



# Management Discussion and Analysis (MD&A)

For the Quarter Ending March 31, 2023

ธนาคารกสิกรไทย  
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

## Executive Summary of Management Discussion and Analysis For the Quarter Ending March 31, 2023

The Thai economy in the first quarter of 2023 saw limited recovery due to a global economic slowdown and domestic pressures from rising production costs, cost of living and household debt. Under these circumstances, the Thai economic recovery remained uncertain, which prevented certain groups of customers from regaining a firmer footing. Meanwhile, impacts of climate change and regulatory changes have been felt throughout the overall business operations, further pressuring business undertakings of KBank's customers. This will inevitably have repercussions for KBank's business performance, going forward.

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, i.e., environmental, social and governance (ESG). Guided by the Challenger Bank concept, KBank prioritizes innovative services while also building upon our traditional banking business in sync with the ever-evolving technology, changing consumer behavior and environment that goes beyond banking and innovation. We also focused on business partnerships with the aim of promoting financial inclusion among a broad range of the general public in order to empower every customer's life and business. Our endeavors are achieved through collaboration and synergy with other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, startup firms and our business partners. We prioritize offering total solutions, with attentive and inclusive services anywhere, anytime, as a trustworthy service provider under the single brand of KASIKORNBANK.

In alignment with our strategy of becoming a Bank of Sustainability, KBank has operated our business based on proactive and integrated risk management principles and a risk-aware culture Bank-wide. These endeavors allow us to maintain our status as a leading financial institution while being able to cope with economic volatility in a timely manner both in normal and stressed situations. Moreover, we always account for the expectations and needs of all stakeholders.

KBank and its subsidiaries reported net profit for the first quarter of 2023 amounting to Baht 10,741 million, an increase of Baht 7,550 million or 236.63 percent over-quarter. The increase could be attributed to KBank's setting aside of expected credit loss totaling Baht 12,692 million, a decrease of Baht 10,092 million or 44.29 percent over-quarter, as KBank set aside a high level of expected credit loss in the fourth quarter of 2022 in line with our prudent approach and the prevailing economic circumstances. Our coverage ratio thus stood at 156.68 percent. However, in the first quarter of 2023, one of our corporate customers had credit deterioration for which expected credit loss had already been reserved. KBank may consider setting additional expected credit loss to reflect the circumstances which is closely monitored.

Meanwhile, operating profit before expected credit loss and income tax expense amounted to Baht 26,781 million, a decrease of Baht 1,576 million or 5.56 percent compared to the preceding quarter. The decrease came mainly from non-interest income, which decreased by Baht 1,552 million or 11.72 percent as a

result of mark to market of financial assets of one of KBank's subsidiaries in line with market condition. Moreover, net interest income dropped by Baht 1,273 million or 3.52 percent due to rising interest expenses in line with an increase in contributions to the Financial Institutions Development Fund (FIDF), returning to the normal rate of 0.46 percent p.a. Our net interest margin stood at 3.46 percent.

Other operating expenses also decreased by Baht 1,249 million or 5.93 percent, which came mainly from declining seasonal marketing expenses. However, employee expenses increased – derived partly from one-time expenses after the implementation of cost-of-living subsidy measures for employees. Cost to income ratio therefore stood at 42.50 percent, which was close to the level of 42.60 percent in the fourth quarter of 2022.

With regard to our capital position, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 18.90 percent, with a Tier 1 capital ratio of 16.92 percent and Common Equity Tier-1 Ratio of 15.94 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.

The operating performance of KBank and K Companies in the first quarter of 2023 thus met our business targets as expected in line with the economic conditions. All the abovementioned endeavors and performance of KBank and K Companies have thus far been undertaken with prudence and in step with the ever-changing environment, together with awareness of the economic uncertainty that persists. Along with this, we have plans in place to cope with any potential impacts upon our business while also giving our customers support in an efficient and timely manner. On account of our efforts, we have won numerous awards while also gaining wide acceptance and recognition at home and abroad.

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# 1. Overview of Operating Environment

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## 1.1 Global and Thai Economy in the First Quarter of 2023 and Outlook

The global economy faced multiple challenges in early 2023, especially pressure from inflation which was higher than central banks' target levels. As a result, several central banks, led by the US Federal Reserve and the European Central Bank, needed to continue gradual monetary policy tightening by raising their policy rates. Additional factors included pressure from the problems of financial institutions in major economies, the persistent Russia-Ukraine conflict, and the prolonged COVID-19 situation. Under these circumstances, the International Monetary Fund (IMF) has assumed a cautious view towards the global economic outlook. The IMF also downwardly revised its 2023 global economic growth projection to 2.8 percent, from the previous forecast of 2.9 percent. Meanwhile, China's reopening and its implementation of economic stimulus measures should drive the country's economic growth while also easing pressure on the global economic outlook to some extent.

The Thai economy continued to face limitations on its recovery in the first quarter of 2023. Despite signs of improvement in the tourism sector, as reflected by the increasing number of Thai and foreign tourists, the overall situation has not returned to pre-pandemic levels. Meanwhile, Thailand's exports saw a decline compared to the same period of last year due to the impact of economic slowdown among its major trading partners and the overall global economic sluggishness. Private spending increased within a limited range, attributed to persistently high costs of living, household debt, production costs as well as financial costs in line with a gradual increase in domestic interest rates.

As for the remainder of this year, even though the Thai economy in 2023 will likely see continual growth from 2022, attention must be paid to uncertainties surrounding the global economy, particularly the impact of policy rate hikes in other countries as well as problems of financial institutions in major economies, which may pose heightened risks to the global economy and Thailand's export sector. Regarding monetary policy, the Bank of Thailand is expected to gradually raise its policy rate during the first half of 2023 to curb inflationary pressures.

## 1.2 Banking Industry and Competition

The overall performance of domestically registered commercial banks in the first quarter of 2023 recorded higher net profit over-year and over-quarter. Net profit rose compared to the final quarter of 2022 due to a decrease in expected credit loss and operating expenses mainly from seasonal factors. Meanwhile, net fees and service income was almost unchanged from the previous quarter, supported by a gradual recovery of economic activity. However, net interest income declined given that rising interest income, buoyed by increasing loan yields in line with the upward trend of lending rates, was offset by an increase in deposit interest rates and contributions to the Financial Institutions Development Fund returning to the normal level in this quarter.

Regarding asset quality, non-performing loans to total loans (NPL ratio) declined due to proactive NPL management and acceleration of customers' debt restructuring. However, several commercial banks continued

to follow a prudent approach in setting aside expected credit loss, as they must closely monitor vulnerable borrowers amid an uncertain economic environment.

As of the end of the first quarter of 2023, outstanding loans to customers and accrued interest receivables - net at 17 domestically registered commercial banks totaled Baht 13.809 trillion, decreasing by 0.49 percent from the end of 2022, and rising slightly by 1.23 percent compared to same period of last year, due to gradual repayment of both government and corporate loans. Meanwhile, outstanding deposits totaled Baht 15.905 trillion, an increase of 0.27 percent compared to the end of 2022 and a rise of 2.18 percent over-year. The increase was derived mainly from fixed deposits in line with the gradual hike in interest rates at home.

Looking ahead into the rest of 2023, the overall banking industry is set to experience a cautious recovery. Despite gradual improvement in income from core businesses, as evidenced by rising interest income, and fees and service income, lingering economic uncertainty amid numerous risks may prompt commercial banks to closely manage asset quality while adopting a prudent approach in setting aside expected credit loss. In parallel, they must be prepared for regulatory requirements that will gradually be changing in line with Thailand's evolving financial landscape.

### 1.3 Significant Regulations and Rules related to Business Operations

Significant regulations and rules that may have affected KASIKORNBANK FINANCIAL CONGLOMERATE's business operations included:

- **Ministerial Rules Determining Fee for Registration of Rights and Juristic Acts for Transfer and Mortgage of Purchased Condominiums to Support and Ease Burden of the General Public Seeking to Own a Home, B.E. 2565 (2022)**

The Government Gazette which was published January 3, 2023, stipulates that the fee for ownership transfer registration of condominiums is 1 percent, and fee for mortgage registration thereof is 0.01 percent. These rates shall be applied to Thai individuals who have purchased a condominium which has been registered as a juristic condominium in accordance with the Condominium Act, with price and appraised value of not more than Baht 3 million as well as mortgage value of not more than Baht 3 million. This legislation shall be applied to the registrations which are undertaken by December 31, 2023.

- **Rules on Governance and Internal Control Mechanism of Financial Institutions and Financial Conglomerates**

The Bank of Thailand issued six notifications for the improvement of rules on governance and internal control mechanisms of financial institutions and financial conglomerates to ensure that their operations are under good corporate governance principles in order to support sustainable growth and accommodate future changes, while fully accounting for stakeholders in all aspects. These notifications, which came into force on February 24, 2023, contain major points as follows.

1. BOT Notification No. SorNorSor. 1/2566 (2023) Regarding Governance Principles: Determination of regulations, criteria, qualifications and appointment of managing director, persons with managing authority or advisors, roles, responsibilities and composition of committees, roles and responsibilities of senior executives as well as internal control mechanism that enables the organization to achieve its goals in accordance with the established policies
2. BOT Notification No. SorNorSor. 2/2566 (2023) Regarding Roles, Responsibilities and Composition of Board of Directors: Principle-based determination of roles and responsibilities of Board of Directors on the setting of directions, strategic goals and key policies
3. BOT Notification No. SorNorSor. 3/2566 (2023) Regarding Roles, Responsibilities and Composition of Committees and Senior Executives: Determination of roles, responsibilities and composition of board committees, roles and responsibilities of senior executives, including the roles of senior executives in other organizations to support the organization's operations
4. BOT Notification No. SorNorSor. 4/2566 (2023) Regarding Governance Mechanism: Determination of fundamentals of management within the organization on risk supervision framework, remuneration structure, internal control and disclosure of governance-related data
5. BOT Notification No. SorNorSor. 5/2566 (2023) Regarding Compliance: Determination of roles and responsibilities of compliance units to ensure that they proactively perform their duties and serve as advisors on business strategies to support compliance with the regulations correctly and thoroughly.
6. BOT Notification No. SorNorSor. 6/2566 (2023) Regarding Internal Audit: Determination of guidelines for internal audit operations to ensure their proactive roles and development of internal audit processes which must be consistent and keep up with the changing in business operations.

- **Financial Institutions' Business Operations Accounting for Environment and Climate Change**

The Bank of Thailand issued Policy Guidelines Re: Financial Institutions' Business Operations Accounting for Environment and Climate Change, dated February 15, 2023, which requires that banks and companies within a financial conglomerate integrate these guidelines into their operations. These guidelines shall be used for the assessment of business opportunities and risks as well as the offering of environment-related financial products and services in order to support adjustment of the business sector in a tangible manner. Major points in four key areas of operations are as follows.

1. Governance structure: The Board of Directors shall be responsible for determining strategic directions, risk appetite and major policies. Meanwhile, senior management must be responsible for supervising the operations, which must be in conformity with the policies and strategies, managing opportunities and risks, determining the structure of responsibilities and allocating resources to accommodate environment-related operations.

2. Strategy: Environmental factors shall be integrated into the processes for determining and reviewing strategic plans. Action plans must be assessed based on the established targets and key performance indicators (KPIs) under risk appetite. Moreover, the development of financial products and services must be undertaken in a manner that encourages customers to adjust their business operation processes to be more environmentally friendly.
3. Risk Management: Environment-related risks shall be integrated into a risk culture. Risk management processes must be in place in accordance with the Three Lines of Defense principle which include control, supervision and audit. Moreover, policies and processes for identifying, assessing, controlling and monitoring environment-related risks must be implemented, and these risks must be reported – at both the transaction and portfolio levels – to the Board of Directors and senior executives on a regular basis.
4. Data disclosure: Data related to corporate governance structure, strategies, action plans, management of environment-related opportunities and risks, key performance indicators and environmental targets must be disclosed at least once a year.

