost of living. Under these circumstances, borrowers' debt servicing ability was deteriorating.

KBank assessed and kept close watch on business adaptation trend in each industry. To this end, the environmental, social and governance (ESG) issue has been integrated into our credit assessment, with a focus on intensifying climate change which requires collaboration from the business sector during the transition to a net zero society. We also closely monitored quality of loan portfolios via various indicators under appropriate risk management guidelines, including risk identification, risk-based customer classification and prioritization of customer assistance in alignment with the sustainable relief measures under government and KBank policy, including efficient NPL management, especially through NPL sales as an option for proper asset quality management.

Regarding guidelines for credit extension for retail customers, KBank focused on increasing their opportunity to access loans appropriately, to avoid overleveraged situations in alignment with responsible lending principles. We thus developed tools for examining and assessing our customers' income and debt obligations to ensure accuracy, completeness and recentness of data. We also established a suitable debt service ratio, ensuring that our customers still have sufficient income for living after monthly installments are made.

KBank also focused on the improvement of loan approval guidelines, risk indicators, customers' early warning sign detection and behavior monitoring to ensure efficient credit risk management and monitoring processes. Our officers have worked with borrowers having problems with debt repayment to promptly give them advice and consultation, ensuring that appropriate debt resolution packages are offered to them in a timely manner, thus mitigating potential losses for both the borrowers and KBank. These efforts help to ensure that customers can regain their footing and continue their businesses with improved financial standing and debt servicing ability under the new conditions for debt repayment.

Meanwhile, KBank has employed dynamic provisioning management to adequately set aside expected credit loss which is in line with our prudent business operations amid ongoing economic uncertainties. KBank has also focused on portfolio management to control credit concentration within the established limits. Loan growth targets have also been established in alignment with prevailing economic conditions in order to maximize returns under a sound risk appetite.

## 2.2 Market Risk Management

The improvement of the COVID-19 situation was helping to drive a global economic recovery. Unfortunately, the Russia-Ukraine war triggered volatility among money and capital markets worldwide. The situation also prompted the inflation rate in many countries to rise sharply. As a result, central banks across the globe opted to implement tightening monetary policy. As evidenced, the Federal Reserve hiked its policy rate twice in the third quarter, from 1.50-1.75 percent to 3.00-3.25 percent, while also signaling further increases throughout the remainder of this year. Consequently, the US Dollar strengthened sharply, whereas the Thai Baht softened to Baht 38 per USD. The Fed's continued hawkish stance brought several economies to the verge of recession. Meanwhile, the Bank of Thailand raised its policy rate twice, from 0.50 percent to 1.00 percent.

Amid volatile money and capital markets, KBank is closely monitoring the surrounding circumstances while continuously analyzing and assessing possible impacts of changes in market rates to ensure that effective actions are taken appropriately and in a timely manner to cope with such volatility. KBank has also placed importance on efficient risk management under the supervision of the Risk Oversight Committee, Market Risk Management Sub-committee and Enterprise Risk Management Division, to maintain risk within specified, prudent limits.

## 2.3 Liquidity Risk Management

In the third quarter of 2022, KBank's liquidity remained ample, being almost unchanged from the end of the previous quarter. Outstanding loan and deposit dropped slightly. Despite gradual economic improvement, buoyed by recovering industrial production and tourism in this quarter, the protracted Russia-Ukraine rift adversely affected money and capital markets worldwide while continuing to loom over global economic growth.

KBank remains vigilant while closely monitoring and analyzing related developments. We have prepared and considered options appropriate for management of Baht and foreign currency liquidity to prevent any potential liquidity constraints. Subject to our regular reviews and improvements in liquidity risk management processes at KBank, these actions are consistent with economic circumstances and rapid changes in financial asset prices. We continue to emphasize proactive risk management via the supervision of the Risk Oversight Committee, Assets and Liabilities Management Sub-committee and Enterprise Risk Management Division to maintain risk within specified limits. In addition, we are watchful for any potential impacts on our loan level, deposits and liquidity, both short- and long-term, to ensure that we adopt appropriate fund-raising strategies.

### 3. Business Directions and Operations of Core Businesses

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#### 3.1 Sustainable Development and Corporate Governance

In the third quarter of 2022, the Sustainable Development Sub-committee approved sustainable development operations which were proposed to the Corporate Governance Committee for acknowledgement.

Major operations are as follows:

- Becoming a signatory to the Partnership for Carbon Accounting Financials (PCAF), which is an initiative under the cooperation of the global financial sector that enables financial institutions to formulate standards for calculating greenhouse gas emissions (GHG) financed by loans and investments. It also includes setting up guidelines for data disclosure in alignment with the international standards and helps developing skills and expertise to KBank staff in alignment with KBank's ESG strategies and Net Zero Commitment.
- Formulating a sector strategy and conducting regular assessments and reviews of the strategy with the aim of achieving net zero in our financed portfolio. KBank has established a plan to stop financing projects of the coal-fired power generation industry within 2030. For the oil and gas industry, we have a policy of offering financing, investment and obligations to upstream businesses which include exploration, drilling and production, within the scope of the Sustainable Development Scenario (SDS) in alignment with Thailand's directions. KBank has also granted support to investment in carbon capture and storage technology, and addition of or conversion to other low-carbon energy sources.

During the first half of 2022, the Climate Pillar working group made progress in their operations to achieve net zero commitment in accordance with the set target. This included GHG reduction of our own emissions, reduction of GHG emissions of the power generation industry, formulation of sector strategy, financial support granted to the electric vehicle industry, green loans offered to retail and SME customers, as well as communications on green loans and development of innovations beyond financial solutions.

Meanwhile, KBank participated in a project to promote GHG reduction in the business sector through learning the use of science-based targets (SBT) for 2022. This project was initiated by the Center of Excellence for Eco-Efficiency Faculty of Engineering, Thammasat University, and the Thailand Greenhouse Gas Management Organization (Public Organization). We also took part in the Climate Action Leading Organization initiative under the cooperation of the Thailand Greenhouse Gas Management Organization (Public Organization) and the United Nations Framework Convention on Climate Change (UNFCCC), reflecting our intention to lead in GHG management. Moreover, KBank won an 'Excellence' award under the Low Carbon and Sustainable Business Project from the Thailand Greenhouse Gas Management Organization (Public Organization) for the second consecutive year.

KBank is determined to continuously operate our business in line with good corporate governance principles. We emphasize corporate governance practices which encompass transparency, accountability and

business ethics, taking all stakeholders into account. Our major Corporate Governance operations in the third quarter of 2022 included:

- Providing the opportunity for all shareholders to propose qualified candidates for nomination as KBank directors and to propose issues for inclusion in the agenda of the 2023 General Meeting of Shareholders;
- Organizing KASIKORNBANK Directors Workshop: Board Retreat 2022, titled “Strengthening the Core and Going Beyond the Core”, to provide KBank business directions together with sharing opinions and recommendations on K-Strategy for 2023-2025 through the perspectives of four major stakeholders, namely customers, employees, regulators and investors. On this occasion, views on roles of technology on financial business were also discussed, especially artificial intelligence (AI) which can learn users’ behaviors so as to maximize the use of AI via Metaverse, with the aim of bolstering our competitiveness and broadening business opportunities for KBank;
- Organizing training courses on Governance, Risk Management and Compliance (GRC) for executives and employees via Microsoft Teams;
- Communicating with directors on knowledge relevant to the discharge of directors’ duties regarding corporate governance and sustainable development, via CG Journal and KBank Bulletin;
- Communicating with directors, executives and employees on prevention of insider trading;
- Communicating on the Anti-Corruption Policy to ensure continued and proper implementation within and outside the organization;
- Communicating with customers on the “SATI” campaign to build awareness and protect themselves against cyber threats ;
- Conducting phishing drill exercises on a continual basis by sending fake emails to executives and employees as a way to train them on how to cope with the situation.

### **3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK**

KASIKORNBANK has established business directions and strategic plans in accordance with the principles of a Bank of Sustainability, accounting for the balance of three dimensions – economic, social and environmental – under good corporate governance, appropriate risk and cost management. In order to empower every customer’s life and business, we prioritize offering total solutions, with attentive and inclusive services anywhere, anytime, responsive to the needs of customers and society as a trustworthy service provider under the single brand of KASIKORNBANK. Our endeavors are achieved through collaboration and synergy with other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, startup firms and our business partners.

KBank still focused on development of competitive capabilities in a technology-driven business world that goes beyond banking and innovation. In parallel, we continued to build upon our traditional banking

business in order to improve customer responsiveness and strengthen our service experience in sync with the ever-evolving technology, consumer behavior and environment. All of these endeavors were carried out in order to foster a sustainable bank in alignment with the K-Strategy. KBank focuses on the future of finance and uplift in banking to be in step with the ever-changing technology, consumer behavior and KBank policy of supporting a green business through collaboration and synergy with our major business partners in order to provide total solutions for enhanced efficiency. Notable initiatives included:

- **The “GO GREEN Together” Project:** KBank continued the ‘Green Zero’ loan program as part of our efforts to encourage all Thais to take collaborative action to create a “green society” in order to achieve Thailand’s net zero goals. To this end, we introduced the Green Home Loan program offering full loan amount with interest rates starting at 2.83 percent for three years to buyers of energy-saving homes under housing projects of Britania Public Company Limited, Origin Gunkul Energy Company Limited, Property Perfect Public Company Limited and Textile Gallery Company Limited. Moreover, KBank teamed with the Electricity Generating Authority of Thailand, PEA ENCOM Smart Solution Company Limited, Supalai Public Company Limited and INNOPOWER Company Limited in launching the SolarPlus project which aims to install solar rooftops for households free of charge. In the initial stage, the project was implemented at Supalai housing estates. Another notable initiative was our collaborative effort with Home Product Center Public Company Limited (HomePro) in organizing the Green Zero home loan campaign for customers who install solar panels with HomePro. Under the campaign, homebuyers will be offered a loan amount of up to 90 percent of collateral value with loan term of up to 30 years plus interest-free repayment for three months.
- **Virtual Influencer:** KBank introduced “Ken” and “Kazie” – virtual influencers on all @KBank Live channels, including Facebook, Instagram, Twitter, TikTok and LINE – to share stories, spark inspirations and advance ideas in financial matters, lifestyle, technology and the environment.
- **Upgrade of Moh Prompt application:** KBank teamed with the Ministry of Public Health, The Thai Red Cross Society, Internet Thailand Public Company Limited (INET), and SCG Logistics Management Company Limited in elevating the status of the Moh Prompt application to be Thailand’s digital health platform for the general public. To this end, data in the application has been classified to make it easier for users, with displays of health-related records which link to treatment networks, digital health certificate, and e-payment.

