



Management Discussion and Analysis (MD&A)

For the Quarter Ending June 30, 2023

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

Executive Summary of Management Discussion and Analysis

For the Quarter Ending June 30, 2023

The Thai economic recovery in the second quarter of 2023 remained uneven despite the ongoing expansion of overall economic activity. Tourism receipts saw only a limited recovery, while merchandise exports declined steadily. As a result, the high cost of living and debt burdens continued to pressure household spending. Under these circumstances, the Thai economy, though continuing to grow, may be increasingly vulnerable to multiple risk factors that must be closely monitored. These include the domestic political situation, the new government's economic policies, signs of a global economic slowdown as well as impacts on asset quality in light of the gradual hikes of interest rates at home during the past several months.

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). 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 focus 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 operates 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 that is also 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 second quarter of 2023 amounting to Baht 10,994 million, an increase of Baht 253 million or 2.36 percent over quarter. We set aside expected credit loss of Baht 12,784 million, which was a high level and almost on par with the previous quarter. Meanwhile, net profit during the first half of 2023 amounted to Baht 21,735 million, decreasing by Baht 270 million or 1.22 percent, compared to the same period of last year. The decrease could be attributed to expected credit loss which rose by Baht 6,288 million or 32.77 percent to Baht 25,476 million. KBank set aside expected credit loss under a consistently prudent approach in line with ongoing proactive asset quality management. Moreover, we fully reserved expected credit loss for a large corporate customer that showed signs of credit deterioration in the first quarter of 2023. Given this preparedness, KBank was able to maintain our robust financial standing even after this account was classified as credit impaired loan in the second quarter of 2023. As evidenced, our coverage ratio as of June 30, 2023 was at a high level of 147.31 percent, and our credit cost was equal to 2.06 percent.

Operating profit before expected credit loss and income tax expense in the second quarter of 2023 amounted to Baht 27,223 million, slightly higher than the preceding quarter. The increase was derived mainly from net interest income which rose by Baht 1,826 million or 5.23 percent. Meanwhile, non-interest income decreased by Baht 330 million or 2.82 percent, while other operating expenses increased by Baht 1,054 million or 5.32 percent.

For the first half of 2023, operating profit before expected credit loss and income tax expense amounted to Baht 54,004 million, an increase of Baht 7,340 million or 15.73 percent compared to the same period of last year. The increase was derived from net interest income which rose by Baht 7,813 million or 12.25 percent in line with the rising interest rate trend and loan growth suited to the Bank's strategic direction. As a result, net interest margin (NIM) stood at 3.54 percent even though financial cost rose in conjunction 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 also rose by Baht 4,707 million or 25.64 percent, due mainly to the mark to market which rose in line with market conditions. Meanwhile, other operating expenses increased by Baht 5,180 million or 14.61 percent due partly to one-time expenses after the implementation of cost-of-living subsidy measures for employees and an increase in other operating expenses which was in line with the rising income amid growing business volume. Cost to income ratio therefore stood at 42.94 percent which was close to the level of the same period of 2022.

With regard to our capital position, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 19.01 percent, with a Tier 1 capital ratio of 17.04 percent and Common Equity Tier-1 Ratio of 16.06 percent, all of which were greater than the Bank of Thailand's requirements, 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 half 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.

Contents

	Page
Executive Summary	A
1. Overview of Operating Environment	1
1.1 Global and Thai Economy in the Second Quarter of 2023 and outlook	1
1.2 Banking Industry	1
1.3 Significant Regulations and Rules related to Business Operations	2
2. Risk Management and Risk Factors	3
2.1 Credit Risk Management	3
2.2 Market Risk Management	4
2.3 Liquidity Risk Management	4
2.4 Digital Risk Management	4
3. Business Directions and Operations of Core Businesses	6
3.1 Sustainable Development and Corporate Governance	6
3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK	7
3.2.1 Payment Service	8
3.2.2 Lending	10
3.2.3 Investment and Insurance	10
3.2.4 International Business Operations	11
3.2.5 Service Channels	13
3.3 Operations of Support Groups	18
3.3.1 Human Resource Management	18
3.3.2 IT Management	19
3.4 Awards and Commendation	21
4. Operating Performance and Financial Position Analysis	22
4.1 Operating Performance	22
4.2 Financial Position Analysis	29
4.3 Loans and Deposits	32
4.4 Treasury Operations	34
4.5 Operating Performances of K Companies and Muang Thai Life Assurance PCL	35
4.6 Capital Requirements	37
4.7 Credit Ratings	39

1. Overview of Operating Environment

1.1 Global and Thai Economy in the Second Quarter of 2023 and Outlook

The global economy grew at a slower pace in the second quarter of 2023 as several central banks, especially the US Federal Reserve, the European Central Bank and the Bank of England, continued a trend from 2022 of gradually implementing a tightening monetary policy through the increase in their policy rates to tame inflation which remained higher than their target levels. Meanwhile, China's economic expansion was fragile amid persistent weakness in the property sector. Even though the International Monetary Fund (IMF)'s July 2023 World Economic Outlook indicates that the global economy in 2023 may expand at a decelerating rate compared to 2022, the IMF upwardly revised its 2023 global economic growth projection to 3.0 percent, from the previous forecast of 2.7 percent in the April 2023 report. The growth forecasts for the economies of the United States, the Eurozone, and Japan were revised upward to 1.8 percent, 0.9 percent, and 1.4 percent, respectively, while the growth forecast for the Chinese economy was maintained at 5.2 percent. Along with this, the IMF warned about upcoming challenges.