- **Royal Decree on Supervision of Businesses related to Digital Identity Proofing and Authentication Services Requiring a License B.E. 2565 (2022)**

The Government Gazette published on December 23, 2022, and to be effective June 21, 2023, aims to regulate the businesses related to digital identity (Digital ID) proofing and authentication services to be in conformity with international standards, wherein system and data security, as well as consumer protection, must be in place. Major points of this stipulation are as follows.

1. Four types of businesses related to digital ID proofing and authentication services which must obtain a license from the Electronic Transactions Commission via the Electronic Transactions Development Agency (ETDA) include identity proofing service, authentication service, authenticator management service and digital ID platform service.
2. Qualifications and duties of business operators are established. They include prohibited characteristics of directors, registered capital of juristic person, etc. Criteria for supervising business operations are also established to cover the following matters:
  - 2.1 Risk management
  - 2.2 IT security
  - 2.3 Fraud control
  - 2.4 Functional and role requirement
  - 2.5 Consumer protection
  - 2.6 Third-party management
  - 2.7 Privacy control



3. Discontinuation of business operations or license revocation shall not affect the result of identity proofing and authentication that has been undertaken via such a system before the business is discontinued or the license is revoked.

- **Royal Decree on the Operation of Digital Platform Businesses Subject to Prior Notification, B.E. 2565 (2022)**

The Government Gazette published on December 23, 2022, and to be effective August 20, 2023, establishes rules for digital platform business operations and supervision guidelines with a mechanism of cooperation among government agencies and linkage of data between related units. Good practical guidelines have been formulated to cover service users' identity proofing and authentication appropriate for the risk of services. Business operators are required to have in place relief and remedy measures for affected parties in order to protect service users, maintain financial stability and promote commercial trust. Major points of this legislation can be summarized as follows.

1. Establish characteristics of digital platform services governed by this law which are required to give notice to the Electronic Transactions Development Agency (ETDA) before the start of business operation, and to provide data and evidence per the established format and content every year within 60 days of the end of the accounting year. They include digital platform services having one of the following characteristics: having annual gross income from services provided in Thailand in excess of Baht 50 million; or having more than 5,000 users in Thailand per month; or providing digital platform services outside of Thailand with users in Thailand wherein they shall display information in Thai language, either wholly or partly, or accept payment in Thai Baht currency or be registered under Thai domain names (“th”). Information that must be provided before the start of business includes information of the operator, digital platform services, users, top five complaints, coordinators in Thailand (if the business is operated outside of Thailand) and consent given to the ETDA for access to data previously provided.

Meanwhile, digital platform services with no characteristics as mentioned above are required to provide the ETDA data summary before the start of business operation whereas the data per the established format and content shall be provided on a yearly basis.

2. Establish characteristics of digital platform services which are required to notify service users of the terms and conditions prior to/during the use of services and to prepare a report on operating performance on a yearly basis per the format as prescribed by the ETDA. They include digital platform services having one of the following characteristics: collecting service fees from users; acting as an intermediary in offering goods or services to consumers; operating a business with a contract with other operators in offering goods or services to consumers or offering search engines.

Terms and conditions provided to service users shall include:

- (1) Conditions for service provision, suspension/termination and service fee calculation
  - (2) Criteria for ranking or recommendation of products or services
  - (3) Criteria for offering advertisement of goods or services
  - (4) Criteria for satisfaction evaluation and feedback provision
  - (5) Access to and use of data obtained from digital platform services
  - (6) Channels for providing assistance, processes for complaint handling and dispute resolution as well as timelines for said operations
  - (7) Classification of products and services offered / content appropriate for each group of users
  - (8) Actions taken regarding illegal products, services or contents
3. Establish risk management measures for large-scale digital platform services and those with specific characteristics. They are required to submit reports on the following operations every year per the format as prescribed by the ETDA.
- (1) Large-scale digital platform services: Measures for risk management and system security, crisis management, appointment of officers supervising compliance with laws, audit by external auditors and other operations as determined by the Commission.
  - (2) Digital platform services with specific characteristics: Risk management measures and other operations as determined by the Commission. In cases where terms and conditions are revised, feedback from service users must be sought within at least 15 days, with notice given to the ETDA.
  - (3) Digital platform services which affect national security: Risk management measures and other operations as prescribed by the Commission per the recommendation of a joint committee.

● **Emergency Decree on Measures for Prevention and Suppression of Technology Crimes B.E. 2566 (2023)**

The Government Gazette which was published on March 16, 2023, and effective March 17, 2023, determines measures for prevention and suppression of public frauds via technology devices, measures which are deemed indispensable for maintaining the safety of the general public's property as well as the security of the country's economic and financial system. Major points can be summarized as follows:

1. Data disclosure or exchange: In cases where there are any circumstances raising suspicions that criminal offenses have been or may be committed, banks are required to disclose or exchange data related to accounts and customers' transactions with other financial institutions or business operators under the law pertaining to payment systems via the designated system as approved by government agencies under this legislation.

Disclosure, exchange, access, storage, collection or use of personal data under this law shall not be subject to the Personal Data Protection Act (PDPA). However, the data recipient or possessor shall not disclose the data to a third party who has no relevant duties.

2. Suspension of transactions:

2.1 In cases where banks themselves have found suspicious transactions, or data in the system shows that any deposit account or e-money account has been or may be used for conducting transactions related to technology crimes or offences under the anti-money laundering law, including cases where relevant banks are notified of an incident by competent officers authorized to carry out criminal proceedings or the Secretary-General of the Anti-Money Laundering Board, banks are required to suspend suspicious transactions and notify other financial institutions or business operators which receive the funds transfer in question. In addition, banks must upload the data to the system in order to notify other financial institutions and business operators receiving the funds transfer in question, while such transactions must be suspended immediately for a period of not more than seven days from the date the suspicious transaction is detected or reported (as the case may be) in order to further examine the transaction data. Moreover, a report must be filed to competent officers authorized to carry out criminal proceedings or the Secretary-General of the Anti-Money Laundering Board to conduct an investigation. If there is evidence of an offense, legal proceedings must be undertaken by competent officers authorized to carry out criminal proceedings or the Secretary-General of the Anti-Money Laundering Board within seven days of being notified. Unless there is evidence of an offense, the relevant bank shall be informed of the investigation result in order to cancel the transaction suspension.

2.2 In cases where a bank is notified by a fraud victim of a suspicious transaction wherein a deposit account or e-money account may be involved with technology crime, the bank is required to temporarily suspend said transaction and shall upload the data to the system to notify other financial institutions and business operators which receive the funds transfer so that they will suspend further transactions immediately. Moreover, the bank shall instruct the victim to lodge a complaint with police investigators within 72 hours. After the police complaint has been filed, the police investigator shall inform the bank and shall proceed to take action on the deposit account or e-money account within seven days from the date the complaint is filed. If the seven-day period ends without a further order to suspend the transaction, the bank shall cancel the transaction suspension.

## 2. Risk Management and Risk Factors

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### 2.1 Credit Risk Management

In the first quarter of 2023, the Thai economy gradually gained traction, led by the ongoing revival of the tourism sector after the end of the pandemic control measures. However, the global economy remained at high risk due to the protracted Russia-Ukraine conflict, persistently high global inflation and the US financial institution crisis. The situation impacted Thai exports and imports while also prompting production costs and households' cost of living to soar in tandem. Under these circumstances, borrowers' debt servicing ability was jeopardized.

At the same time, we have integrated environmental, social and governance (ESG) considerations into our credit assessment, with a focus on efforts to mitigate the intensifying climate change, which requires collaboration from the business sector during the transition to a net zero society. KBank assessed and monitored business adaptation trends in each industry. We also focused on the improvement of loan approval guidelines, risk indicators, customers' early warning sign detection and behavior monitoring to help improve efficiency in credit risk management and monitoring processes.

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. Moreover, lessons learned from extending loans to retail clients via digital channels were applied to development and improvement of our credit scoring, credit policies and processes to ensure overall suitability.

For credit risk management, KBank 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 worked with borrowers having problems with debt repayment to provide them timely advice and consultation, ensuring that sustainable debt resolutions suited to their risk persona were offered.

Moreover, KBank prioritized efficient asset quality management, especially through the option of NPL sales along with dynamic provisioning management to adequately set aside expected credit loss, which reflected our prudent business operations amid ongoing economic uncertainties. KBank has also focused on portfolio management to balance credit concentration. 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

In the first quarter of 2023, the Fed raised its policy rate two times, from 4.25-4.50 percent to 4.75-5.00 percent. The move represented the US central bank's ongoing effort to reduce the nation's inflation rate to 2.00 percent amid falling inflation in several other countries. However, the US banking crisis loomed over its economy, triggering volatility in global money and capital markets. Under these circumstances, the Fed may postpone any further policy rate hikes. Meanwhile, the Bank of Thailand increased its policy rate twice, to 1.75 percent from 1.25 percent.

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 first quarter of 2023, KBank's liquidity remained ample, as it could match demand for loans in line with Thailand's gradual economic recovery. Meanwhile, the banking turmoil in the US and Europe had no significant impact on KBank's liquidity and deposits.

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

##### □ Sustainable Development

The Sustainable Development Sub-committee and Corporate Governance Committee approved the 2023 Sustainable Development Plan which is in alignment with KBank's strategy that focuses on environmental, social and governance priorities. Major operations in the first quarter of 2023 are as follows:

- Setting up the Beacon Impact Fund with seed money of Baht 1,200 million to invest in startups which embrace sustainable business models. The Fund is invested by Beacon Venture Capital Co., Ltd.
- Developing the "Punfai" application – Thailand's first energy exchange platform for both business and household sectors under the collaboration of KBank, KASIKORN BUSINESS-TECHNOLOGY Group (KBTG) and the Electricity Generation Authority of Thailand (EGAT). The initiative aims to contribute to Thailand's aspiration towards the net zero target. The "Punfai" application is expected to be launched on a trial basis in the third quarter of this year.
- Unveiling the "Let's Unite to Save the Planet" program under the GO GREEN Together campaign wherein KBank will give 10 percent of every 1,000 K Points donated to eight foundations participating in this program.
- Introducing the Kepler by KBank platform to serve as a source of information in instilling environmental consciousness via the Metaverse technology. This platform, which is now in a trial period with employees of KBank's subsidiaries, will eventually be expanded to the general public.
- Launching the Cultivation of Wisdom Camp No. 1 under the concept of "66 Days of Life Skill Learning...Making Business into Reality" organized by the Cultivation of Wisdom Foundation under sponsorship of KBank. This pilot project aimed to equip participating high-school students in Nan province with knowledge and real-world business experience imparted by professional speakers, renowned business gurus and real entrepreneurs.
- Nan Sandbox Project: KASIKORNTHAI Foundation signed a memorandum of understanding (MOU) with five other organizations, including the Thai Food and Drug Administration, the Government Pharmaceutical Organization, Program Management Unit for Competitiveness, Biodiversity-based Economy Development Office (Public Organization) and Thailand Center of Excellence for Life Sciences (Public Organization), on the development of medicines and health products from medicinal plants grown under the forest canopy as part of the Nan Sandbox Project. The initiative aims to help boost farm income while also restoring Nan's pristine headwater forests in a sustainable manner.