Our strategic imperatives that aimed to meet the needs of our customers both at home and within the AEC+3 region in third quarter of 2022 are as follows:

### 3.2.1 Payment Service

KBank intends to dominate digital payment across all platforms with the aim of embedding in customers’ ecosystems. Focus is on development of payment innovations with enhanced security and reliability to

comprehensively meet the needs of business and retail customers. Major products and services offered are as follows:

- **KBank Service:** We added KBank Service locations to provide greater convenience to customers who have a KBank deposit account. Through cooperation with Sabuy Technology Public Company Limited, our customers can make deposit/withdrawal at SABUY Counter and Shipsmile franchised shops offering parcel delivery services under SABUY with fee waiver for transactions conducted via participating outlets. In addition, KBank worked with Forth Smart Service Public Company Limited (FSMART) to facilitate retail customers from Laos, Cambodia and Myanmar who have a KBank deposit account in conducting deposit, withdrawal, funds transfer and bill payment transactions at Boonterm kiosks.
- **Promotion of YouTrip Multi-Currency Card** – a digital wallet for travel that accommodates multiple currencies: In this quarter, KBank focused on pricing strategy through waivers of application and annual fees, conversion fee of 2.5 percent and fee for cash withdrawal at ATMs in other countries. Along with this, we offered a notification service for all spending transactions. As a result, the number of new card applications and the volume of spending via the card rose substantially, especially after international travel and economic activity started to return to normalcy following the improvement of the COVID-19 situation. Moreover, the softening Euro prompted higher demand for currency exchange for storing value in the Card, compared to the previous quarter.

Meanwhile, KBank launched various campaigns to appeal to target customers. For instance, the “Smile Broadly with YouTrip – Swipe-Tap-Pay Globally and Get Best Rates Ever!” campaign was introduced to travellers, offering them attractive and competitive foreign exchange rates after the country’s reopening. In order to attract students wishing to further their study abroad – another target group – we also worked with British Council to offer cash back to those applying for the Card during the orientation for study in the United Kingdom. Moreover, KBank introduced various campaigns to promote domestic travel such as the offering of a Baht 100 gas coupon when making payment via the Card for refueling, exclusive privileges via the YouTrip Perks feature and special deals plus discounts and cash back offered by our leading partners in the e-commerce and travel business.

- **Introduction of K MY DEBIT (BIZ) with modern design:** Application for the debit card can be made via K PLUS. Existing debit cardholders with high spending volume were entitled to a discount on application and annual fees, while those wishing to shift to K MY DEBIT (BIZ) received e-coupons and K Points. To promote greater debit card use, holders of K-Debit Card of any type who had never previously spent via card were offered e-coupons under the established conditions for their first purchase of not less than Baht 800 at After You dessert shop.
- **Promotion of e-payment:** We focused on promoting the use of e-payment via K PLUS shop for both physical and online stores which accept payment via Thai QR Payment, QR Credit Card for Visa, Mastercard and UnionPay, Alipay and WeChat Pay – the Chinese e-wallets, QR code scanning with

payment made via K Point and mPOS card accepting machine under the PCI Software-based PIN entry on Commercial off-the-shelf devices (SPoC) – a world-class security standard – as well as QR API connection.

In this quarter, KBank streamlined the process for activating QR Credit Card and mPOS card accepting machine, allowing merchants to do it by themselves. In parallel, we provided Xpress Loan and many more benefits via our collaboration with business partners such as BentoWeb, an online shop system; FoodStory, a restaurant management system program; StoreHub, an all-in-one POS system for store management; and Zort, an order and inventory management platform. We have continually conducted PR campaigns in order to promote greater use of services while responding to the needs of target merchants. Moreover, KBank developed cross-border QR payment which can be made via mobile banking application to provide greater convenience to travellers from AEC countries visiting Thailand.

- **Development of K-Merchant:** We focused on developing K-Merchant so as to accommodate the steady increase in payment via KBank's Electronic Data Capture (EDC) machine, as evidenced by its greater use across various businesses. To this end, K Pay Later – which offers a credit line for installment payment for goods and services – is available via EDC machines of large organizations such as hospitals, large service stations, and retail stores. Meanwhile, we established different control limits for card accepting amount of new and existing merchants, and limits for full payment and payment under installment plan as well as for different payment formats, as part of our effort in preventing merchant fraud risk, especially in the event of suspicious card accepting transactions.

KBank also introduced Android EDC machines together with PIN Pad to convenience stores to accommodate its branch expansion. We also provided traditional EDC machines which were no longer in use to other small stores for machine rotation.

- **K-Payment Gateway:** To help reduce IT system development-related expenses for our SME clients who conduct their business via e-commerce or social commerce platforms, we have added a channel for collection service application via Bento Web – an online shop system which provides comprehensive tools for store management, ranging from accepting purchase orders to receiving payment via social media and mobile devices.
- **Development of Corporate Payment API service:** Customers can make real-time funds transfer to recipients' accounts, which can be a KBank account, other banks' account or PromptPay account, at any time. In this quarter, KBank provided the API service to e-commerce and cryptocurrency exchange operators. Also, we plan to expand the service to customers in insurance and auto hire-purchase businesses.
- **Integration of Online Direct Debit service** for gold trading companies to facilitate their retail customers in trading and saving gold through applications and websites. Initial investment is only Baht 500.



- **Promotion of bill payment via digital channels:** We continually launched promotional campaigns in collaboration with our partners in various businesses such as telecom, e-commerce and e-wallet.

### 3.2.2 Lending

KBank has reimagined commercial and consumer lending. Our focus is on the offering of digital lending with the aim of expanding the small-pocket customer segment. We have conducted data analytics based on financial transaction data of our customers and counterparties within business chains in order to acquire customers with sound debt servicing ability who are interested in borrowing, while also considering risk-based pricing to ensure cost effectiveness and enhanced risk management efficiency. Along with this, we developed electronic channels for service application and transactions to provide greater convenience for business customers. In this quarter, KBank raised interest rates on low-yield loans offered to certain types of businesses in response to the upward trend of interest rates and funding costs. Major initiatives include:

- **Personal loan products:** We introduced K Pay Later to offer credit line for the purchase of consumer goods to low-income retail customers, especially freelancers, small vendors, and wage earners, to give them improved access to formal loans issued in a legal and fair manner. Loan amount is granted up to Baht 20,000 for minimum purchase amount of Baht 30, with installment payments of up to five months.
- **Assistance measures for retail and SME customers:** We focused on aiding financially vulnerable customers who have credit limits of not more than Baht 2 million for each KBank product and have never been classified as NPL. To this end, KBank has offered a 10-percent reduction of monthly installment payment amount for 12 months to customers of business loans, Xpress Loan, Home Loan and Xpress Cash. Meanwhile, customers of credit card loan and Xpress Cash are allowed to make a minimum payment of 5 percent for 12 months.
- **Home loan campaign:** KBank launched the “GRAND SALE” promotion campaign for pre-owned homes wherein customers were offered loan amount of up to 110 percent with interest-free installment payment for six months plus waiver of home transfer fee up to Baht 300,000.

### 3.2.3 Investment and Insurance

KBank aims to democratize investment and insurance, targeting previously inaccessible groups. We provided advisory services with collaboration between KASIKORNBANK FINANCIAL CONGLOMERATE and our business partners. Along with this, KBank has developed investment platforms to facilitate our customers in making their own informed investment decisions. Major products and services were launched, as follows:

- **Mutual funds:** KBank recommended fixed income funds, namely K SF Fund (K-SF) and Term Funds. These funds serve as alternative investment amid volatility in the money and capital markets in order to cope with accelerating inflation

For High Net Worth Individual customers, KBank recommended investment that focuses on risk diversification through the launch of mutual funds under the K-ALLROAD Series theme. We also advised them to invest in alternative assets, especially private real estate, which is among uncorrelated assets of which value is quite resilient in the face of money market volatility. Customers can invest in this asset class via mutual funds of KASIKORN ASSET MANAGEMENT Company Limited and other asset management companies under the open architecture format.

KBank also provided advisory service catered for each individual client via our private bankers. In parallel, we equipped our customers with relevant knowledge via online channels such as KBank Private Banking YouTube Channel and LINE Official Account. Other notable forums included seminars including “Private Real Estate: Becoming Global Landlords” and “Investing in Uncertain Times” as well as the panel discussion titled, “Investment for Sustainability: Transition or Extinction” which highlighted the importance of environment and sustainability wherein mutual funds focusing on sustainability for the environment and the world were introduced to investors.

- **Life insurance products:** KBank introduced Life Insurance Endowment 5/3 which features a 5-year insurance plan with premium payment for only three years, plus a 2-percent cash benefit each year – for affluent customers who prefer short-term savings and guaranteed fixed returns throughout the insurance contract. We also offered Life Insurance Whole Life 99/1 which features a 99-year insurance plan with single premium payment, plus a 2.25-percent cash benefit per year – to High Net Worth Individual customers seeking wealth transfer and inheritance tax planning.

### 3.2.4 International Business Operations

KBank intends to become the leading regional digital bank by aggressively expanding its business in the AEC+3 market in accordance with its Asset-Light Digital Banking Strategy. The strategy focuses on a business partnership model by investing in and cooperating with local technology companies and startup businesses in order for KBank to make progress in terms of networks and service technologies that are more responsive to the needs of users.

KBank's regional operations are governed by three key strategies. The first strategy involves an aggressive expansion in corporate lending. Second is the expansion of the customer base through digital channels in collaboration with the bank's partners, with the ultimate goal of becoming a regional payment platform. Last but not least, new products will be developed to serve customers with limited access to bank services (Underbanked), a substantial customer base in this region. Specifically, these new products are digital lending with alternative data, which can be further developed and extended to Banking-as-a-Service businesses. This quarter's major initiatives are as follows:

1. **The Socialist Republic of Vietnam:** KBank is the first foreign bank in Vietnam to offer comprehensive "digital product solutions" to all customer segments, including local and foreign investors. By leveraging K PLUS Vietnam, we intend to establish a digital lifestyle ecosystem for retail customers across the nation, while also

expanding our digital loans through partnerships with local startups in industries with high growth potential, such as EdTech, FinTech, HealthTech, and ESG-Tech. The following are major initiatives:

- Established KBTG Vietnam on July 1, 2022, to support technological development of K PLUS service, primarily for the Ho Chi Minh City Branch.
- Acquired retail customers to expand K PLUS Vietnam's customer base, which exceeded 150,000 users, by introducing a new feature that enables users to create multiple accounts on the application for greater convenience.
- Launched K Pay Later to meet the needs of our customers, particularly low-income and self-employed groups with limited access to financial services.
- Installed 176 electronic data capture (EDC) machines in various stores to provide K-Merchant channel. In addition, we offered real-time QR code payments through the One Pay application, which facilitates payment acceptance and enables KBank to reach new customer segments.

2. **The Republic of Indonesia:** KBank will increase our shareholding ratio in PT Bank Maspion Indonesia Tbk via investment of KASIKORN Vision Financial Company Limited (KVF) from the previous 9.99% stake since 2017. After the acquisition, KBank will own a minimum of 67.5% of the total shares outstanding. By the end of 2022, relevant agencies are expected to approve this transaction.

### 3.2.5 Service Channels

To ensure a positive customer experience anywhere, anytime, KBank focused on providing seamless online and offline services of both KBank and our business partners. We have orchestrated ecosystems with our partners while also developing our core service channels for enhanced efficiency in accessing customers to deliver impressive services with the greatest cost effectiveness. Major initiatives are as follows:

1. **Branch Network:** KBank recognizes the importance of ever-evolving customer behavior and the increased use of digital technology for financial services. We supported the use of technology for development of services and branches' internal processes for enhanced efficiency under appropriate cost to ensure improved customer accessibility in using services anywhere, anytime, in alignment with the daily routines and lifestyles of all customer segments. To this end, KBank developed multiple service channels with different roles and service scopes and adjusted branch models to align with customers' needs in each area nationwide. Along with this, we continued to focus on expanding service channels through collaboration with our business partners while consolidating branches to reduce redundancy, especially those with relatively low traffic.

In this quarter, we opened one hybrid branch at Central Chanthaburi Branch, putting the total number of hybrid branches to 16, in order to provide greater convenience via self-service electronic machines. We also offered service via five K PARK locations, and one mini-branch which shares the space of our business partners to provide basic services. For broader service coverage of KBank Service at targeted areas in each province across the country, KBank Service locations via banking agents and machine agents, namely Boonterm, Term Sabai and Term Dee kiosks to provide cash deposit, withdrawal, bill payment and identity verification for

electronic account opening as well as other services available by different agents. To promote greater use of KBank Service, we launched a campaign offering a waiver of deposit fee nationwide via participating stores of our partners.

Moreover, KBank remodeled the Siam Square Branch building to be the “Innovative Iconic Green Building” – a branch of the 5.0 era under the KLOUD by KBank project in alignment with the Bank of Sustainability concept. The building comes with design, functions and technology which all accommodate the lifestyles and participation of customers in this neighborhood while providing spaces for holding activities to promote learning and creativity of the new era. All customers, students and the general public are invited to use the service free of charge.

Meanwhile, KBank gradually opened 11 new foreign exchange booths at airport terminals, Airport Rail Link Suvarnabhumi Station and Airport Rail Link Phayathai Station including those in other areas where the number of foreign tourists has increased significantly – totaling 50 locations, as well as at branches nationwide. Moreover, 11 automated currency exchange machines are now available. Of this number, three new machines were installed at Suvarnabhumi Airport.

KBank has 16 overseas branches, including locations in the People's Republic of China, the Lao People's Democratic Republic, the Kingdom of Cambodia, the Socialist Republic of Vietnam, the Republic of Indonesia, the Union of Myanmar, Japan, and the Cayman Islands (United Kingdom Overseas Territory). In addition, we have fostered partnerships with eighty other financial institutions in fourteen countries, both within and outside the AEC+3 region.

#### Branches and Financial Service Network

Domestic	Number of Locations		International	Number of Locations	
	Sep. 2022	Jun. 2022		Sep. 2022	Jun. 2022
Branch Network <sup>1)</sup>	828	830	Branches of Locally Incorporated Institutions	6	6
Foreign Exchange Booth	73	73	KASIKORNTHAI BANK LIMITED (Lao PDR)	2	2
THE WISDOM	79	79	KASIKORNBANK (CHINA) CO., LTD.	4	4
SME Business Center <sup>2)</sup>	179	179	Branches	4	4
International Trade Service Center	58	58	Representative Offices	6	6
Cheque Direct Service	15	15			

Note: <sup>1)</sup> Excluding seven branches classified as other branch platforms per the Bank of Thailand's conditions

<sup>2)</sup> More than one SME Business Center may be located in a single branch.

## 2. Electronic Network:

- **K-ATMs and K-CDMs:** Location of machines has been a major focus with sufficient service points to ensure broader coverage. Along with this, we teamed with our business partners in developing functions on these electronic machines for enhanced customer responsiveness. Currently, identity verification function is available for the opening of K-eSavings account and application for various services, namely LINE BK, K Pay Later, opening of a fund account and activation of Blue CONNECT e-wallet. In addition, we gradually added

more languages for conducting transactions with these machines to accommodate the anticipated increase in the number of inbound tourists from various countries. As of now, around 60 percent of all the machines can accommodate foreign languages. We have set the target that all K-ATM and K-CDM will offer more languages by the end of 2022. Currently, K-ATM can accommodate 12 languages, namely Thai, English, Chinese, Japanese, Burmese, Lao, Cambodian, Russian, French, German, Dutch and Arabic, while K-CDM accommodates four languages, i.e., Thai, English, Chinese and Japanese.

#### Electronic Banking Services

Electronic Banking Services	Number of Units	
	Sep. 2022	Jun. 2022
Self-Service Channel (K-ATM and K-CDM)	11,043	11,016
K-ATM (Automated Teller Machines)	9,100	9,073
K-CDM (Cash Deposit Machines)	1,943	1,943
K-PUM (Passbook Update Machines)	957	964
Automated Currency Exchange Machines	11	8

- **Digital Banking Services:** We have continually developed our banking platform with the aim of expanding the number of users while maintaining our leadership in digital banking services – now the most-often used platform in Thailand. Focus was on increased linkage of platforms with our business partners across all ecosystems and development of innovations to accommodate changing lifestyles. Major initiatives included:

1) **K PLUS:** We focused on making K PLUS an open banking platform that can connect with KBank business partners to ensure complete linkage within a digital lifestyle ecosystem and delivery of the best customer experience anywhere, anytime, through the launch of new boundless services and technology-driven innovations. Major initiatives were as follows:

- **My Port:** A more convenient service to simplify investment with a summary of portfolios and proportion of fund types, including fund details, i.e., investment cost, performance and dividend. Also, fund subscription, redemption and switching can be made instantly with no need to return to the previous menu.
- **K Pay Later:** K Pay Later was added on the 'Bill Payment' menu for electricity, water and utility bill payments. The maximum installment period is 5 months, and the maximum credit limit is Baht 20,000.
- **Customized e-slip background:** A new feature for setting e-slip background for transfer transactions has been added. The background will be available with themes tailored to special occasions such as birthday, anniversary and congratulations.
- **Redemption of K Points for an e-coupon to check in and use services at K Point KLUB @Suvarnabhumi Airport:** A total of 1,500 K Points can be redeemed for one e-coupon per person or for a gift for K PLUS users.

- **Privileges for specific customer groups:** These include special offers for new generation customers who prefer e-book when topping up Joylada coins via K PLUS as well as discounts offered to customers who open a K-eSavings account via K PLUS and verify identity via K CHECK ID at Big C with their spending meeting the established conditions.
- 2) **K BIZ:** Developed from the former K-Cyber and K-Cyber for SME, K BIZ is a digital banking platform designed for business clients to accommodate financial transactions for a total business solution. K BIZ can be used via various devices, with multiple features available for small privately owned businesses, juristic persons and limited companies. We have also collaborated with business partners in offering privileges for users deploying K BIZ features to enhance their operational efficiency such as human resource management and account management.
- 3) **K-Payment Gateway:** We have developed the service for online stores of all business types, regardless of their manner of connectivity, including mobile phones, tablets and computers, in conformity with the Payment Card Industry Data Security Standard (PCI-DSS). Focus was also on service efficiency enhancement to accommodate the surging volume of online payment transactions, especially in e-commerce, marketplace platform and food delivery service. Payment can be made in various forms, including debit card, credit card, QR code, the Alipay and WeChat Pay e-wallets, Pay with K PLUS, and K PAYMENT LINK whereby merchants can share payment links via chat and get paid immediately.
- Meanwhile, we have also offered K SOCIAL PAY, a payment link service via LINE Official Account (LINE OA), to merchants having LINE OA. They can chat, share purchase orders and check payments securely. Additionally, online retail stores can apply to use an e-commerce solution of BentoWeb, a store management system which is a business partner of KBank, and enjoy privileges based on the established conditions.
- 4) **KBank Live (Facebook, Twitter, Instagram, Youtube, LINE, TikTok, Blockdit, and Clubhouse):** We have developed communication channels to ensure greater customer convenience in using financial services in their daily lives, including:
- Notification of card spending, loan amounts, and appointments to use branch services via KBank Live on the LINE application.
  - Search and inquiry of products and services, promotions and financial knowledge as well as KBank news and information such as the launch of K Point KLUB @Suvarnabhumi Airport, information of loan products (K Pay Later, LINE BK Loan, Dolfin Money by KBank Loan, Green Zero Home Loan for Solar Rooftop Installation), card promotions, the “8scape” miniseries, under the #KPLUS #TheGoodyApp concept, introducing main features of K PLUS, as well as interesting articles of K WEALTH Tips & Trends.