## □ Corporate Governance

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. Moreover, KBank aims to maintain and develop the standard of good corporate governance in a sustainable manner while also promoting it as our organizational culture. To this end, KBank has arranged communications and provided knowledge on the Statement of Corporate Governance Principles, the Code of Conduct, as well as major policies and operational procedures for directors, executives and employees of KBank and companies within KASIKORNBANK FINANCIAL CONGLOMERATE, as follows:

- Formulating a strategic plan for Corporate Governance activities;
- Providing knowledge relevant to corporate governance and sustainable development to directors via CG Journal and KBank Bulletin;
- Communicating with executives and employees on good corporate governance, the Code of Conduct and the Anti-Corruption Policy via KBank's internal communication channels;
- Communicating the No Gift Policy to executives and employees of KBank and companies within KASIKORNBANK FINANCIAL CONGLOMERATE, as well as our suppliers and customers;
- Communicating with directors, executives and employees on operational procedures for securities trading, which covers supervision of the use of inside information;
- Providing the opportunity for all shareholders to submit issues for inclusion in the agenda of the General Meeting of Shareholders in advance.

## 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, i.e., environmental, social and governance. Guided by the Challenger Bank concept, KBank focuses on service innovation and business partnerships with the aim of promoting financial inclusion among a broad range of the general public in order to empower every customer's life and business. Our endeavors are achieved through collaboration and synergy with other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, startup firms and our business partners. We prioritize offering total solutions, with attentive and inclusive services anywhere, anytime, as a trustworthy service provider under the single brand of KASIKORNBANK.

In alignment with our strategy of becoming a Bank of Sustainability, KBank prioritizes innovative services while also building upon our traditional banking business in sync with the ever-evolving technology, changing consumer behavior and environment that goes beyond banking and innovation, accounting for the dynamic change of expectations and needs of all stakeholders. Our key strategic imperatives are as follows:

- *Dominate Digital Payment* across all digital platforms and accommodate all types of payments domestically, internationally and regionally.
- *Reimagine Commercial and Consumer Lending* on digital channels using transaction data of customers and within value chains
- *Democratize Investment and Insurance, targeting previously inaccessible groups* via digital channels
- *Penetrate Regional Market* in accordance with our Asset-Light Digital Banking Strategy to become the Regional Digital Bank in AEC+3 region
- *Strengthen Harmonized Sales and Service Channel Experience* with efficient technological infrastructure and services

KBank's strategic plans and business directions have been advanced with good corporate governance, proactive and integrated risk management principles and a risk-aware culture Bank-wide. These endeavors allow us to maintain our status as a leading financial institution while being able to cope with economic volatility in a timely manner as well as being in strict compliance with relevant regulatory changes. In alignment with our strategic imperatives, KBank operated our business with the aim of meeting the needs of domestic customers, including retail, SME and corporate customers, as well as those in the AEC+3 region, in the first quarter of 2023. Major operations are as follows.

### 3.2.1 Payment Service

KBank is determined to develop payment innovations with enhanced security and reliability to comprehensively meet the needs of business and retail customers domestically, internationally and regionally. We intend to dominate digital payment across all platforms with the aim of embedding in customers' ecosystems. Major products and services offered are as follows:

- **Promotion of YouTrip Multi-Currency Card, a digital wallet for travel that accommodates multiple currencies:** To capitalize on the ongoing revival of travel and tourism, KBank offered attractive promotions in response to customers' needs. Notable campaigns included special foreign exchange rates with waiver of conversion fee of 2.5 percent, and the launch of "Japan Double Save: Use YouTrip in Japan and Get Better Rates" wherein cardholders are granted up to Baht 2,000 in cash back when spending in Japanese Yen in accordance with the established conditions.

In addition, we launched promotional activities to continually promote the use of the card via YouTrip Blog and Facebook. KBank also worked with our business partners in tourism, travel and shopping categories in arranging marketing campaigns via "YouTrip Perks" features. For instance, cardholders were offered discounts when using YouTrip for making payment on Klook or cash back when spending on Lazada. Moreover, customers can top up their YouTrip card via K Point redemption. Focus was also on year-round campaigns to promote the application for this card by waiver of application fee and fee for cash withdrawal at ATMs in other countries.



- **Issuance of K Online Debit Card – a virtual card via K PLUS:** This virtual card is designed to meet the needs of the new generation that prefers to not carry a physical card. Customers can apply for this card easily and use it instantly. They can also manage their card by themselves via menu options available on K PLUS.
- **Promotion of e-Payment:** KBank has improved payment on K SHOP under the slogan, “Get Money Easily and Surely”, in order to meet the needs of both online merchants and physical stores. K SHOP can accommodate various payment channels, including Thai QR Payment, QR Credit Card for Visa, Mastercard and UnionPay, Alipay and WeChat Pay – the Chinese e-wallets, and QR code scan with payment made via K Point and Mobile Point of Sale (mPOS) under the PCI software-based PIN entry on commercial off-the-shelf devices (SPoC) – a world-class security standard.

We have also introduced “Payment Link” – a new feature that allows merchants to sell, chat and share a payment link via social application, including LINE, Facebook and Instagram, and get paid immediately, with options offered to customers to make installment payment for goods and services. Meanwhile, K SHOP can accommodate QR scan from mobile banking applications of foreign tourists from five countries including Malaysia, Singapore, Indonesia, Vietnam and Cambodia, as well as payment with UnionPay, Alipay and WeChat from Chinese travelers.

- **Development of K-Merchant:** In strict compliance with the Bank of Thailand's Policy Guidelines: Know Your Merchant (KYM) which aims to recognize, manage and monitor risk regarding electronic payment acceptance, KBank has developed K-Merchant in order to establish trust in merchants and ensure their continued existence in order to prevent frauds via KBank's payment channels as well as merchant frauds and money laundering, while also fostering trust and a sense of security among service users.

To supervise the misuse of card transactions while enhancing security for both merchants and cardholders, KBank has adjusted the format for payment acceptance by small stores and businesses which have no requirement to accept payment via the “Card Not Present” format. To this end, we offered the Payment Link service as part of our effort to reduce the risk from cardholders' payment rejection. At the same time, we have expanded the K PAY LATER service to large businesses both in Bangkok and other provinces as an option for payment acceptance via installment payment. Target businesses included public and private hospitals, petrol stations, department stores, supermarkets, restaurants, drug stores and shops selling electronics equipment and mobile phones.

- **Focus on service applications and transactions via electronic channels:** To ensure customers' greater convenience and continual service, KBank launched K-Payment Gateway (Installment Cross Bank) in this quarter to access retail clients while also meeting the needs of merchants using payment acceptance service with KBank. Moreover, customers can open K-eSavings for Payroll

accounts, allowing more convenience with reduced cost and time for application, thus benefiting both employers and employees.

- **Development of Corporate Payment API:** Customers can make real-time funds transfer to recipients' accounts at KBank and other banks, including PromptPay accounts, at any time. Currently, KBank provides the API service to e-commerce and cryptocurrency exchange operators. We also plan to expand the service to customers in the insurance and auto hire purchase businesses.
- **Bulk BillAlert service:** Developed from the bill alert service which features one-to-one billing notification, this new feature allows billers to send up to 100,000 alerts and billing transactions to customers per an instruction file. The service can help billers efficiently manage billing frequencies with saved costs instead of sending paper bills and SMS alerts, while also preventing potential losses due to scams and phishing from attached links for customers to click on via SMS or email. To provide greater convenience and security to customers, they can make payment simply by clicking on the notification via K PLUS to make payment.

### 3.2.2 Lending

KBank has reimagined commercial and consumer lending. Our focus is on extension of loans to previously unbanked groups through the use of technology to promote an end-to-end loan application process via digital channels, from customer screening to risk-based pricing and approval within minutes. In this quarter, KBank focused on development of existing lending solutions, with no new products or services launched. We prioritized a prudent credit policy while also continually developing risk assessment tools with the aim of maintaining a balance between asset quality management and competitiveness with efficient risk management. Major initiatives included:

- In collaboration with 14 leading property companies, KBank launched Green Home Loan with an average interest rate during the first three years starting at 3.45 percent, with repayment period of up to 30 years and credit limit of not more than 110 percent. Eligible customers are also offered a waiver of collateral appraisal fee.
- KBank offered discounts of up to 50 percent to buyers of pre-owned homes, with no transfer fee (normally up to Baht 200,000), loan amount of up to 110 percent with interest-free installment payment of six months, while deposit money is returned to ineligible applicants. Eligible customers are entitled to many more benefits per the established conditions.
- KBank has continually provided short-term funding supports to bolster liquidity and working capital for businesses as well as long-term financing to accommodate business expansion of our customers in various industries with growth potential. Focus is on environmentally friendly businesses which embrace a sustainable development policy in alignment with KBank's goal of becoming a Bank of Sustainability.

### 3.2.3 Investment and Insurance

KBank aims to democratize investment and insurance, targeting previously inaccessible groups. We developed digital channels to facilitate our customers in making their own informed investment decisions. Meanwhile, our Relationship Managers (RMs) are always on hand to introduce appropriate products of KBank and other companies within KASIKORNBANK FINANCIAL CONGLOMERATE to business and high net worth individual clients.

- **Mutual funds:** During the first quarter of this year, the overall financial and investment market saw improvement amid high volatility caused by global economic and political factors. KBank has therefore offered low-risk investment products to risk-averse customers. Notable products included short-term fixed income funds and term funds. For customers having a high-risk appetite and seeking long-term investment opportunity, we recommended that they appropriately diversify their portfolio via multi-asset and balanced funds as well as investing in stocks of companies in countries with a brighter economic outlook after their reopening, including Chinese and Thai shares, especially health care stocks which are resilient to economic slowdown.

For High Net Worth Individual customers, KBank has revised our advice on mutual funds while adjusting investment portfolios to suit prevailing circumstances. Emphasis remained on risk-based allocation for core portfolios, such as investment in funds under the K-ALLROAD Series in order to create consistent returns with appropriate risk. We also recommended that our customers invest in mutual funds with brighter prospects in alignment with the prevailing market circumstances. Notable funds included K China Controlled Volatility Fund (K-CCTV) which invests in Chinese stocks, as well as funds that gain positive impacts from investing in industries that embrace sustainability, including K Positive Change Equity Fund (K-CHANGE) and K Sustainable Fund Not for Retail Investors (K-SUSTAIN-UI) and K-CLIMATE. Along with this, we also advised our customers to focus on alternative investment which is uncorrelated to market volatility, in order to cushion any impacts from volatility in capital markets on the overall investment portfolio. Offering increased investment options to our customers, we advised them to invest in mutual funds of other asset management companies which are our partners, through the Open Architecture format.

- **Life insurance products:** KBank aims to expand life and health insurance products to high-middle income, Affluent and High Net Worth Individual clients as well as business customers via strategies. In detail:
  - We offered smaller policies via digital channels and sales agents. Focus was on products with multiple elements of coverage, after-sales services and customer engagement. Notable products included the life insurance: “Getting to Age 70, Getting Money” for customers seeking coverage and security for their love ones; a life insurance plan with short-term payment for coverage of 81 critical illnesses, from the initial to the terminal stage, and an Multiple Critical

IllnessRider which features a health rider with coverage of 35 critical illnesses wherein premium payment is only Baht 2,500 per year for a high coverage of Baht 500,000.

- We introduced Life Insurance Endowment 11/3 with short-term savings wherein policyholders make premium payment for only three years and get a cash benefit every year plus a lump sum in the 11<sup>th</sup> year. Meanwhile, we introduced unit linked life insurance with funds under the K-ALLROAD Series offered as an alternative investment vehicle for our KBank Private Banking customers.
- KBank offered SmartLife CI 150 Percent which features a life insurance plan with business loan coverage to small business clients who have a credit line of up to Baht 2 million. Customers get fixed coverage for all cases of death throughout the insurance contract plus coverage of up to 150 percent of the sum insured for 30 critical illnesses.

### 3.2.4 International Business Operations

KBank expanded its business in the AEC+3 market through digital channels and a business partnership model, in accordance with our Asset-Light Digital Banking Strategy. We emphasized investments in local technology and startup companies for the development of KBank's network and service technology, as well as the improvement of IT infrastructure and IT personnel for the development of products and services. KBank also fostered partnerships with local financial service providers in order to create an ecosystem that allows customers to have enhanced access to financial services which can meet both their lifestyle and business needs. These endeavors were in alignment with the Beyond Banking concept in the region.

KBank's regional operations are directed by three key strategies, namely: 1) Aggressive Play: aggressive expansion in corporate lending; 2) Mass Acquisition Play: expansion of the customer base via digital channels in collaboration with the Bank's partners, with the ultimate goal of becoming a regional payment platform; 3) Disruptive Play: development of new financial service format to serve customers with limited access to bank services (the underbanked), a significant consumer base in this region. This quarter was highlighted by the following initiatives:

**1. The Republic of Indonesia:** KBank has carried out a transformation of PT Bank Maspion Indonesia Tbk's work processes and business operations. In order to accomplish this, we have combined our extensive banking experience with KBTG's financial innovation and technology, as well as Bank Maspion's local knowledge, to provide a comprehensive array of financial products and services. In addition, this will support Indonesia's long-term economic growth and meet the needs of all three customer groups: large corporations, medium-sized businesses, and retail customers. KBank intends for PT Bank Maspion Indonesia Tbk to increase its lending potential, offer comprehensive banking services, and become one of the sources of funding that meet the requirements of these client groups. In light of these efforts, KBank aims to see Bank Maspion become the largest bank in East Java in terms of assets and one of the top 20 banks in the Republic of Indonesia in terms of loan portfolio by 2027.

In this quarter, KBank has developed a merchant application for PT Bank Maspion Indonesia Tbk by leveraging our experience with K SHOP, a mobile banking app for Thai merchants. We also plan to launch the QRIS (Quick Response Code Indonesia Standard) service to assist merchants and businesses in accepting payment via QR code for goods and services. The service supports payments from other mobile banking applications and electronic wallet service providers in the Republic of Indonesia.

**2. The Socialist Republic of Vietnam:** To create a Digital Lifestyle Solution that can meet the needs of a large customer base, KBank has aggressively expanded its business via K PLUS Vietnam in order to reach our goals of increasing the number of retail customers in the Socialist Republic of Vietnam to 1.3 million by 2023 and becoming one of the top 20 banks in terms of total assets by 2027.

In this quarter, KBank formed partnerships with more local partners through KASIKORN VISION CO., LTD. (KVision)'s investments in industries with high growth potential, such as Seedcom, a leading Vietnamese retailer, to expand our financial services, and Selly, a social commerce platform with a large customer base. These initiatives have enabled KBank to expand its customer base rapidly. In addition, KBank pushed forward with the development of financial technology infrastructure to become a fully-fledged financial services provider in the transactional ecosystem. This is to support the diverse requirements of customers and cover all customer segments in the Socialist Republic of Vietnam, including large corporations, medium-sized businesses, and retail customers.

KBank has 16 overseas branches in eight countries, including 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 more than 80 other financial institutions in 16 countries, both within and outside the AEC+3 region. We also have a regional network of more than 20 startup companies in which KBank is an investor and business partner, as well as more than 2 million customers in the region.

#### International Branch Network

International Branch Network	Number of Locations	
	Mar. 2023	Dec. 2022
Branches of Locally Incorporated Institutions	6	6
KASIKORNTHAI BANK LIMITED (Lao PDR)	2	2
KASIKORNBANK (CHINA) CO., LTD.	4	4
PT Bank Maspion Indonesia Tbk	46	46
Branches	4	4
Representative Offices	6	6

### 3.2.5 Service Channels

KBank prioritizes development of innovation and digital technology to support financial service channels that can accommodate the ever-evolving customer behavior in conducting financial transactions. We therefore focused on providing seamless online and offline services while orchestrating ecosystems with our business partners under efficient customer management guidelines that aim to create confidence and security in their transactions. KBank has in place measures for protection of customers' property against fraudulent actions – including online scams and other financial frauds – in accordance with rules and regulations of government agencies so as to deliver impressive customer service. Major initiatives in the first quarter of 2023 are as follows:

**1. Domestic Branches and Financial Service Centers:** To ensure the highest efficiency in branch network management, KBank focused on the available number of branches, which must be appropriate for broader service coverage as well as proper control of operating costs. To this end, we consolidated branches to reduce redundancy, especially those with relatively low traffic, while also promoting the use of technology for development of services and branches' internal processes for greater customer convenience. Along with this, we adjusted branch models to align with customers' needs in each area. For instance, we now have 20 hybrid branches which offer customers self-service electronic machines, five K PARK locations and one mini-branch which shares the space of our business partners to provide basic services.

In addition, we offered KBank Service at targeted areas in each province across the country via banking agents and machine agents to provide cash deposit/withdrawal, bill payment and identity verification for electronic account opening as well as application for other products and services offered by each agent under a single standard.

Meanwhile, KBank gradually opened foreign exchange booths in areas where the number of foreign tourists has increased significantly, for broader service coverage nationwide. These included foreign exchange booths at airport terminals, Airport Rail Link Stations as well as those located outside airports in major tourist attractions as well as at KBank branches across the country. Moreover, 13 automated currency exchange machines are now available. KBank also plans to increase the number of automated currency exchange machines and expand points of foreign exchange services in novel forms, in strategic areas. For instance, one notable initiative is a "currency exchange mobile" which is now available on a trial basis at Wat Traimit Witthayaram Woravihara temple. This new service aims to comprehensively meet the spending needs of customers, especially travellers.

## Branches, Financial Service Centers and Electronic Banking Services

Domestic Branches and Financial Service Centers	Number of Locations		Electronic Banking Services	Number of Units	
	Mar. 2023	Dec. 2022		Mar. 2023	Dec. 2022
Branch Network <sup>1)</sup>	819	824	Self-Service Channel (K-ATM and K-CDM)	10,924	10,953
Foreign Exchange Booth	78	78	K-ATM (Automated Teller Machines)	9,036	9,053
THE WISDOM	79	79	K-CDM (Cash Deposit Machines)	1,888	1,900
SME Business Center <sup>2)</sup>	175	179	K-PUM (Passbook Update Machines)	937	944
International Trade Service Center	58	58	Automated Currency Exchange Machines	13	13
Cheque Direct Service	15	13			

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 Banking Services:

- **K-ATMs and K-CDMs:** Siting of machines has been a major focus with sufficient service points to ensure broader coverage under proper cost management. Along with this, we worked with our business partners in developing functions on these electronic machines for enhanced customer responsiveness. In this quarter, we improved the identity verification system at electronic machines for greater customer convenience in the opening of K-eSavings and mutual fund accounts, and activation of Blue CONNECT e-wallet as well as application for various services, namely LINE BK and K PAY LATER. To accommodate inbound tourists, all K-ATM and K-CDM machines are now equipped with a multilingual function to facilitate conducting transactions.

- **Digital Banking Services:** We have continually developed our banking platform for enhanced efficiency while maintaining our leadership in digital banking services. Focus was on increased linkage of platforms with our business partners across all ecosystems and development of innovative features to accommodate multiple service usages on a continual basis so that KBank will remain at the forefront in the digital banking market as the most-often used platform and the preferred service channel among customers.

Major initiatives included:

1) **K PLUS:** We aimed to make K PLUS an open banking platform that can create complete linkage within a digital lifestyle ecosystem, through the launch of innovations and new boundless services. Our focus was on technology-driven innovations along with development of brilliant basics to ensure customers' confidence in conducting transactions with enhanced security. In the first quarter of 2023, we introduced additional security measures for use of K PLUS as follows:

- Facial scan for identity verification: Users are required to conduct a facial scan every time they want to change their daily transaction limit on K PLUS.
- Detection of active accessibility service: Fraudsters can leverage this service to take control of mobile devices. K PLUS users who need to activate this feature are required to first verify their identity via facial scan.
- One customer - one mobile phone number registration: To register for K PLUS, a customer (one national ID card number) is now required to use only one mobile phone number in order

to minimize risks from financial frauds. However, this new condition is not being applied to existing customers using K PLUS linked with multiple mobile phone numbers.

Moreover, we expanded usage of the QR UnionPay feature. Customers can now make QR cross-border payments via K PLUS at merchants displaying a UnionPay sign in the Federal Republic of Nigeria and the Kingdom of Sweden, in addition to more than 40 other countries/regions worldwide.

2) **K-BIZ:** An internet banking service designed for business clients – including individuals who run their own businesses and juristic persons – to enjoy using convenient features such as multi-user assignment and statement download in Excel file format. We have also collaborated with business partners in offering business management tools for K BIZ users such as four-month use of PEAK online accounting software and use of the HumanSoft payroll solution, free of charge, based on the established conditions.

3) **K-Payment Gateway:** We have developed the service for online stores to accommodate the surging volume of online payment transactions efficiently, in conformity with the Payment Card Industry Data Security Standard (PCI-DSS). The service is available for stores of all business types, regardless of their manner of connectivity, especially in e-commerce, marketplace platforms and food delivery services. Payment can be made in various forms, including debit card, credit card, QR code, Pay with K PLUS, and the Alipay and WeChat Pay e-wallets.

Additionally, we introduced K PAYMENT LINK for merchants offering sales via social media channels. They can create and share payment links via chat. Plus, K SOCIAL PAY – a payment link service via LINE Official Account (LINE OA) – was offered to merchants having LINE OA. They can share purchase orders and check payments securely. We also aimed to broaden collaboration with business partners having expertise in each industry to expand online retail stores in need of payment service.

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 account movement, debit and credit 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 information of Taweessup Special Fixed Deposit Account, application for K PAY LATER and Xpress Loan, promotions of KBank-JCB Credit Card and new features for setting personalized access to news and information, own account sharing to others, as well as interesting articles of K WEALTH Tips & Trends.
- Development of services to tackle cyber threats in a timely manner, by upgrading KBank Live LINE OA to provide notifications of banking transactions and services, and inquiry of



information via K-Buddy 24 hours a day. Additionally, KBank has opened a hotline call center to receive reports on cases and provide information about scammers and financial frauds. The Bank also halted the sending of SMS with attached hyperlinks to customers.

5) **Other Platforms:** We have developed financial platforms for KBank business 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 allows system developers and business partners to apply for API service of KBank in order to increase their capabilities in offering new products and services to target customers, while the Bank can enjoy greater opportunity in expanding its customer base. Presently, KBank's available services include QR Payment, Inward Remittance, Slip Verification, KGP (KASIKORN GLOBAL PAYMENT) Merchant Payment platform and funds transfer from KBank account to other banks.
- **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. These services are currently under the Bank of Thailand's regulatory sandbox.
- **RP (Relying Party) Proxy:** This platform allows KBank partners to connect 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 functions as appropriate.

- **K-Contact Center:** KBank has complied with government agencies' policies and measures on financial frauds and online scams. We have in place efficient customer management guidelines to ensure their confidence in conducting financial transactions for protection of their property against loss from fraudulent actions. For instance, we have set up a hotline center for victims of online frauds to report their cases at 02-888-8888, press 001, available 24/7. We have also coordinated with related units within the Bank, other banks and government agencies to stop suspicious transactions in a timely manner.