5) **Other Platforms:** We have developed financial platforms for KBank partners as channels for offering products and services, and for conducting financial transactions. Such platforms can be adopted by many different businesses. Notable platforms are:

- **KBank Open API:** This service channel allows KBank partners to access, study, test and apply for API service of KBank in order to increase their capabilities in offering new products and services to customers through linkage with KBank's available services including QR payment, inward remittance, information sharing, slip verification, online bill payment, and KGP (Kasikorn Global Payment) Merchant Payment API.
- **National Digital ID (NDID) Service:** This service features digital-based identity verification for customers applying for services of the public and private sectors. Another development is dStatement service – the transmission of account statements between banks via NDID Platform. The two services are currently under the Bank of Thailand's regulatory sandbox.
- **RP (Relying Party) Proxy:** This platform connects to the National Digital ID (NDID) platform for identity verification. It is also under the Bank of Thailand's regulatory sandbox.
- **Face API:** This service platform featuring facial recognition aims to aid KBank partners in conducting transactions, including identity verification for service application, building entry/exit and other activities as appropriate.

- **K-Contact Center:** KBank has elevated our service capabilities to ensure total solutions in alignment with customer behaviors and their increased use of digital channels. We aim to become a Customer Engagement Center which orchestrates a seamless customer experience across all service channels, thus becoming their main operating bank that can also accommodate their lifestyles and business operations in a sustainable manner. Major operations are as follows:

- 1) **Chatbot development:** We expanded the scope of providing information about KBank products and services for broader coverage, greater accuracy and enhanced efficiency.
- 2) **Launch of Internet Voice Call via K PLUS:** Equipped with high-security system for identity verification via K PLUS, this new contact channel provides customers more convenience and speed in using our services, with reduced expense burdens through reduction of service fees for customers residing abroad.
- 3) **Development of Knowledge Management Smart Agent Portal:** This effort is aimed at bolstering K-Contact Center capabilities for enhanced service efficiency.
- 4) **Development of Case and Incident Management:** We prioritized clear and swift solutions to complaints of both online and offline customers to help alleviate any potential impacts upon them, while also curbing panic and negative rumors in order to maintain the public image of the banking industry and financial system stability.

- 5) **Development of Service Process:** We identified and solved problems for customers to ensure resolution within the first call. Through streamlined and effortless processes, customers can be assured of prompt service delivery.

### 3.3 Operations of Support Groups

#### 3.3.1 Human Resource Management

In the third quarter of 2022, KBank focused on human resource management to be in step with the ever-changing business environment and in alignment with K-Strategy amid the challenges of the competitive labor market, in order to recruit capable personnel as we aspire to be a learning and leading innovation organization, which empowers customer's life and business, and the best place to work. To this end, we have implemented operational guidelines as follows:

- **Enhancement of teamwork efficiency and collaboration within business pillar:** We prioritized the development of products and services which can more efficiently respond to customer needs and accommodate the prevailing situation. Focus was on our main products including credit, savings, especially deposits, funds and insurance, and payment services. In parallel, we launched new products and services to broaden our business opportunities. To this end, we have focused on regional business expansion, and financial solutions beyond the banking realm with a focus on ESG priorities and technological innovation. To achieve this, we prioritized greater flexibility at work, encouraging employees with high potential and expertise to work together in the agile way through the provision of decision-making empowerment, elimination of unnecessary bottlenecks in processes, along with promotion of the 'test and learn' mindset.
- **Introduction of "Work that FITS":** Our work format has been adjusted from FIX to FITS – the hybrid work format which prioritizes flexibility at work to ensure a work-life harmony for employees, allowing them to design their work style to fit their job. Focus is on flexible work arrangements in terms of working hours and work sites, based on trust between supervisors and employees, accounting for appropriate risk management to ensure data system security under shared goals in order to deliver outcomes that meet the customers' expectations,
- **Support of innovations within the organization:** KBank held "2022 Possibility Hacks" to promote a culture of learning and innovation, allowing all employees to form groups and compete in showcasing their creativity for addressing pain points found in KBank's businesses and services. After applying creative solutions presented by our staff members to target groups on a trial basis, these ideas will be put into practice for advancing KBank business operations.
- **Fostering strong leadership characteristics:** With the aim of advancing KBank's business and delivering the most impressive services to our customers, we arranged activities to promote leadership for service excellence via innovation culture. Notable activities included "The Inspirer",



which featured interviews with high-ranking executives from various organizations along with other VIPs in order to spark inspiration at work and in the lives of employees and executives. We also launched “Leadership Reflection Day” to promote leadership values in accordance with KBank’s expected behavioral guidelines in four dimensions, i.e., (1) self-awareness; (2) solve the right thing and get things done; (3) make work meaningful/test and learn/coach and empower; and (4) walk in their shoes/break silos and help others.

- **Employee satisfaction survey:** We arranged the Employee Engagement Pulse Survey 2022 which comprised three major areas, namely leadership, work-life harmony and overall satisfaction. The survey results were used as input for developing policies to ensure the highest employee satisfaction.
- **Presentation of annual employee recognition awards:** We continued the implementation of the K-Heroes program which has been held annually to grant awards of merit to top performers in recognition of their performance which is in line with KBank’s Core Values. The awards were divided into team and individual categories.
- **Human resource management during the COVID-19 pandemic:** KBank provided an additional treatment channel via telemedicine as an option for employees who were ill. In addition, we arranged for provision of an alternative vaccine to bolster our employees’ immunity while expanding the scope of welfare loan to support employees seeking to purchase accessories and devices for their work from home.
- **Employee relations and benefits:** We organized meetings of the KASIKORNBANK Labour Union, KASIKORNBANK Officer Labour Union and KBank executives. We also held a meeting of the Employee Committee under the COVID-19 prevention measures. These meetings allowed for consultations and problem-solving discussions between employees and KBank, to strengthen our relationship.

### 3.3.2 IT Management

In the third quarter of 2022, KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) prioritized the study and development of new financial technology in response to the transition to a cashless society using the new era’s technological infrastructure, and the search for innovations in line with KBank’s strategic direction. These endeavors were undertaken with efficient work processes under international standards and the strictest cyber security control system. An effective management regime has also been put in place to cope with short-, medium- and long-term impacts during the transition, to achieve KBank’s strategy of maintaining our competitiveness and becoming the trusted regional leader in the technological realm. Major initiatives can be summarized as follows:

1. **Development of products and services** to be consistent with ever-evolving consumer behavior and technological innovation

- **Developed and improved K PLUS application:** To enhance service efficiency and deliver a positive experience to 18 million K PLUS users, we added features that can better meet the needs of customers. They included improvement of the My Port feature which can display profit/loss, transaction history, and dividend while also allowing users to conduct transactions instantly. Moreover, K Pay Later has been developed to facilitate installment payment for water and electricity bills for up to five months.
  - **Developed and improved MAKE by KBank application:** We aimed to increase the efficiency of the application, which serves as a financial assistant for more than 500,000 users who have thus far generated more than 1 million cloud pockets on the application for effective management of their savings and monthly expenses, thus fostering financial discipline among customers. The MAKE by KBank application received a score of 4.9 out of 5 in terms of customer satisfaction on the App Store and Play Store. In this quarter, new functions were developed such as online onboarding for general users who do not have the K PLUS application and funds transfer which can be made from other banks to a MAKE by KBank account.
  - **Developed and improved KhunThong social chatbot:** To accommodate the high volume of payments made via various channels on the KhunThong social chatbot – now topping 300,000 transactions per month – we have developed a LINE chatbot function to help manage payment collection among LINE group friends, especially bill splitting for food bills and monthly payment such as Netflix bills, Internet fees and dormitory rental. The KhunThong social chatbot has various outstanding features; users just 'Add Friend' for KhunThong and specify the destination account, and they will be able to create bills for collecting payment from their LINE group friends immediately, with no need to download any application. Customers can also link their income/expense account with K PLUS.
  - **Developed Coral – an NFT marketplace platform:** Coral has been developed to serve as a medium for trading non-fungible tokens (NFTs). KASIKORN X Company Limited has launched Coral Academy as an NFT Art Thailand Community where NFT art collectors can talk together, learn and share their views via Facebook and a Live Series on the Coral NFT World page as part of its effort to promote business collaboration, while also upgrading the Coral NFT Marketplace.
2. **Regional business expansion:** We developed and improved the K PLUS Vietnam application to accommodate self-application for KBank Biz Loan and opening of a second account, which can be either a current or term deposit account, for enhanced service efficiency and customer responsiveness.
  3. **Investment to support development of Decentralized Finance (DeFi):** KASIKORN X Company Limited invested in Forward, a Thai-based global fintech startup specializing in blockchain and DeFi.

### 3.4 Awards and Commendation

KBank and K Companies have achieved good business performance, earning the recognition of various organizations at home and abroad, proven by many awards granted during the third quarter of 2022, notably:

#### Awards to KBank and K Companies

- Eight awards: **Best Companies to Work for in Asia-Thailand region**, **Overall HREA Winner** given to the organization with the most outstanding performance in human resource management at the organizational and individual levels, **HR Leader of the Year (Gold Level)** awarded to Ms. Sansana Sukhanunth, Human Resource Division Head, **Excellence in HR Change Management (Gold Level)**, **Excellence in Workforce Flexibility (Gold Level)** from the “Work That FITS” project, **Excellence in Work-Life Harmony (Bronze Level)**, **Excellence in Leadership Development (Bronze Level)** and **Employer of the Year (Bronze Level)** from HR Asia
- Three awards: **Best Service Provider – Transaction Bank**, **Best Service Provider – Cash Management** and **Best Service Provider – e-Solutions Provider** from The Asset journal
- Three awards: **Best Fund House** for the fourth consecutive year, **Best Pension Fund Manager** for the sixth consecutive year and **Best ESG Manager** from Asia Asset Management magazine
- Three awards: **Mobile Banking & Payment Initiative of the Year – Thailand**, **Strategic Partnership of the Year – Thailand** and **Thailand Domestic Cash Management Bank of the Year** from The Asian Banking & Finance magazine
- Two awards: **Marketeer No.1 Brand Thailand 2021-2022** in two categories including Mutual Funds and Deposits from Marketeer magazine
- **Red Dot Award: Brands & Communication Design** in the category of Interface & User Experience Design (for Mobile User Interfaces) for KhunThong social chatbot from Red Dot Institute
- **UX Design Awards** in the category of **Product** for MAKE by KBank application from IDZ International Design Center Berlin
- **Best Consumer Digital Bank in Thailand** for the second consecutive year from Global Finance journal
- **Best Private Bank – Thailand** from The Digital Banker and Global Private Banker
- **Best Cash Management Bank in Thailand** from Alpha Southeast Asia magazine
- **Best Mutual Fund of the Year 2022** for the K Mid Small Cap Equity RMF from Money & Banking magazine