In addition, KBank – as a Customer Fulfillment Center – has elevated our service efficiency to ensure total solutions. We aim to become a Customer Engagement and Empathic Center which orchestrates a seamless customer experience across all service channels, thus becoming their main operating bank in a sustainable manner. Major operations are as follows:

- 1) **Improvement of Service Quality:** Our employees have been trained with a focus on empathic skills and mindset in handling and solving problems for customers efficiently, thus delivering an excellent customer experience.

- 2) **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 effects in order to maintain public confidence in the Bank and financial institution system.
- 3) **Development of Service Process of K-Contact Center:** Focus was on improving our first-call resolution, while also offering additional online channels for document submission. Through streamlined and effortless processes, customers can be assured of prompt service delivery. Also, we launched Internet Voice Call via K PLUS to help reduce service fees for customers.
- 4) **Chatbot Development:** We expanded the scope of information provided about KBank products and services for broader coverage, greater accuracy and enhanced efficiency.
- 5) **Development of Knowledge Management Smart Agent Portal:** This effort is aimed at bolstering K-Contact Center capabilities for enhanced service efficiency.

### 3.3 Operations of Support Groups

#### 3.3.1 Human Resource Management

KBank focuses on human resource management which is in alignment with K-Strategy. As a customer-empowering organization, we have fostered five major elements in our work processes as follows.

1. **Organizational Design for Growth:** We added new channels for human resource recruitment while also adopting a new employment format. In parallel, KBank has improved our agile way of work, focusing on Objectives and Key Results (OKRs) for seven key areas: (1) credit; (2) wealth management; (3) payment services; (4) regional expansion in AEC+3; (5) business expansion via new channels; (6) Beyond Banking solutions; and (7) ESG-related operations.
2. **Effective New Way of Work:** Under the “Work that FITS” concept, KBank focuses on flexible work arrangements (Flexible) in order to deliver outcomes that meet customers’ expectations (Impact), based on trust between supervisors and employees (Trust) while ensuring employee security (Security). We conducted a pulse survey to shed light on employees’ views for work efficiency assessment.
3. **Integrated Development:** KBank prioritizes integrated development of major functions covering the end-to-end work processes, including product development, business analysis, data analytics, credit monitoring, business innovation and regional business, as well as sales and services. We aim to bolster employees’ skills, especially future skills, whereas development effectiveness has also been gauged to ensure enhanced work efficiency.
4. **Performance-driven Reward:** KBank has conducted a survey to compare our incentives granted to employees with the market on a regular basis. We also provide short- and long-term incentives for staff members in alignment with their needs.

5. **Purposeful & Practical Leadership:** We have focused on development of leadership skills while also equipping capable employees with necessary skills to ensure their preparedness for becoming a leader.

Regarding 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 first quarter of 2023, KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) prioritized the study and development of financial innovation which is in line with KBank's strategic direction under a novel form of financial IT infrastructure, accounting for efficient work processes that are on par with international standards and under 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 maintain our competitiveness and allow us to become 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:** We added the following features to enhance service efficiency and deliver a positive experience to 20 million K PLUS users.
    - Development of system for detection of active accessibility service: K PLUS users who need to activate this feature are required to first verify their identity via facial scan. The system aims to enhance security in service use, protecting important data, images and transaction ID on users' mobile phones.
    - Development of facial scan for identity verification upon change in daily transaction limit via K PLUS: This feature is intended to prevent fraudsters from conducting transactions or taking advantage of embedded malware to take control of the user's mobile phone.
    - Development of "Other" menu option for greater flexibility in adjusting daily transaction limits, while a facial scan is required when the transaction limit is to be increased, for enhanced security.
    - Development of advisory and additional services on the first page of K PLUS to provide customers greater convenience in accessing its features.
    - Offering a channel for the purchase of supplemental packages from three mobile network operators, namely TrueMove H, AIS and DTAC.
    - Development of QR cross-border payments with merchants in more than 40 countries worldwide, including Nigeria and Sweden.

- **Developed and improved the MAKE by KBank application:** Cloud Pocket is a key feature that serves as a financial assistant for customers, allowing them to efficiently manage their savings and monthly expenses to foster their financial discipline. The application currently accommodates more than 1 million accounts, of which 600,000 are monthly active users. MAKE by KBank won 4.9/5 in customer satisfaction scores on the App Store and Play Store. Notable features developed in this quarter are as follows:
  - Development of biometric authentication system via facial, fingerprint and iris scan to ensure faster and more convenient access to the application
  - Addition of a new feature for changing email for receiving statements and other data via the “Settings” button of the application
- **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 and more than 1.1 million user accounts – we have developed a LINE chatbot function to help manage payment collection among LINE group friends, especially bill splitting for one-time payment and monthly payment. Customers can also link their income/expense account with K PLUS. The KhunThong social chatbot has various outstanding features; users just ‘Add Friend’ for KhunThong and specify the destination account, with no need to download any application.
- **Developed Coral – an NFT marketplace platform:** Operated by KASIKORN X CO., LTD., Coral serves as a medium for trading non-fungible tokens (NFTs), with outstanding features that allow artists’ identity verification and NFT trading using fiat currencies. This NFT marketplace platform opens a novel experience connecting the real and virtual worlds. There are currently around 1,500 users and trading transactions amounting to a total of 162 NFTs, or more than Baht 130 million.
- **Developed Bigfin platform:** Under the operation of KASIKORN X CO., LTD., this platform serves as a tool for analyzing and managing investment in cryptocurrency and digital assets for our customers. Notable features are display of portfolio value and its profit/loss, and incoming/outgoing asset-related transactions in the wallet. Customers can also record their trade-related costs by themselves.

**2. Regional business expansion:** KBank developed products and services in alignment with our strategic directions. Notable initiatives were as follows:

- **Acquisition of shares of Marco Technology Co., Ltd:** This company operates IT business in support of KASIKORNBANK FINANCIAL CONGLOMERATE. KBank holds 75 percent of total shares sold in this company via investment through KASIKORN SOFT Co., Ltd.
- **Launch of KBTG Vietnam (KBTGVN):** Located in Ho Chi Minh City, the new subsidiary of KBTG aims to attract Vietnamese IT talent to become part of its strong human resources for the development of products and services for markets in both the Socialist Republic of Vietnam and Thailand. Projects which are being implemented include K PLUS Vietnam and Core Banking.

- **Development of QRIS (Quick Response Code Indonesia Standard) for PT Bank Maspion Indonesia Tbk:** Featuring bill payment acceptance for merchants and businesses via QR code under the standard of the Republic of Indonesia, QRIS supports payments from any mobile banking application and electronic wallet service provider. This is the first service developed by KBank after increasing our shareholding ratio in PT Bank Maspion Indonesia Tbk to 67.5 percent in 2022. The service allows merchants and businesses in this country to accept payment with greater convenience, speed and security.
- **KTECH becomes a member of the Shenzhen Financial Technology Association:** This move is intended to advance innovation in the AEC+3 market via collaboration with large organizations in the fintech industry, such as Alipay, Huawei, Tencent and Ping An.

### 3.4 Awards and Commendation

KBank and K Companies have achieved good performance, earning the recognition of various organizations at home and abroad, proven by many awards granted during the first quarter of 2023, notably:

Awards to KBank and K Companies
<ul style="list-style-type: none"> <li>● Five awards: <b>Top Underwriter, Best Bond House, Deal of the Year:</b> Debentures of PTT Global Chemical PCL No. 1/2022, <b>Most Innovative Deal:</b> Debentures of Minor International PCL No. 1/2022 and <b>Corporate ESG Bond of the Year:</b> Green Debentures of Global Power Synergy PCL No. 1/2022 from The Thai Bond Market Association (ThaiBMA)</li> <li>● Four awards: <b>Best Retail Bank in Thailand</b> for the 14th consecutive year, <b>Most Recommended Retail Bank in Thailand, Best Frictionless Customer Experience Initiative (YouTrip)</b> and <b>Best Mobile Banking Service (K PLUS)</b> for the second consecutive year from The Asian Banker journal</li> <li>● Two awards: <b>Highly Commended - Best Retail Bank - Thailand</b> and <b>Highly Commended - Best Mobile Wallet Initiative (YouTrip)</b> from Retail Banker International journal</li> <li>● <b>The World's Best Trade Finance Providers 2023</b> from Global Finance magazine</li> <li>● <b>BTS Group Holding's Baht 11 billion Multi-tranche Sustainability-linked Debentures</b> from The Asset magazine</li> <li>● <b>ESG Bond:</b> BTS Group's Baht 20 billion Sustainability-linked Bonds from IFR Asia magazine</li> <li>● <b>Best for High Net Worth in Thailand</b> from Asiamoney magazine</li> <li>● <b>Thailand's Most Admired Brand: Mobile Banking</b> from BrandAge magazine</li> </ul>
<p><b>Award to KBTG</b></p> <ul style="list-style-type: none"> <li>● <b>2023 MongoDB APAC Innovation Award</b> in the category of Customer Focused (MAKE by KBank) from MongoDB</li> </ul>
<p><b>Awards to KASIKORN LINE Company Limited</b></p> <ul style="list-style-type: none"> <li>● Three awards: <b>Best Open Banking Initiative, Most Dynamic Third-Party Collaboration</b> and <b>Highly Commended - Best Loan Offering</b> from Retail Banker International journal</li> </ul>

## 4. Operating Performance and Financial Position Analysis

### 4.1 Operating Performance

The Thai economy in the first quarter of 2023 saw limited recovery due to a global economic slowdown and domestic pressures from rising production costs, cost of living and household debt. The Thai economic recovery remained uncertain. KBank and its subsidiaries therefore conducted business with prudence while also providing ongoing assistance to customers who were affected by the uneven economic recovery.

KBank and its subsidiaries reported net profit for the first quarter of 2023 amounting to Baht 10,741 million, an increase of Baht 7,550 million or 236.63 percent over quarter. The increase could be attributed to a decrease of Baht 10,092 million or 44.29 percent in expected credit loss as KBank set aside a high level of expected credit loss in the fourth quarter of 2022 in line with our prudent approach and the prevailing economic circumstances. Meanwhile, operating profit before expected credit loss and income tax expense amounted to Baht 26,781 million, a decrease of Baht 1,576 million or 5.56 percent from the preceding quarter. The decrease came mainly from non-interest income which decreased by Baht 1,552 million or 11.72 percent as a result of mark to market of financial assets of one of KBank's subsidiaries in line with market condition. Moreover, net interest income dropped by Baht 1,273 million or 3.52 percent due to rising interest expenses. Other operating expenses also decreased by Baht 1,249 million or 5.93 percent, which came mainly from declining seasonal marketing expenses. Meanwhile, employee expenses increased – derived partly from one-time expenses after the implementation of cost-of-living subsidy measures for employees. Cost to income ratio therefore stood at 42.50 percent, which was close to the level of 42.60 percent in the fourth quarter of 2022.

#### Operating Performance for the First Quarter of 2023

(Unit: Million Baht)

	Q1-2023	Q4-2022	Change		Q1-2022	Change	
			Increase	Percent		Increase	Percent
			(Decrease)			(Decrease)	
Net Interest Income	34,875	36,148	(1,273)	(3.52)	31,751	3,124	9.84
Non-Interest Income	11,699	13,251	(1,552)	(11.72)	8,862	2,837	32.00
Total Operating Income - net	46,574	49,399	(2,825)	(5.72)	40,613	5,961	14.68
Total Other Operating Expenses	19,793	21,042	(1,249)	(5.93)	17,390	2,403	13.82
Expected Credit Loss	12,692	22,784	(10,092)	(44.29)	9,336	3,356	35.95
Net Profit (attributable to equity holders of KBank)	10,741	3,191	7,550	236.63	11,211	(470)	(4.19)
Basic Earnings per Share (Baht) <sup>1)</sup>	4.38	1.35	3.03	224.44	4.58	(0.20)	(4.37)

<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

When compared to the same period of last year, KBank and its subsidiaries reported net profit of Baht 10,741 million, a decrease of Baht 470 million or 4.19 percent. Meanwhile, operating profit before expected credit loss and income tax expense amounted to Baht 26,781 million, an over-year increase of Baht 3,558 million or 15.32 percent, which was derived from an increase of Baht 3,124 million in net interest income or 9.84 percent in line with rising interest rates and new loan growth in alignment with KBank's business direction. As a result, net interest margin stood at 3.46 percent even though financial cost rose in line with an increase in contributions to the Financial Institutions Development Fund (FIDF) to the normal rate of 0.46 percent p.a. Non-interest income rose Baht 2,837 million or 32.00 percent, due mainly to the mark to market of financial instruments measured at fair value through profit or loss of KBank and its subsidiary in line with market condition. Other operating expenses increased by Baht 2,403 million or 13.82 percent in line with rising business volume and increased employee expenses which were derived from one-time expenses after the implementation of cost-of-living subsidy measures for employees. Cost to income ratio therefore stood at 42.50 percent which was close to the level of the same period of 2022.

Expected credit loss in the first quarter of 2023 totaled Baht 12,692 million, which decreased from the previous quarter but rose by Baht 3,356 million or 35.95 percent compared to the same period of last year as KBank continued to adopt a proactive approach in asset quality management in order to cope with global economic volatility amid unfavorable factors surrounding the Thai economic recovery, which could affect certain vulnerable customer groups. Moreover, in the first quarter of 2023, one of our corporate customers had credit deterioration for which expected credit loss had already been reserved. However, KBank may consider setting additional expected credit loss to reflect the circumstances which is closely monitored. Our coverage ratio stood at 156.68 percent.

Major financial ratios that reflected operating performance of KBank and our subsidiaries in the first quarter of 2023 compared to the previous quarter and the same period of last year included:

(Unit: Percent)

Financial Ratio	Q1-2023	Q4-2022	Increase (Decrease)	Q1-2022	Increase (Decrease)
Return on Assets (ROA) <sup>2)</sup>	1.	0.30	0.71	1.09	(0.08)
Return on Equity (ROE) <sup>3)</sup>	8.43	2.63	5.80	9.30	(0.87)
Net Interest Margin (NIM) <sup>2)</sup>	3.46	3.62	(0.16)	3.19	0.27
Cost to Income Ratio	42.50	42.60	(0.10)	42.82	(0.32)

<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	Mar. 31, 2023	Dec. 31, 2022	Increase (Decrease)	Mar. 31, 2022	Increase (Decrease)
Significant increase in credit risk loans <sup>4)</sup> to total loans <sup>5)</sup>	6.25	6.47	(0.22)	7.27	(0.97)
Significant increase in credit risk loans and credit impaired loans <sup>6)</sup> to total loans <sup>5)</sup>	9.32	9.67	(0.35)	11.03	(1.71)
NPLs gross <sup>7)</sup> to total loans <sup>8)</sup>	3.04	3.19	(0.15)	3.78	(0.74)
Total allowance to NPL gross (Coverage ratio) <sup>9)</sup>	156.68	154.26	2.42	158.33	(1.65)
Loans <sup>10)</sup> to Deposits Ratio	90.85	90.77	0.08	93.31	(2.46)
Capital Adequacy Ratio <sup>11)</sup>	18.90	18.81	0.09	18.34	0.56
Tier 1 Capital Ratio <sup>11)</sup>	16.92	16.84	0.08	16.35	0.57

<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 first quarter of 2023 was Baht 34,875 million, decreasing by Baht 1,273 million, or 3.52 percent over-quarter. The decrease was derived mainly from interest expenses from contributions to Financial Institutions Development Fund and Deposit Protection Agency which rose by Baht 1,525 million, or 95.54 percent in line with an increase in contributions to the Financial Institutions Development Fund, returning to the normal rate of 0.46 percent and an increase of Baht 493 million or 21.57 percent in interest expenses from deposits in line with rising deposit rates. However, interest income from loans to customers rose by Baht 703 million or 2.22 percent due to rising average yield and loan growth in line with KBank's strategic direction. Moreover, interest income from interbank and market items increased by Baht 351 million or 18.11 percent due to an increase in average yield and average transaction volume. Therefore, our NIM for the first quarter of 2023 was equal to 3.46 percent, lower than 3.62 percent in the previous quarter.

When compared to the same quarter of the previous year, net interest income increased by Baht 3,124 million or 9.84 percent, which came mainly from an increase of Baht 4,868 million or 17.66 percent in interest income from loans to customers, in line with rising yield on average loan from an increase in reference rate. Moreover, interest income from interbank and money market items rose by Baht 1,494 million or 187.04 percent due largely to an increase in average yield and average transaction volume. However, interest expenses from



contributions to Financial Institutions Development Fund and Deposit Protection Agency rose by Baht 1,582 million or 102.81 percent in line with an increase in contributions to the Financial Institutions Development Fund, returning to the normal rate of 0.46 percent, and interest expenses from deposits which rose by Baht 965 million or 53.19 percent in line with rising average interest rates. Our NIM for the first quarter of 2023 stood at 3.46 percent, rising from 3.19 percent during the same period of last year.

(Unit: Million Baht)

	Q1-2023	Q4-2022	Change		Q1-2022	Change	
			Increase	Percent		Increase	Percent
			(Decrease)			(Decrease)	
<b>Interest Income</b>	<b>42,441</b>	<b>41,422</b>	<b>1,019</b>	<b>2.46</b>	<b>35,925</b>	<b>6,516</b>	<b>18.14</b>
Interbank and money market items	2,293	1,942	351	18.11	799	1,494	187.04
Investments	5,890	5,960	(70)	(1.16)	5,904	(14)	(0.22)
Loans to customers	32,429	31,726	703	2.22	27,561	4,868	17.66
Hire purchase and finance leases	1,829	1,794	35	1.91	1,661	168	10.12
Others	-	-	-	-	-	-	-
<b>Interest expenses</b>	<b>7,566</b>	<b>5,274</b>	<b>2,292</b>	<b>43.47</b>	<b>4,174</b>	<b>3,392</b>	<b>81.27</b>
Deposits from customers	2,780	2,287	493	21.57	1,815	965	53.19
Interbank and money market items	635	431	204	47.32	260	375	144.10
Contributions to Financial Institutions Development							
Fund and Deposit Protection Agency	3,120	1,595	1,525	95.54	1,538	1,582	102.81
Debts issued and borrowings	1,009	940	69	7.31	538	471	87.49
Others	22	21	1	10.35	23	(1)	(0.57)
<b>Total Interest Income – net</b>	<b>34,875</b>	<b>36,148</b>	<b>(1,273)</b>	<b>(3.52)</b>	<b>31,751</b>	<b>3,124</b>	<b>9.84</b>
Yield on Earning Assets (percent)	4.21	4.14		0.07	3.61		0.60
Cost of Fund (percent)	1.01	0.71		0.30	0.57		0.44
<b>Net Interest Margin (NIM) (percent)</b>	<b>3.46</b>	<b>3.62</b>		<b>(0.16)</b>	<b>3.19</b>		<b>0.27</b>

#### □ Non-Interest Income

KBank's consolidated non-interest income in the first quarter of 2023 totaled Baht 11,699 million, decreasing by Baht 1,552 million, or 11.72 percent over-quarter. The decrease came mainly from gain on financial instruments measured at fair value through profit or loss which decreased by Baht 1,004 million or 21.47 percent in line with market condition and net premiums earned – net which dropped by Baht 940 million or 194.68 percent due to increased underwriting expenses despite growth seen in net premiums earned. Net fees and service income increased by Baht 335 million or 4.30 percent which was derived mainly from fees from electronic channel services and brokerage fees.

When compared to the same period of last year, non-interest income increased by Baht 2,837 million or 32.00 percent due mainly to an increase of Baht 2,985 million or 434.87 percent in gain on financial instruments measured at fair value through profit or loss in line with market condition and an increase of Baht

464 million or 24.59 percent in net premiums earned – net in line with growth in life insurance business. Meanwhile, net fees and service income declined by Baht 718 million or 8.13 percent due largely to a decrease in brokerage fees and fees from fund management in line with market condition.

(Unit: Million Baht)

	Q1-2023	Q4-2022	Change		Q1-2022	Change		
			Increase	Percent		Increase	Percent	
			(Decrease)			(Decrease)		
<b>Non-Interest Income</b>								
Fees and Service Income	12,529	12,197	332	2.72	12,367	162	1.31	
Fees and Service Expenses	4,415	4,418	(3)	(0.07)	3,535	880	24.88	
<b>Fees and Service Income - net</b>	<b>8,114</b>	<b>7,779</b>	<b>335</b>	<b>4.3</b>	<b>8,832</b>	<b>(718)</b>	<b>(8.13)</b>	
Gain (Loss) on Financial Instrument Measured at Fair								
Value through Profit or Loss	3,671	4,675	(1,004)	(21.47)	686	2,985	434.87	
Gain (Loss) on Investments	(152)	38	(190)	(497.22)	(17)	(135)	(823.27)	
Share of Profit (Loss) from Investments using Equity								
Method	-	54	(54)	(100.02)	(50)	50	99.97	
Dividend Income	977	513	464	90.36	871	106	12.17	
Net Premiums Earned	18,422	18,091	331	1.83	15,718	2,704	17.20	
Other Operating Income	512	675	(163)	(24.14)	427	85	19.82	
<u>Less</u> Underwriting Expenses	19,845	18,574	1,271	6.84	17,605	2,240	12.73	
<b>Total Non-Interest Income</b>	<b>11,699</b>	<b>13,251</b>	<b>(1,552)</b>	<b>(11.72)</b>	<b>8,862</b>	<b>2,837</b>	<b>32.00</b>	

#### □ Other Operating Expenses

KBank's consolidated other operating expenses for the first quarter of 2023 were Baht 19,793 million, an over-quarter decrease of Baht 1,249 million, or 5.93 percent due partly to declining seasonal marketing expenses. Meanwhile, employee expenses rose which were derived partly from one-time expenses after the implementation of cost-of-living subsidy measures. As a result, our cost to income ratio for the first quarter of 2023 stood at 42.50 percent, slightly down from 42.60 percent in the previous quarter.

When compared to the same period of last year, other operating expenses increased by Baht 2,403 million or 13.82 percent, which were due mainly to rising employee expenses, derived partly from one-time expenses after the implementation of cost-of-living subsidy measures as well as increased expenses related to customer services in line with rising business volume. However, net operating income increased by Baht 5,961 million or 14.68 percent. Therefore, our cost to income ratio of the first quarter of 2023 was lower than the 42.82 percent in the same quarter of last year.