#### Awards to KBTG

- Three awards: **Excellence in Employer Branding (Gold Level)**, **Excellence in Workforce Mobility (Gold Level)** and **Excellence in Employee Engagement (Silver Level)** from HR Asia

#### Awards to KASIKORN LINE Company Limited.

- Two awards: **Financial Inclusion Initiative of the Year – Thailand** and **New Consumer Lending Product of the Year – Thailand** from The Asian Banking & Finance magazine

## 4. Operating Performance and Financial Position Analysis

### 4.1 Operating Performance

KBank and its subsidiaries reported net profit for the third quarter of 2022 amounting to Baht 10,574 million, a decrease from the preceding quarter of Baht 220 million or 2.04 percent. Net interest income increased by Baht 1,076 million or 3.36 percent due mainly to interest income from loans to customers. Therefore, net interest margin (NIM) stood at 3.33 percent. Non-interest income decreased by Baht 852 million or 8.97 percent due mainly to a decrease in net premiums earned – net, while the mark to market of financial assets increased in line with market conditions. Other operating expenses slightly increased by Baht 181 million or 1.00 percent, due mainly to an increase in marketing expenses consistent with rising revenue which was in line with business volume, and an increase in employee expenses. As a result, cost to income ratio stood at 43.73 percent in this quarter. Moreover, KBank and its subsidiaries set aside expected credit loss close to the level of the preceding quarter.

#### Operating Performance for the Third Quarter of 2022

(Unit: Million Baht)

	Q3-2022	Q2-2022	Change		Nine-month of 2022	Nine-month of 2021	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Net Interest Income	33,088	32,012	1,076	3.36	96,851	88,590	8,261	9.32
Non-Interest Income	8,647	9,499	(852)	(8.97)	27,007	32,235	(5,228)	(16.22)
Total Operating Income - net	41,735	41,511	224	0.54	123,858	120,825	3,033	2.51
Total Other Operating Expenses	18,251	18,070	181	1.00	53,711	50,566	3,145	6.22
Expected Credit Loss	9,948	9,852	96	0.98	29,135	30,752	(1,617)	(5.26)
Net Profit (attributable to equity holders of KBank)	10,574	10,794	(220)	(2.04)	32,579	28,151	4,428	15.73
Basic Earnings per Share (Baht) <sup>1)</sup>	4.29	4.56	(0.27)	(5.92)	13.43	11.59	1.84	15.88

<sup>1)</sup> Basic Earnings per Share = Net profit (attributable to equity holders of the Bank) deduct dividend from other equity instruments after income tax divided by weighted average number of common shares

For operating performance during the nine-month period of 2022, KBank and its subsidiaries reported net profit of Baht 32,579 million, an increase of Baht 4,428 million or 15.73 percent over the same period of 2021. The increase was derived mainly from net interest income which increased by Baht 8,261 million or 9.32 percent due to growth of new loans granted to retail and SME business customers in line with KBank's business direction which focuses on offering of loan products via digital channels along with the use of data analytics for lending. Net interest margin (NIM) stood at 3.26 percent. While non-interest income decreased by Baht 5,228 million or 16.22 percent, due mainly to the mark to market of financial assets in line with the market condition, representing normal investment business of subsidiaries as well as a decrease in net premiums earned - net. Other operating expenses increased by Baht 3,145 million or 6.22 percent, due mainly to marketing expenses under collaboration with business partners, employee expenses and IT related expenses to accommodate customer demand.

In addition, KBank and its subsidiaries set aside slightly lower expected credit loss compared to the same period of 2021, which remained at a high level under a prudent approach, taking the various economic factors into account. Our allowance for expected credit loss to non-performing loan (coverage ratio) as of September 30, 2022, was equal to 148.74 percent, which was deemed appropriate, reflecting our ability in asset quality management. However, KBank and its subsidiaries continued to closely monitor and assess the situation, allowing us to accommodate new loan growth in line with the Bank's business direction amid uncertain economic circumstances.

Major financial ratios that reflected operating performance of KBank and our subsidiaries in the third quarter of 2022 compared to the previous quarter and the same period of last year included:

(Unit: Percent)

Financial Ratio	Q3-2022	Q2-2022	Increase (Decrease)	Nine-month of 2022	Nine-month of 2021	Increase (Decrease)
Return on Assets (ROA) <sup>2)</sup>	1.00	1.04	(0.04)	1.04	0.98	0.06
Return on Equity (ROE) <sup>3)</sup>	8.49	9.13	(0.64)	8.97	8.39	0.58
Net Interest Margin (NIM)	3.33	3.21	0.12	3.26	3.21	0.05
Cost to Income Ratio	43.73	43.53	0.20	43.37	41.85	1.52

<sup>2)</sup> Annualized

<sup>3)</sup> Return on average equity (ROE) = Net profit (attributable to equity holders of the Bank) deduct dividend from other equity instruments after income tax calculated on an annualized basis divided by average equity of equity excluded other equity instruments at the beginning of the quarter / period / year and equity at the end of the quarter / period / year

(Unit: Percent)

Financial Ratio	Sep. 30, 2022	Jun. 30, 2022	Change	Dec 31, 2021	Change
Significant increase in credit risk loans <sup>4)</sup>					
to total loans <sup>5)</sup>	6.52	6.54	(0.02)	7.27	(0.75)
Significant increase in credit risk loans and credit impaired loans <sup>6)</sup> to total loans <sup>5)</sup>	9.61	10.34	(0.73)	11.09	(1.48)
NPLs gross <sup>7)</sup> to total loans <sup>8)</sup>	3.07	3.80	(0.73)	3.76	(0.69)
Total allowance to NPL gross (Coverage ratio) <sup>9)</sup>	148.74	144.61	4.13	159.08	(10.34)
Loans <sup>10)</sup> to Deposits Ratio	92.65	93.18	(0.53)	93.20	(0.55)
Capital Adequacy Ratio <sup>11)</sup>	19.19	18.37	0.82	18.77	0.42
Tier 1 Capital Ratio <sup>11)</sup>	17.21	16.39	0.82	16.49	0.72

<sup>4)</sup> Significant increase in credit risk loans used in calculation are loans to customers and loans to financial institutions which credit risk has increased significantly

<sup>5)</sup> Loans used in calculation are loans to customers and loans to financial institutions and accrued interest receivables and undue interest receivables

<sup>6)</sup> Credit impaired loans used in calculation are loans to customers and loans to financial institutions which credit risk has impaired

<sup>7)</sup> NPL gross used in calculation are loans to customers and loans to financial institutions which are non-performing loans, excluding loans for credit balance and life insurance business

<sup>8)</sup> Loans used in calculation are loans to customers and loans to financial institutions

<sup>9)</sup> Included allowance for expected credit loss of loan commitment and financial guarantee, deposit to financial institutions, investments and other financial assets

<sup>10)</sup> Loans = Loans to customers

<sup>11)</sup> KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)

## □ Net Interest Income

KBank's consolidated net interest income for the third quarter of 2022 was Baht 33,088 million, increasing by Baht 1,076 million, or 3.36 percent over-quarter. The increase was derived mainly from interest income from loans to customers which rose by Baht 1,002 million or 3.59 percent in line with increase in average yield. Therefore, our NIM for the third quarter of 2022 was equal to 3.33 percent, higher than 3.21 percent in the previous quarter.

During the nine-month period of 2022, net interest income stood at Baht 96,851 million, an increase of Baht 8,261 million or 9.32 percent from the same period of last year. The increase came mainly from interest income from loans to customers which increased Baht 6,645 million, or 8.55 percent in line with rising average yield and new loan growth in line with the Bank's business direction. Moreover, interest income from interbank and market items rose by Baht 1,414 million or 90.63 percent due partly to rising average yield. At the same time, interest expenses from debt issued and borrowings increased Baht 650 million or 51.24 percent, which came mainly from the issuance of subordinated debentures of subsidiaries. Our NIM for the nine-month period of 2022 therefore stood at 3.26 percent, rising from 3.21 percent during the same period of last year.

(Unit: Million Baht)

	Q3-2022	Q2-2022	Change		Nine-month of 2022	Nine-month of 2021	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
<b>Interest Income</b>	<b>37,620</b>	<b>36,367</b>	<b>1,253</b>	<b>3.45</b>	<b>109,912</b>	<b>100,404</b>	<b>9,508</b>	<b>9.47</b>
Interbank and money market items	1,172	1,001	171	17.06	2,973	1,559	1,414	90.63
Investments	5,816	5,768	48	0.84	17,487	16,683	804	4.82
Loans to customers	28,879	27,877	1,002	3.59	84,317	77,672	6,645	8.55
Hire purchase and finance leases	1,752	1,721	31	1.83	5,134	4,483	651	14.51
Others	1	-	1	100.00	1	7	(6)	(88.03)
<b>Interest expenses</b>	<b>4,532</b>	<b>4,355</b>	<b>177</b>	<b>4.07</b>	<b>13,061</b>	<b>11,814</b>	<b>1,247</b>	<b>10.55</b>
Deposits from customers	1,845	1,802	43	2.40	5,461	5,535	(74)	(1.34)
Interbank and money market items	335	299	36	12.01	895	615	280	45.53
Contributions to Financial Institutions Development Fund and Deposit Protection Agency	1,602	1,581	21	1.29	4,721	4,327	394	9.09
Debts issued and borrowings	729	652	77	11.89	1,919	1,269	650	51.24
Others	21	21	-	0.10	65	68	(3)	(4.68)
<b>Total Interest Income – net</b>	<b>33,088</b>	<b>32,012</b>	<b>1,076</b>	<b>3.36</b>	<b>96,851</b>	<b>88,590</b>	<b>8,261</b>	<b>9.32</b>
Yield on Earning Assets (percent)	3.78	3.64		0.14	3.70	3.64		0.06
Cost of Fund (percent)	0.61	0.59		0.02	0.59	0.59		0.00
<b>Net Interest Margin (NIM) (percent)</b>	<b>3.33</b>	<b>3.21</b>		<b>0.12</b>	<b>3.26</b>	<b>3.21</b>		<b>0.05</b>

## □ Non-Interest Income

KBank's consolidated non-interest income in the third quarter of 2022 totaled Baht 8,647 million, decreasing by Baht 852 million, or 8.97 percent over-quarter. The decrease came mainly from net premiums earned – net which dropped by Baht 1,177 million or 739.55 percent due to increased underwriting expenses. Meanwhile, gain on financial instruments measured at fair value through profit or loss rose by Baht 596 million or 131.90 percent due to the mark to market of financial assets in line with market conditions.