(Unit: Million Baht)

	Q1-2023	Q4-2022	Change		Q1-2022	Change	
			Increase (Decrease)	Percent		Increase (Decrease)	Percent
Employee Expenses	10,124	8,285	1,839	22.20	8,687	1,437	16.53
Directors' Remuneration	23	23	-	2.55	23	-	1.30
Premises and Equipment Expenses	2,732	2,910	(178)	(6.13)	2,742	(10)	(0.38)
Taxes and Duties	1,621	1,518	103	6.80	1,476	145	9.87
Others	5,293	8,306	(3,013)	(36.27)	4,462	831	18.63
<b>Total Other Operating Expenses</b>	<b>19,793</b>	<b>21,042</b>	<b>(1,249)</b>	<b>(5.93)</b>	<b>17,390</b>	<b>2,403</b>	<b>13.82</b>
<b>Cost to Income Ratio (percent)</b>	<b>42.50</b>	<b>42.60</b>		<b>(0.10)</b>	<b>42.82</b>		<b>(0.32)</b>

## □ Classified Loans and Expected Credit Loss

### ● Classified Loans

KBank and its subsidiaries 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 March 31, 2023 and December 31, 2022, loans with significantly increasing credit risk (under-performing loans) to total loans ratio was equal to 6.25 percent and 6.47 percent, respectively whereas loans with significantly increasing credit risk (under-performing loans) and credit impaired loans (non-performing loans) to total loans ratio was equal to 9.32 percent and 9.67 percent, respectively.

(Unit: Million Baht)

	Mar. 31, 2023		Dec. 31, 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	2,210,878	46,183	2,229,656	46,612
Stage 2 Under-performing	181,108	43,263	188,303	46,075
Stage 3 Non-performing	88,740	38,645	93,344	40,842
<b>Total</b>	<b>2,480,726</b>	<b>128,091</b>	<b>2,511,303</b>	<b>133,529</b>

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

### ● Modified Loans

KBank and its subsidiaries engaged in modification contracts with customers. In the first quarter of 2023, there were loans before modification amounting to Baht 2,035 million and incurred losses amounting to Baht 59 million.

- **Expected Credit Loss**

KBank and its subsidiaries set aside expected credit loss of Baht 12,692 million for the first quarter of 2023, a decrease of Baht 10,092 million or 44.29 percent over-quarter as we set aside a high level of expected credit loss in line with our prudent approach and the prevailing economic circumstances in the fourth quarter of 2022.

When compared to the same quarter of the previous year, our expected credit loss increased Baht 3,356 million, or 35.95 percent as KBank adopted a proactive stance in asset quality management to cope with global economic volatility amid unfavorable factors surrounding the domestic economic recovery which could affect certain vulnerable customer groups. Moreover, in the first quarter of 2023, one of our corporate customers had credit deterioration for which expected credit loss had already been reserved. However, KBank continues to closely monitor the credit risk situation and may set aside additional expected credit loss as it deems appropriate.

Meanwhile, our expected credit loss to average loans for the first quarter of 2023 stood at 2.05 percent, decreasing from 3.68 percent in the previous quarter but increasing compared to 1.53 percent for the same period of last year. Our coverage ratio as of March 31, 2023 was equal to 156.68 percent.

#### Expected Credit Loss

(Unit: Million Baht)

	Q1-2023	Q4-2022	Change		Q1-2022	Change	
			Increase (Decrease)	Percent		Increase (Decrease)	Percent
Expected Credit Loss	12,692	22,784	(10,092)	(44.29)	9,336	3,356	35.95
Expected Credit Loss to Average Loans (percent)	2.05	3.68		(1.63)	1.53		0.52

#### Allowance for Expected Credit Loss

As of March 31, 2023, our consolidated allowance for expected credit loss totaled Baht 128,091 million.

#### — Non-Performing Loans and Properties Foreclosed

##### *Non-Performing Loans*

As of March 31, 2023, KBank's consolidated NPLs stood at Baht 87,640 million, or 3.04 percent of the total outstanding credit, including financial institutions. Bank-only NPLs totaled Baht 82,848 million, 3.02 percent of the total outstanding credit, including financial institutions. The NPLs data is shown in the table below:

#### Non-Performing Loans

(Unit: Million Baht)

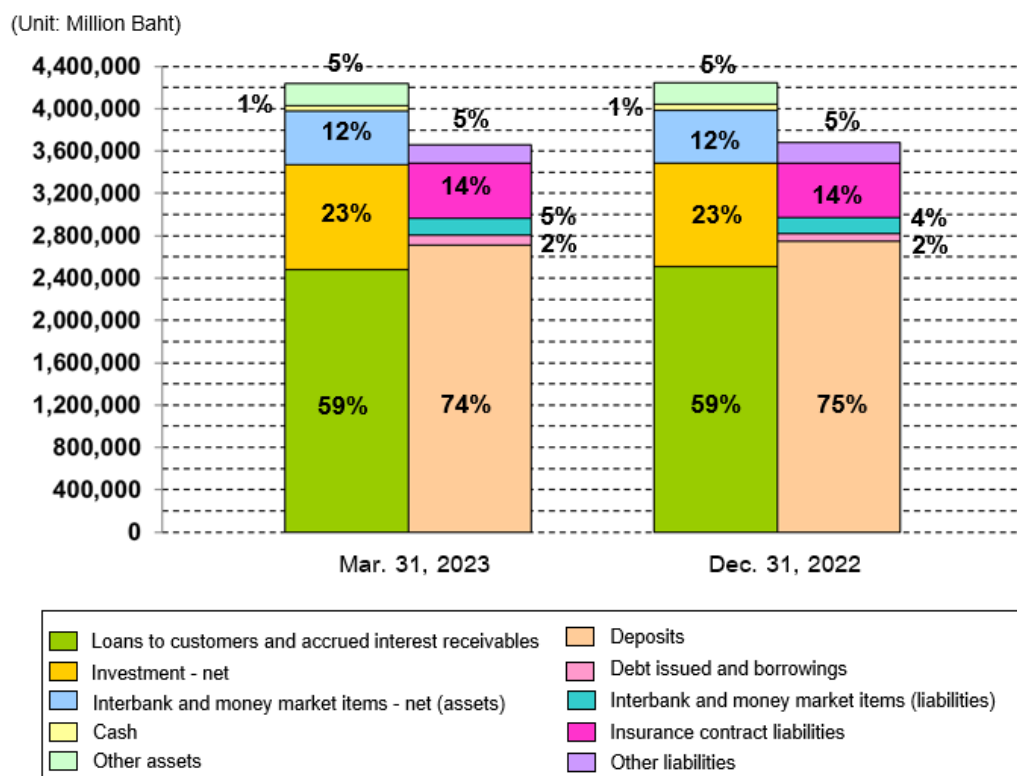
For the Quarter Ending	Mar. 31, 2023	Dec. 31, 2022
Financial conglomerate NPLs	87,640	92,536
Percent of total outstanding credit, including that of financial institutions	3.04	3.19
KBank NPLs	82,848	88,047
Percent of total outstanding credit, including that of financial institutions	3.02	3.19

### Properties Foreclosed

As of March 31, 2023, our consolidated properties foreclosed had a net value of Baht 51,580 million, thus being 1.22 percent of total assets.

## 4.2 Financial Position

Assets and Liabilities Structure

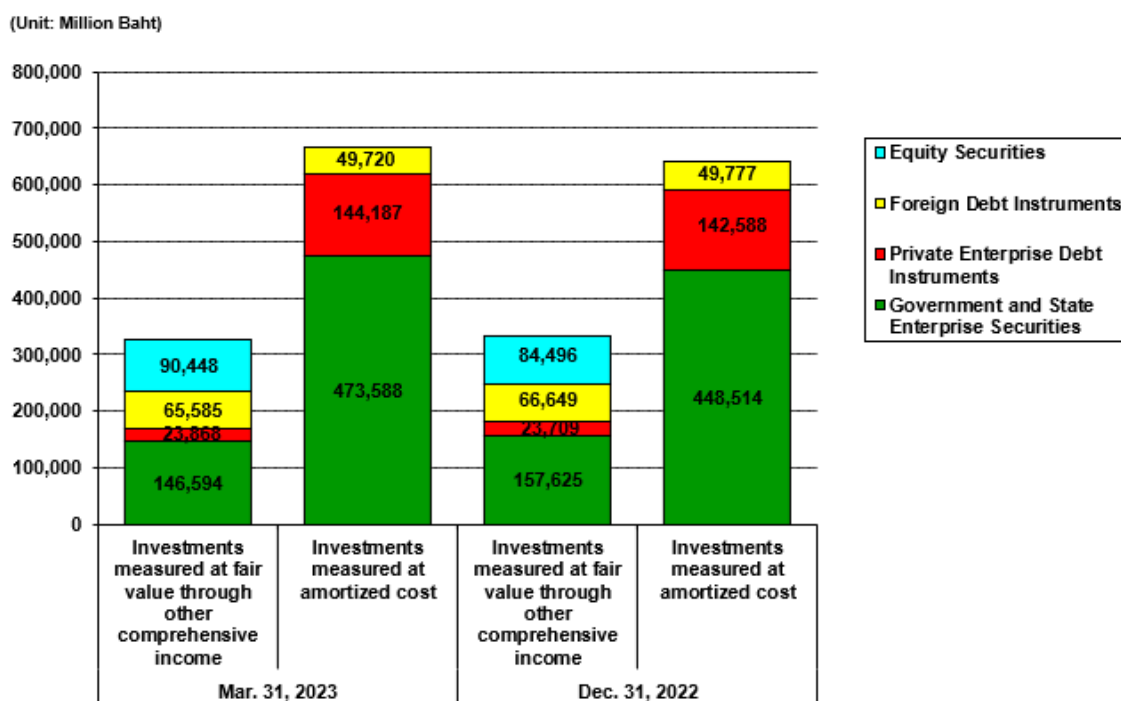


### □ Assets

At the end of the first quarter of 2023, KBank's consolidated assets totaled Baht 4,238,084 million, slightly decreasing by Baht 8,285 million or 0.20 percent from the end of 2022. The decline was due mainly to a decrease in loans to customers. Meanwhile, net investment increased. Key details are as follows:

- Loans to customers at the end of the first quarter of 2023 totaled Baht 2,465,031 million, decreasing by Baht 30,046 million or 1.20 percent from the end of 2022, due partly to non-performing loan management through debt restructuring, NPL sales, debt write-off, etc. However, new loans continued to grow among customer groups in line with KBank's strategic directions.
- Net investment at the end of the first quarter of 2023 totaled Baht 993,990 million, increasing by Baht 20,632 million or 2.12 percent from the end of 2022, due mainly to rising investment in government bonds.

## Investments in Securities



### □ Liabilities and Equity

Our consolidated liabilities at the end of the first quarter of 2023 amounted to Baht 3,661,550 million, which declined by Baht 17,739 million or 0.48 percent from the end of 2022. The decrease was mainly attributable to decreased deposits. Meanwhile, debt issued and borrowings increased. Significant changes in our consolidated liabilities included:

- Deposits at the end of the first quarter of 2023 equaled Baht 2,713,372 million, decreasing by Baht 35,313 million or 1.28 percent from the end of 2022, mainly as a result of a decrease in savings and current deposits.
- Debt issued and borrowings at the end of the first quarter of 2023 equaled Baht 88,715 million, increasing by Baht 20,818 million or 30.66 percent from the end of 2022, mainly as a result of issuance of unsubordinated and unsecured debentures by the Bank.

Equity (attributable to KBank) at the end of the first quarter of 2023 amounted to Baht 512,421 million, increasing by Baht 9,151 million or 1.82 percent from the end of 2022, derived mainly from KBank's net operating profit in the first quarter of 2023 which totaled Baht 10,741 million.

## □ Relationship between Sources and Uses of Funds

As of March 31, 2023, the funding structure as shown in the consolidated financial statement comprised Baht 3,661,550 million in liabilities and Baht 576,534 million in equity – of which Baht 512,421 million was equity (attributable to equity holders of the Bank), resulting in a debt-to-equity ratio of 7.15. As of March 31, 2023, the main source of funds on the liabilities side was deposits, which equaled Baht 2,713,372 million or 64.02 percent of the total source of funds. Meanwhile, interbank and money market items as well as debt issued and borrowings accounted for 3.90 percent and 2.09 percent of the total source of funds, respectively.

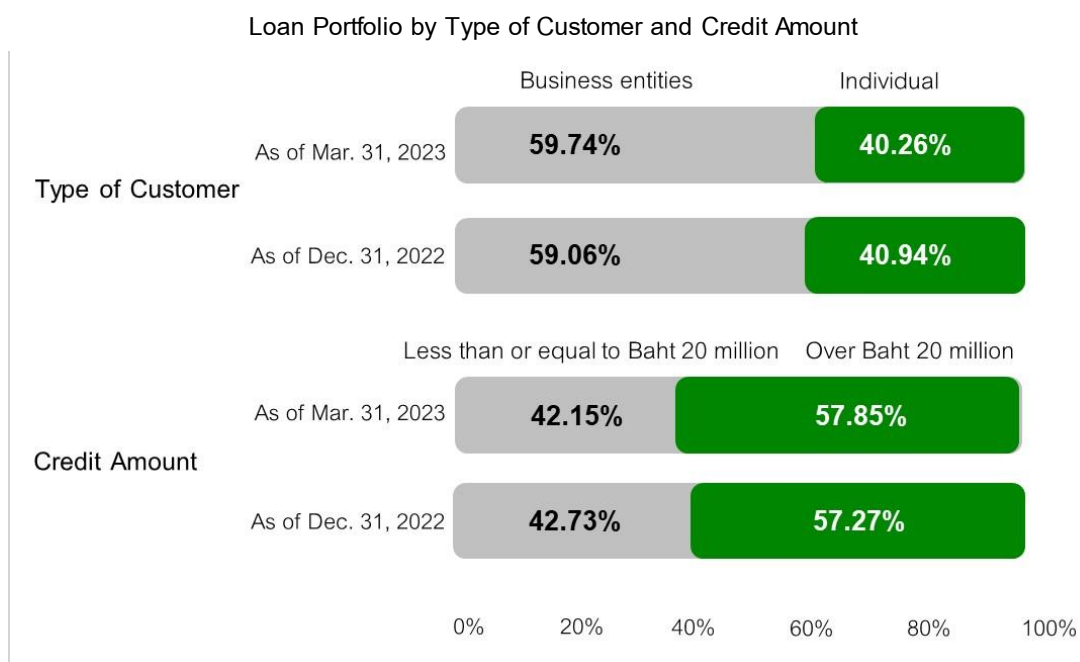
As of March 31, 2023, KBank and subsidiaries' major use of funds was loans to customers which amounted to Baht 2,465,031 million, resulting in loan-to-deposit ratio of 90.85 percent. As for the remaining liquidity, KBank invested in various selections of liquid assets, such as interbank and money market items, financial assets measured at fair value through profit or loss, and investments in securities.

## 4.3 Loans and Deposits

### □ Loans

As of March 31, 2023, KBank's consolidated outstanding loans stood at Baht 2,465,031 million, decreasing by Baht 30,046 million, or 1.20 percent, compared to Baht 2,495,077 million as of December 31, 2022.

As of March 31, 2023, 59.74 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan accounts exceeding Baht 20 million accounted for 57.85 percent of the total.



## Loans Classified by Business

(Unit: Million Baht)

	Mar. 31, 2023		Dec. 31, 2022	
	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>
Loans	1,638,550	689,538	1,660,279	702,856

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, letters 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

At the end of the first quarter of 2023, our corporate business loans (Corporate and SME customers) had decreased by Baht 21,729 million or 1.30 percent from the previous quarter. KBank adopted a prudent credit policy amid an uneven economic recovery.

Loans extended to corporate customers saw satisfactory growth which came mainly from short-term loans in the financial institutions, healthcare, petroleum and petrochemicals as well as consumer goods industries.

Meanwhile, loans to SME customers shrank, due to our efficient asset quality management in collaboration with an asset management company under a joint venture agreement with KBank.

Kbank still focused on the offering of multiple products to meet customer needs based on their collateral value. KBank also used both financial and non-financial data to analyze customer demand for loans and their debt servicing ability, allowing us to offer credit products suited to their specific characteristics under our risk-adjusted pricing strategy in accordance with each customer’s risk appetite.

### Retail Business Loans

Our retail loans at the end of the first quarter of 2023 had decreased by Baht 13,318 million or 1.89 percent compared to the end of 2022. The decrease came mainly from credit card loans, which decelerated due to seasonality amid active loan repayment after the purchase of tax-saving mutual funds towards the end of 2022. Moreover, personal loan declined due to a decrease in new loans in line with KBank’s prudent credit policy wherein we offered a modest approved credit limit and would increase loan amounts only for disciplined customers with good repayment history. Home loan also posted decelerating growth due to intense market competition and our efficient asset quality management in collaboration with an asset management company under a joint venture agreement with KBank. In alignment with KBank’s policy of maintaining our home loan market share, we offered credit limits to our customers with good credit history based on their collateral value so as to remain competitive in the market.



## □ Deposits

### Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2022	Dec. 31, 2021	Increase (Decrease)	Percent
Total Deposits	100.00	2,713,372	2,748,685	(35,313)	(1.28)
Current accounts	5.56	150,834	158,343	(7,509)	(4.74)
Savings accounts	76.05	2,063,545	2,084,414	(20,869)	(1.00)
Fixed-term deposit accounts	18.39	498,993	505,928	(6,935)	(1.37)

In the first quarter of 2023, KBank's liquidity remained ample as it could match demand for loans. Meanwhile, overall competition in the banking system remained limited though the policy rate was raised by 0.50 percent to 1.75 percent p.a. in this quarter. We therefore focused on appropriate deposit cost management while ensuring a balanced distribution of deposits in each customer segment.

KBank introduced special fixed deposit products offering competitive interest rates during appropriate periods to provide another option for our customers while also serving as a fundraising tool for our liquidity management. To continually expand the new customer base via K-eSavings on K PLUS, we added an identity verification channel to provide customers an option for greater convenience and security. As a risk control measure for digital deposit accounts of children less than 15 years of age, a daily transaction limit was set at no more than Baht 50,000. Moreover, KBank launched marketing campaigns for a 24-month Taweewup Special Fixed Deposit Account offering tax-free high interest rates in order to encourage customers to save money on a regular basis.

## 4.4 Treasury Operations

The Monetary Policy Committee (MPC) raised the policy rate two times by a total of 0.50 percent to 1.75 percent as per the resolutions from its meetings held on January 25, 2023, and March 29, 2023. Meanwhile, additional policy rate hikes may be enacted on a gradual basis, to be in line with the inflation rate which remains above its target range and the Thai economic recovery that has been robust, especially in the service and tourism sectors. At the same time, in the first quarter of this year, the US Federal Reserve (Fed) raised its policy rate by a total of 0.50 percent to a range of 4.75-5.00 percent to tackle US inflation that has gradually declined but remains higher than normal. The Fed's policy rate hikes tend to slow down, and rates are approaching their peak. Moreover, problems in the US financial sector which erupted at the end of the first quarter of 2023 may cause the Fed to review its monetary policy, with a greater emphasis on maintaining liquidity and stability of the financial system going forward.

During the first quarter of 2023, average overnight interbank lending rates stood at 1.41 percent per annum, up from the average rate of 1.05 percent per annum in the fourth quarter of 2022, in line with an increase in the key policy rate. KBank therefore aligned the investment strategy of the bond portfolio to be consistent with policy rate movements by reducing overall portfolio duration to limit impacts from interest rate volatility. In addition, KBank's guideline for its investment portfolio is to prioritize the maintenance of liquidity in order to accommodate any future change in business conditions. An investment strategy was established in line with changes in economic conditions, as well as the movements of money and capital markets both at home and abroad. This move was to cope with volatility and pressure on interest rates in the US Dollar-dominated bond market and elsewhere, including Thai bonds.

### Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	1Q23	4Q22	Change	
				Increase (Decrease)	Percent
<b>Interest Income<sup>1)</sup></b>					
Interbank and money market items <sup>2)</sup>	55.97	1,730	1,202	528	43.93
Investments	44.03	1,361	1,402	(41)	(2.92)
<b>Total</b>	<b>100.00</b>	<b>3,091</b>	<b>2,604</b>	<b>487</b>	<b>18.70</b>

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

<sup>2)</sup> Including loans

Total interest income in the first quarter of 2023 stood at Baht 3,091 million, increasing by Baht 487 million or 18.70 percent from the previous year, due mainly to the rising market rates in line with the policy rate.

## 4.5 Capital Requirements

As of the end of the first quarter of 2023, KASIKORNBANK FINANCIAL CONGLOMERATE under the Basel III capital requirements, had capital funds of Baht 516,967 million, consisting of Baht 462,957 million in Tier-1 capital, Baht 436,159 million in Common Equity Tier-1 capital, and Baht 54,010 million in Tier-2 capital. The capital adequacy ratio was 18.90 percent, Tier-1 capital ratio was 16.92 percent and Common Equity Tier-1 ratio was equal to 15.94 percent, all of which were above the BOT's minimum requirement and buffer requirement of 12.00 percent, 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>	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Tier 1 Capital Ratio	9.50	16.92	16.84	17.21	16.39	16.35
<i>Common Equity Tier 1 Ratio</i>	8.00	15.94	15.86	16.20	15.38	15.31
Tier 2 Capital Ratio	-	1.98	1.97	1.98	1.98	1.99
<b>Capital Adequacy Ratio</b>	<b>12.00</b>	<b>18.90</b>	<b>18.81</b>	<b>19.19</b>	<b>18.37</b>	<b>18.34</b>

- The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement <sup>3)</sup>	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Tier 1 Capital Ratio	9.50	16.06	15.96	16.14	15.26	15.33
<i>Common Equity Tier 1 Ratio</i>	8.00	15.02	14.93	15.08	14.20	14.24
Tier 2 Capital Ratio	-	2.07	2.06	2.08	2.08	2.11
<b>Capital Adequacy Ratio</b>	<b>12.00</b>	<b>18.13</b>	<b>18.02</b>	<b>18.22</b>	<b>17.34</b>	<b>17.44</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 that the Bank maintain two capital buffers as follows:

- Conservation buffer: BOT required that KBank maintain an additional Common Equity Tier 1 at more than 2.5 percent.
- Domestic Systemically Important Banks Buffer (D-SIBs Buffer): BOT required that KBank as a D-SIB maintain an additional Common Equity Tier 1 at 1.00 percent.

## 4.6 Credit Ratings

In the first quarter of 2023, the Bank's credit rating given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of 2022.

Details are shown in the following table.

KASIKORNBANK's Credit Ratings	
Credit Ratings Agency	Mar. 31, 2023
<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	Ba1
- Non-Cumulative Preferred Stock	Ba2
Short-term - Debt/Deposit	P-2
- Counterparty Risk	P-2
Baseline Credit Assessment	baa2
<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
<hr/>	
<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
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<b>Fitch Ratings <sup>1)</sup></b>	
<b><u>International Credit Ratings (Foreign Currency)</u></b>	
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
<b><u>National Credit Ratings</u></b>	
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 resembles a stylized leaf or a teardrop with rounded ends. It is positioned on the left side of the page, extending from the top to the bottom. The shape is oriented vertically, with its narrowest part at the top and its widest part at the bottom. The right edge of the shape is curved, while the left edge is straight.

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