During the nine-month period of 2022, non-interest income totaled Baht 27,007 million, a decrease of Baht 5,228 million or 16.22 percent from the same period of last year. The decline came mainly from the mark to market of financial assets which fell Baht 2,452 million or 86.62 percent, in line with market conditions, representing normal investment business of subsidiaries. Moreover, net premiums earned – net dropped by Baht 1,702 million or 163.06 percent in line with life insurance business condition, and net fees and service income decreased by Baht 1,464 million or 5.51 percent due mainly to a decrease in fees from fund management and brokerage fees. Meanwhile, fee from card business increased in line with a rising volume of customers' spending.

(Unit: Million Baht)

	Q3-2022	Q2-2022	Change		Nine-month	Nine-month	Change	
			Increase	Percent	of 2022	of 2021	Increase	Percent
			(Decrease)				(Decrease)	
<b>Non-Interest Income</b>								
Fees and Service Income	12,099	11,683	416	3.56	36,148	36,404	(256)	(0.70)
Fees and Service Expenses	3,974	3,536	438	12.37	11,045	9,837	1,208	12.28
<b>Fees and Service Income - net</b>	<b>8,125</b>	<b>8,147</b>	<b>(22)</b>	<b>(0.27)</b>	<b>25,103</b>	<b>26,567</b>	<b>(1,464)</b>	<b>(5.51)</b>
Gain (Loss) on Financial Instrument Measured								
at Fair Value through Profit or Loss	144	(452)	596	131.90	378	2,830	(2,452)	(86.62)
Gain (Loss) on Investments	(17)	(135)	118	87.14	(169)	732	(901)	(123.07)
Share of Profit (Loss) from Investments using								
Equity Method	(40)	152	(192)	(126.74)	61	(379)	440	115.95
Dividend Income	839	1,222	(383)	(31.32)	2,932	2,641	291	11.04
Net Premiums Earned	17,853	14,393	3,460	24.04	47,965	51,204	(3,239)	(6.33)
Other Operating Income	614	406	208	51.25	1,448	888	560	62.99
<u>Less Underwriting Expenses</u>	<u>18,871</u>	<u>14,234</u>	<u>4,637</u>	<u>32.57</u>	<u>50,711</u>	<u>52,248</u>	<u>(1,537)</u>	<u>(2.94)</u>
<b>Total Non-Interest Income</b>	<b>8,647</b>	<b>9,499</b>	<b>(852)</b>	<b>(8.97)</b>	<b>27,007</b>	<b>32,235</b>	<b>(5,228)</b>	<b>(16.22)</b>

## □ Other Operating Expenses

KBank's consolidated other operating expenses for the third quarter of 2022 were Baht 18,251 million, an increase of Baht 181 million, or 1.00 percent over-quarter due mainly to an increase in marketing expenses consistent with rising revenue which was in line with business volume, and an increase in employee expenses.

Therefore, our cost to income ratio stood at 43.73 percent, slightly higher than 43.53 percent in the previous quarter.

During the nine-month period of 2022 period, other operating expenses were Baht 53,711 million, an increase of Baht 3,145 million or 6.22 percent from the same period of last year. The increase came partly from an increase in marketing expenses under collaboration with business partners, employee expenses and IT-related expenses to accommodate customer demand. Therefore, our cost to income ratio stood at 43.37 percent.

(Unit: Million Baht)

	Q3-2022	Q2-2022	Change		Nine-month of 2022	Nine-month of 2021	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Employee Expenses	8,881	8,750	131	1.50	26,318	25,319	999	3.94
Directors' Remuneration	28	80	(52)	(63.93)	131	124	7	6.32
Premises and Equipment Expenses	2,851	2,904	(53)	(1.82)	8,497	8,380	117	1.40
Taxes and Duties	1,483	1,491	(8)	(0.57)	4,450	4,060	390	9.60
Others	5,008	4,845	163	3.36	14,315	12,683	1,632	12.87
<b>Total Other Operating Expenses</b>	<b>18,251</b>	<b>18,070</b>	<b>181</b>	<b>1.00</b>	<b>53,711</b>	<b>50,566</b>	<b>3,145</b>	<b>6.22</b>
<b>Cost to Income Ratio (percent)</b>	<b>43.73</b>	<b>43.53</b>		<b>0.20</b>	<b>43.37</b>	<b>41.85</b>		<b>1.52</b>

#### □ Classified Loans and Expected Credit Loss

##### ● Classified Loans

KBank classified loans into three levels per TFRS 9. The classified loans in stage 2 include the loans with significantly increasing credit risk since initial recognition but without credit impaired. As of September 30, 2022, KBank and its subsidiaries had a total of Baht 2,864,647 million in loans to customers and financial institutions. Meanwhile, loans to customers, excluding financial institutions (including accrued interest receivables and undue interest receivables) totaled Baht 2,480,246 million while allowance for expected credit loss totaled Baht 121,164 million. Classified loans consist of:

(Unit: Million Baht)

	Sep. 30, 2022		Jun. 30, 2022	
	Loans and accrued interest receivables <sup>1)</sup>	Allowance for expected credit loss	Loans and accrued interest receivables <sup>1)</sup>	Allowance for expected credit loss
Stage 1 Performing	2,205,044	42,692	2,205,263	46,630
Stage 2 Under-performing	186,819	40,869	189,959	46,289
Stage 3 Non-performing	88,383	37,603	110,327	47,972
<b>Total</b>	<b>2,480,246</b>	<b>121,164</b>	<b>2,505,549</b>	<b>140,891</b>

<sup>1)</sup> Including loan to customers and accrued interest and undue interest receivables



Underperforming loans (Stage 2) to total loans were equal to 6.52 percent, and underperforming loans and non-performing loans (Stage 2 and 3) to total loans were equal to 9.61 percent, improving from 6.54 percent and 10.34 percent as of June 30, 2022, respectively.

- **Modified Loans**

KBank and its subsidiaries engaged in modification contracts which were classified as NPL and non-NPL that incurred losses, but not included customers under the Bank of Thailand's relief measures. In the nine-month period of 2022, there were loans before modification amounting to Baht 15,034 million and incurred losses amounting to Baht 463 million.

- **Expected Credit Loss**

KBank and its subsidiaries set aside expected credit loss of Baht 9,948 million for the third quarter of 2022, a slight increase of Baht 96 million, or 0.98 percent over-quarter. As a result, our expected credit loss to average loans for the third quarter of 2022 stood at 1.61 percent, slightly higher than the figure of 1.59 percent in the previous quarter.

During the nine-month period of 2022, KBank and its subsidiaries set aside expected credit loss of Baht 29,135 million, a slight decrease of Baht 1,617 million or 5.26 percent from the same period of last year. The expected credit loss remained high under a prudent approach and careful consideration of various economic factors. Our expected credit loss to average loans for the nine-month period of 2022 stood at 1.59 percent, lower than the figure of 1.75 percent for the same period last year. Moreover, our allowance for expected credit loss to non-performing loan (coverage ratio) as of September 30, 2022, was equal to 148.74 percent, which was deemed appropriate, reflecting our ability in asset quality management.

In any case, KBank and its subsidiaries continued to closely monitor and assess the situation, in order to support new loan growth in line with the Bank's business direction amid economic uncertainty.

#### Expected Credit Loss

(Unit: Million Baht)

	Q3-2022	Q2-2022	Change		Nine-	Nine-	Change	
			Increase	Percent	month	month	Increase	Percent
			(Decrease)		of 2022	of 2021	(Decrease)	
Expected Credit Loss	9,948	9,852	96	0.98	29,135	30,752	(1,617)	(5.26)
Expected Credit Loss to Average Loans (percent)	1.61	1.59		0.02	1.59	1.75		(0.16)

#### Allowance for Expected Credit Loss

As of September 30, 2022, our consolidated allowance for expected credit loss totaled Baht 121,164 million.

— Non-Performing Loans and Properties Foreclosed

*Non-Performing Loans*

As of September 30, 2022, KBank’s consolidated NPLs stood at Baht 87,682 million, 3.07 percent of the total outstanding credit, including financial institutions. Bank-only NPLs totaled Baht 83,532 million, 3.06 percent of the total outstanding credit, including financial institutions. The NPLs data is shown in the table below:

Non-Performing Loans

(Unit: Million Baht)

For the Quarter Ending	Sep 30, 2022	Jun 30, 2022
Financial conglomerate NPLs	87,682	109,972
Percent of total outstanding credit, including that of financial institutions	3.07	3.80
KBank NPLs	83,532	106,192
Percent of total outstanding credit, including that of financial institutions	3.06	3.82

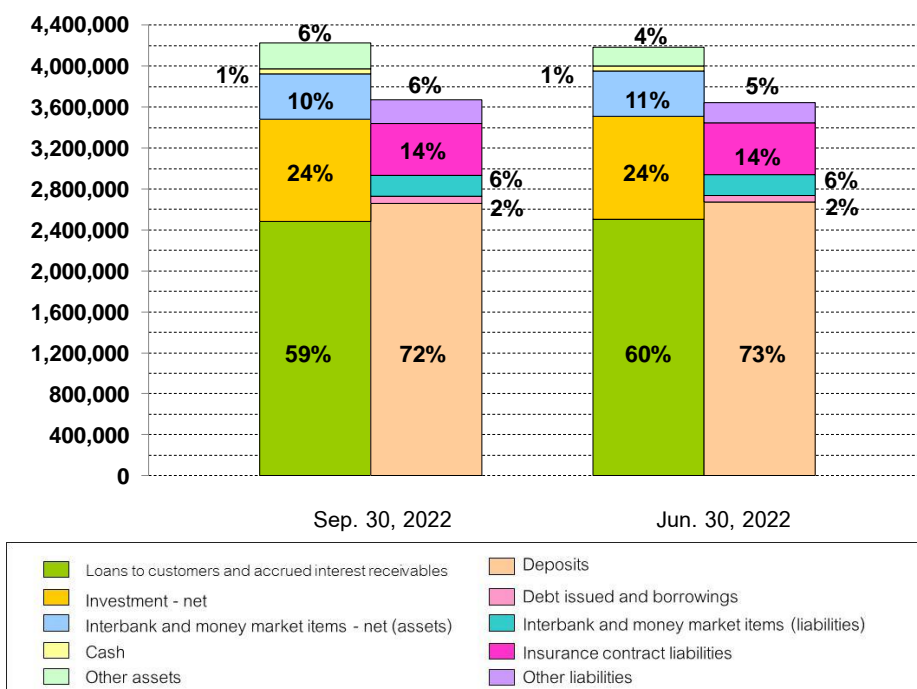
*Properties Foreclosed*

As of September 30, 2022, our consolidated properties foreclosed had a net value of Baht 45,581 million, thus being 1.08 percent of total assets.

4.2 Financial Position Analysis

Assets and Liabilities Structure

(Unit: Million Baht)

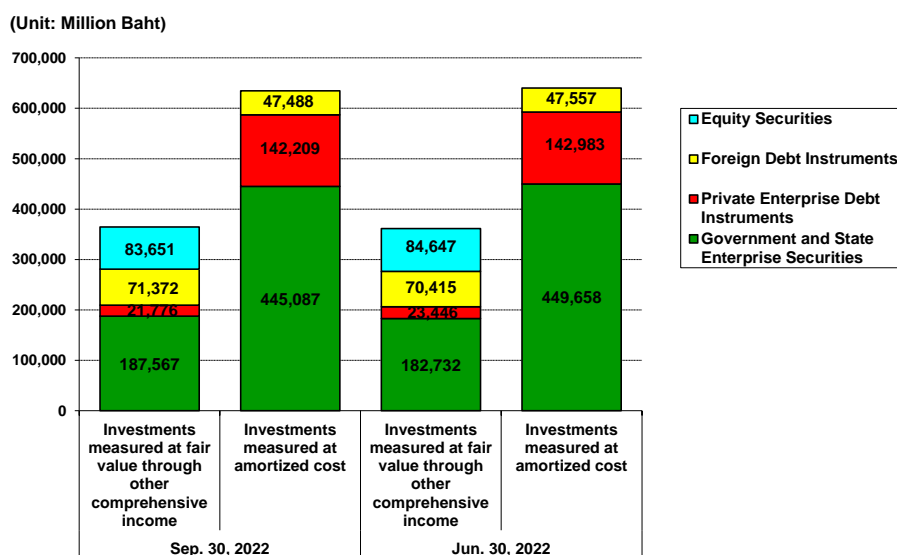


## □ Assets

At the end of the third quarter of 2022, KBank's consolidated assets totaled Baht 4,229,795 million, increasing by Baht 42,016 million or 1.00 percent from the end of the previous quarter. The rise was due mainly to an increase in derivative assets and collateral per credit support annex. Meanwhile, loans to customers decreased. Key details are as follows:

- Derivative assets at the end of the third quarter of 2022 totaled Baht 88,168 million, increasing by Baht 29,929 million or 51.39 percent from the end of the previous quarter, and collateral per credit support annex totaled Baht 39,560 million, increasing by Baht 12,824 million or 47.96 percent from the end of the previous quarter. The increase was due largely to mark to market of financial derivatives in line with market conditions such as foreign exchange rates and interest rates. However, changes in derivative assets should be considered in conjunction with derivative liabilities. KBank has already mitigated significant risks with counterparties.
- Loans to customers at the end of the third quarter of 2022 totaled Baht 2,464,277 million, decreasing by Baht 25,143 million or 1.01 percent from the end of the previous quarter, due partly to proactive operation and collaboration with our partners having expertise in non-performing loan management, leading to enhanced efficiency.

### Investment in Securities



## □ Liabilities and Equity

KBank's consolidated liabilities at the end of the third quarter of 2022 amounted to Baht 3,672,187 million, which rose by Baht 29,373 million or 0.81 percent from the end of the previous quarter. The rise was mainly attributable to increased derivative liabilities. Meanwhile, deposits decreased. Significant changes in our consolidated liabilities included:

- Derivative liabilities at the end of the third quarter of 2022 equaled Baht 100,210 million, increasing by Baht 36,615 million or 57.58 percent, due mainly to mark to market of financial derivatives in line with market conditions such as foreign exchange rates and interest rates. However, changes in derivative liabilities should be considered in conjunction with derivative assets. KBank has already mitigated significant risks with counterparties.
- Deposits at the end of the third quarter of 2022 equaled Baht 2,659,896 million, decreasing by Baht 11,640 million or 0.44 percent from the end of the previous quarter, mainly as a result of a decrease in savings deposits. Meanwhile, fixed-term deposits increased.

Equity (attributable to equity holders of the Bank) at the end of the third quarter of 2022 amounted to Baht 500,247 million, increasing by Baht 11,284 million or 2.31 percent from the end of the previous quarter, derived mainly from net operating profit in the third quarter of 2022 which totaled Baht 10,574 million.

#### □ Relationship between Sources and Uses of Funds

As of September 30, 2022, the funding structure as shown in the consolidated financial statement comprised Baht 3,672,187 million in liabilities and Baht 557,608 million in equity – of which Baht 500,247 million was equity (attributable to equity holders of the Bank), resulting in a debt-to-equity ratio of 7.34. As of September 30, 2022, the main source of funds on the liabilities side was deposits, which equaled Baht 2,659,896 million or 62.88 percent of the total sources of funds. Meanwhile, interbank and money market items as well as debt issued and borrowings accounted for 4.82 percent and 1.62 percent of the total source of funds, respectively.

As of September 30, 2022, KBank and subsidiaries' major use of funds was loans which amounted to Baht 2,464,277 million, resulting in loan-to-deposit ratio of 92.65 percent. As for the remaining liquidity, KBank invested in various selections of liquid assets, such as interbank and money market items, financial assets measured at fair value through profit or loss and investments in securities.

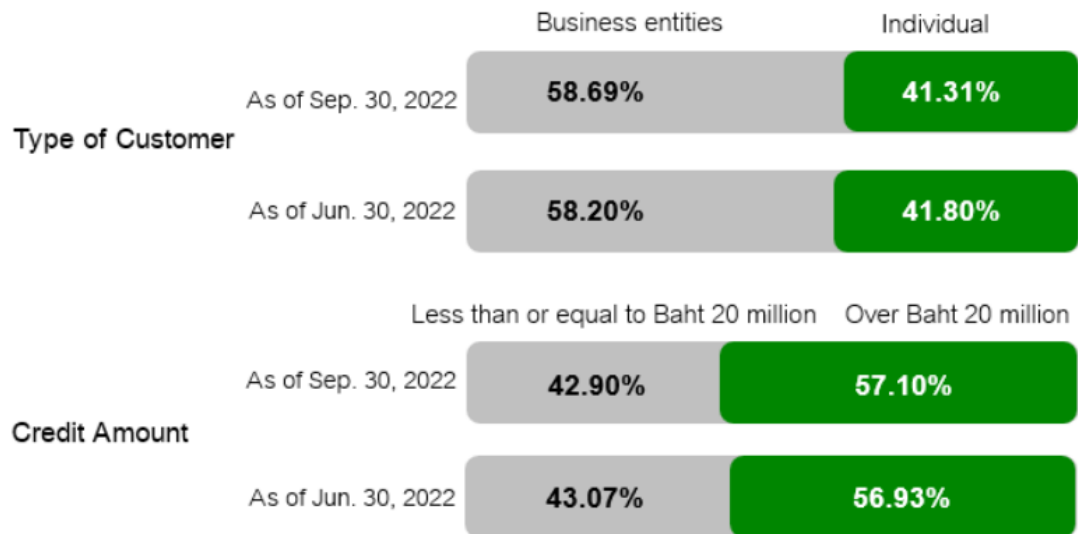
### 4.3 Loans and Deposits

#### □ Loans

As of September 30, 2022, KBank's consolidated outstanding loans stood at Baht 2,464,277 million, decreasing by Baht 25,143 million, or 1.01 percent, compared to Baht 2,489,420 million as of June 30, 2022.

As of September 30, 2022, 58.69 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan accounts exceeding Baht 20 million accounted for 57.10 percent of the total.

## Loan Portfolio by Type of Customer and Credit Amount



## Loans Classified by Business

(Unit: Million Baht)

	Sep. 30, 2022		Jun. 30, 2022	
	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>
Loans	1,653,947	691,109	1,675,407	698,614

Notes: <sup>1)</sup> "Corporate Business" refers to registered companies, certain private individual business customers, government agencies, state enterprises, as well as financial institutions, etc. KBank provides a variety of financial products and services to them, e.g., long-term and working capital loans, letter of guarantee, trade finance solutions, syndicated loans, cash management solutions and value chain solutions.

<sup>2)</sup> "Retail Business" refers to private individual customers using KBank products and services, e.g., deposit accounts, debit cards, credit cards, personal loans, housing loans, financial advisory services, investment products and other transactional services.

### Corporate Business Loans

Our corporate business loans (Corporate and SME customers) as of the end of the third quarter of 2022 decreased by Baht 21,460 million or 1.28 percent from the previous quarter.

Loans extended to corporate customers saw satisfactory growth which came mainly from long-term loans in retail, automobiles and parts and fashion industries.

Loans to SME customers shrank slightly, due in part to our debt management policy via an asset management company under joint venture agreement with KBank.

Meanwhile, KBank focused on the offering of multiple products in order to completely meet customer needs under our risk-adjusted pricing strategy while also adding a digital channel for loan application to ensure greater convenience in their access to loans. KBank also used financial transaction data to assess customers'

debt servicing ability. This method allowed customers with potential but having financial restrictions to gain improved access to funding sources.

### Retail Business Loans

Our retail loans at the end of the third quarter of 2022 decreased by Baht 7,505 million or 1.07 percent compared to the previous quarter. The decrease came mainly from home loan which decelerated in line with a decrease in new loans amid intense market competition, and sales of bad debts to an asset management company which is a KBank's joint venture in line with our effective debt management policy. Meanwhile, credit card loan saw continual card spending and personal loan also enjoyed ongoing growth following the introduction of a self-application channel via K PLUS and the use of data analytics for analyzing customer status across all dimensions. These efforts allowed KBank to appropriately offer loan products to customers, thus reaching out to a larger number of potential customers.

### □ Deposits

#### Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Sep. 30, 2022	Jun. 30, 2022	Increase (Decrease)	Percent
Total Deposits	100.00	2,659,896	2,671,536	(11,640)	(0.44)
Current accounts	5.63	149,816	145,963	3,853	2.64
Savings accounts	76.86	2,044,472	2,081,059	(36,587)	(1.76)
Fixed-term deposit accounts	17.51	465,608	444,514	21,094	4.75

Competition in the deposit market in the third quarter of 2022 remained limited. Commercial banks' liquidity was sufficient to accommodate loan growth. Meanwhile, the policy rate was raised by 0.50 percent in this quarter and is set to increase further during the remainder of this year. This may prompt deposit market competition to intensify in the final quarter of this year due to commercial banks' deposit cost management. To ensure ample liquidity, KBank focused on maintaining deposit costs at appropriate levels in order to remain competitive in the market while ensuring a balanced distribution of deposits in each customer segment. These endeavors were in alignment with the strategies of a Bank of Sustainability and Customer Centricity.

Aside from reducing the transaction volume at branches, KBank focused on leveraging KBank Service to acquire new customers in this quarter. To this end, we teamed up with a banking agent which offers identity verification service for account opening and deposit acceptance – in launching a campaign to offer e-coupon to customers opening K-eSavings and verifying their identity via the banking agent. Moreover, KBank developed identity verification process with the use of identification card (Dip Chip) via MAKE By KBank application with the aim of expanding a new customer base of K-eSavings to include those who are not K PLUS customers. Meanwhile, we continually focused on promoting awareness of K-eSavings among Gen Z customers as it can

be opened easily on K PLUS to encourage them to use it as a tool for management of daily spending and savings.

Moreover, KBank developed mutual fund products in response to volatility in money and capital markets while offering investment alternatives to our customers seeking higher returns than those of deposits, at low risk levels. Customers were thus advised to park their savings in fixed income funds, namely K-SF and term funds. These funds received overwhelming response from our customers, as evidenced by more than Baht 30 billion of investment in these products for this quarter.

#### 4.4 Treasury Operations

During the third quarter of 2022, average overnight interbank lending rates stood at 0.62 percent per annum, up from the average rate of 0.47 percent per annum in the previous quarter, in line with the key policy rate which was raised from 0.50 percent per annum in the previous quarter to 1.00 percent per annum. Those rates were in accordance with the two policy rate increases – of 0.25 percent per annum each – per the resolutions from the Monetary Policy Committee (MPC) meetings held on August 10, 2022, and September 28, 2022.

KBank's guideline for its investment portfolio is to prioritize the maintenance of liquidity in order to accommodate any future change in business conditions. In addition, investment strategy has been established in line with changes in economic conditions, movements of money and capital markets both at home and abroad, as well as the upward trend of the Bank of Thailand's policy rates to cope with accelerating inflation amid the economy which remains fragile and has yet to fully recover.

#### Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	Q3-2022	Q2-2022	Change	
				Increase (Decrease)	Percent
<b>Interest income<sup>1)</sup></b>					
Interbank and money market items <sup>2)</sup>	30.30	620	479	141	29.44
Investments	69.70	1,426	1,436	(10)	(0.70)
<b>Total</b>	<b>100.00</b>	<b>2,046</b>	<b>1,915</b>	<b>131</b>	<b>6.84</b>

Note: <sup>1)</sup> Managerial figures

<sup>2)</sup> Including loans

Total interest income in the third quarter of 2022 stood at Baht 2,046 million, increasing Baht 131 million or 6.84 percent over-quarter, attributed mainly to increase in policy interest rate.

## 4.5 Capital Requirements<sup>1)</sup>

As of the end of the third quarter of 2022, KASIKORNBANK FINANCIAL CONGLOMERATE under the Basel III capital requirements, had capital funds of Baht 518,933 million, consisting of Baht 465,276 million in Tier 1 capital (Baht 437,959 million in Common Equity Tier 1 capital), and Baht 53,657 million in Tier 2 capital. The capital adequacy ratio was 19.19 percent, which was above the BOT's minimum requirement and buffer requirement of 12.00 percent, while the Tier 1 capital ratio was 17.21 percent (Common Equity Tier 1 Ratio equal to 16.20 percent), which were above the BOT's minimum requirement and buffer requirement of 9.50 percent and 8.00 percent, respectively. Details of the capital adequacy ratio are shown in the following table:

### Capital Adequacy Ratio<sup>1)</sup>

- KASIKORN FINANCIAL CONGLOMERATE<sup>2)</sup>

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement <sup>3)</sup>	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
Tier 1 Capital Ratio	9.50	17.21	16.39	16.35	16.49	16.53
<i>Common Equity Tier 1 Ratio</i>	8.00	16.20	15.38	15.31	15.46	15.49
Tier 2 Capital Ratio	-	1.98	1.98	1.99	2.28	2.29
<b>Capital Adequacy Ratio</b>	<b>12.00</b>	<b>19.19</b>	<b>18.37</b>	<b>18.34</b>	<b>18.77</b>	<b>18.82</b>

- The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement <sup>3)</sup>	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
Tier 1 Capital Ratio	9.50	16.14	15.26	15.33	15.42	15.37
<i>Common Equity Tier 1 Ratio</i>	8.00	15.08	14.20	14.24	14.32	14.28
Tier 2 Capital Ratio	-	2.08	2.08	2.11	2.41	2.42
<b>Capital Adequacy Ratio</b>	<b>12.00</b>	<b>18.22</b>	<b>17.34</b>	<b>17.44</b>	<b>17.83</b>	<b>17.79</b>

Note: <sup>1)</sup> Excluding net profit of each period, which under the Bank of Thailand's regulations, net profit in the first half-year period is to be counted as capital after approval by the Board of Directors per KBank's regulations. Net profit in the second half-year period is counted as capital after approval of the General Meeting of Shareholders. However, whenever a net loss occurs, the capital must be immediately reduced at the end of period.

<sup>2)</sup> KASIKORNBANK FINANCIAL CONGLOMERATE means the company under the Notification of the Bank of Thailand Re: Consolidated Supervision, consisting of KASIKORNBANK, K Companies and subsidiaries operating in support of KBank, Phetai Asset Management Co., Ltd. and other subsidiaries within the permitted scope from the BOT's to be a financial conglomerate.



- <sup>3)</sup> Bank of Thailand required the Bank to maintain 2 capital buffers as follows:
- Conservation buffer: BOT required KBank to maintain an additional Common Equity Tier 1 at more than 2.50 percent.
  - Domestic Systemically Important Banks Buffer (D-SIBs Buffer): BOT required the D-SIBs to maintain an additional Common Equity Tier 1 at 1.00 percent.

## 4.6 Credit Ratings

At the end of September 2022, the Bank's credit rating given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of June 2022.

Details are shown in the following table.

KASIKORNBANK's Credit Ratings	
Credit Ratings Agency	Sep. 30, 2022
<b>Moody's Investors Service <sup>1)</sup></b>	
<b><u>Foreign Currency</u></b>	
Outlook	Stable
Long-term - Senior Unsecured Notes	Baa1
- Deposit	Baa1
- Counterparty Risk	A3
- Subordinated Debt	Baa3
Short-term - Debt/Deposit	P-2
- Counterparty Risk	P-2
Baseline Credit Assessment	baa1
<b><u>Domestic Currency</u></b>	
Outlook	Stable
Long-term - Deposit	Baa1
- Counterparty Risk	A3
Short-term - Debt/Deposit	P-2
- Counterparty Risk	P-2
<b>Standard &amp; Poor's <sup>1)</sup></b>	
<b><u>Global Scale Ratings</u></b>	
Outlook	Stable
Long-term Counterparty Credit Rating	BBB
Long-term Certificate of Deposit	BBB
Short-term Counterparty Credit Rating	A-2
Short-term Certificate of Deposit	A-2
Senior Unsecured Notes (Foreign Currency)	BBB

Fitch Ratings <sup>1)</sup>International Credit Ratings (Foreign Currency)

Outlook	Stable
Long-term Issuer Default Rating	BBB
Short-term Issuer Default Rating	F2
Senior Unsecured Notes	BBB
Viability	bbb
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+
Government Support	bbb

National Credit Ratings

Outlook	Stable
Long-term	AA+(tha)
Short-term	F1+(tha)
Subordinated Debt (Basel III-compliant Tier 2 securities)	AA-(tha)

Note: <sup>1)</sup> The base levels for investment grade on long-term credit ratings for Moody's Investors Service, Standard & Poor's, and Fitch Ratings are Baa3, BBB- and BBB-, respectively. For short-term credit ratings, the base levels for investment grade as viewed by these three agencies are P-3, A-3, and F3, respectively.

**Disclaimer**

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Certain statements shown in this document are forward-looking statements in respect of financial position or performance of KASIKORNBANK Public Company Limited ("KBank"). KBank has prepared such statements based on several assumptions, and has relied on the financial and other information made available from public sources as of the date these statements were made. Statements with words such as "expect", "believe", "estimate", etc., are types of forward-looking statements involving uncertainties and subject to change at any time due to future events, including but not limited to, changes in the global/national economic, political and regulatory environment. KBank is under no obligation to update these forward-looking statements to correspond to the current situation. Thus, recipients shall carefully review these statements and make an independent decision prior to investing or entering into any transaction.

A large, solid green abstract shape that starts as a thin point at the top left and curves downwards and to the right, ending in a vertical line at the bottom right. The shape is smooth and organic in form.

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