Regarding the Thai economy, the revival of economic activity in the second quarter of 2023 remained uneven. Tourism receipts have also recovered on only a gradual basis despite the increasing number of foreign visitors. Meanwhile, Thailand's exports saw a decline amid signs of an economic slowdown among its trading partners and an overall decline in export prices. Additionally, private spending – both household consumption and business investment – increased within a limited range, attributed to persistently high costs of living, production costs, financial costs as well as debt burdens.

As for the remainder of 2023, even though the Thai economy will likely see continual growth driven mainly by the tourism sector, attention must be paid to uncertainties surrounding several factors that may impact the country's economic recovery. This is particularly true for domestic politics, signs of economic weakness in China, impacts of drought, and high household debt. However, pressure on interest rate hikes should gradually ease towards the end of the third quarter of 2023 in line with inflation that is expected to decline in the second half of the year.

1.2 Banking Industry

The overall performance of domestically registered commercial banks in the second quarter of 2023 recorded higher net profit over-year and over-quarter. The increase could be attributed to rising net interest income, which benefited largely from hikes of lending interest rates during the past several quarters. Other supporting factors included gains on financial instruments measured at fair value through profit or loss and dividend income in line with seasonality. However, net fees and service income continued to decline. Several commercial banks incurred higher expenses from allowance for expected credit loss to accommodate the uncertain economic outlook at home. Regarding asset quality, non-performing loans to total loans (NPL ratio) decreased due to proactive NPL management and acceleration of customers' debt restructuring.

As of the end of the second quarter of 2023, outstanding loans to customers and accrued interest receivables - net at 17 domestically registered commercial banks totaled Baht 13.885 trillion, increasing by 0.06 percent from the end of 2022, and rising slightly by 0.55 percent compared to same period of last year, due to gradual repayment of both government and corporate loans. Meanwhile, outstanding deposits totaled Baht 15.697 trillion, a decrease of 1.04 percent compared to the end of 2022 and a small increase of 0.90 percent over-year. While savings deposits declined, fixed deposits gradually advanced as commercial banks managed their deposits in line with the upward interest rate trend in order to accommodate loan demand.

Looking ahead into the remainder of 2023, the Thai economic uncertainty may exert pressure on the overall banking industry, especially in terms of lending and fees and service income. Commercial banks must adopt a prudent approach in setting aside expected credit loss, accounting primarily for potential risks. In parallel, focus should be on proactive asset quality management and accelerated adjustment to upcoming rules, regulations and other measures, particularly the responsible lending guidelines to be implemented at the beginning of 2024.

1.3 Significant Regulations and Rules related to Business Operations

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

- **Policy Guidelines on Management of Financial Transaction-related Frauds**

The Bank of Thailand issued Circular No. BOT. ForNorChor. (02) c. 224/2566 (2023) Re: Policy Guidelines on Management of Financial Transaction-related Frauds. This Circular establishes standards for financial services in terms of governance and fraud management to ensure that measures for fraud prevention, detection and response are in place, while also fostering collaboration among financial service providers and related organizations so as to create a trust in the financial and payment systems. Major points can be summarized as follows.

1. Governance: Policies, practical guidelines and processes related to financial transaction-related frauds are established, while supervision must be undertaken to ensure strict compliance therewith. Meanwhile, fraud management must be assessed, measured and monitored on a continual basis. Along with this, targets and key performance indicators shall be established to ensure that they are complete, clear and appropriate, thus promoting awareness of financial transaction-related fraud management organization-wide. Awareness of these frauds must also be promoted among service users continually and in a timely manner so that they will not fall victim to scammers.
2. Fraud management: A framework for financial transaction-related fraud management must be clearly defined; it must cover protection, detection, responses and collaboration.

2. Risk Management and Risk Factors

2.1 Credit Risk Management

The Thai economy in the second quarter of 2023 continued to gain traction. However, close attention should be paid to signs of a global economic slowdown and domestic factors during the transition to the new government and implementation of new economic policies. Meanwhile, certain businesses and households may need more time to restore their income. Additionally, the rising funding cost in line with gradual hikes of the policy interest rate during the past several months could exacerbate the fragility of asset quality in the near future.

KBank has in place credit risk management guidelines which account for the prevailing circumstances while prioritizing the improvement of loan approval guidelines, risk indicators, customers' early warning sign detection and behavior monitoring. Additionally, we have integrated environmental, social and governance (ESG) considerations into our credit assessment, with a focus on following up on collaboration with our business customers in each industry during the transition to a net zero society to ensure greater efficiency in credit risk management and monitoring processes.

Regarding guidelines for credit extension for Corporate and SME customers, KBank continued to adopt a prudent credit underwriting approach based on financial data, qualitative data and related transactional data throughout all credit processes. We have also developed credit quality monitoring tools for enhanced efficiency of credit processes which are suited to each customer risk profile, accommodating the prevailing circumstances in alignment with our proactive asset quality management guidelines. As soon as signs were detected of customers potentially facing debt repayment issues, our officers worked with them to ensure timely advice and consultation, focusing on resolutions suited to their risk persona in alignment with the comprehensive debt restructuring guidelines of the Bank of Thailand.

When it comes to credit extension for retail customers, KBank focused on increasing their opportunity to access loans appropriately in alignment with responsible lending principles, to avoid overleveraged situations. 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.

KBank has focused on portfolio management to balance credit concentration. Loan growth targets have also been established in alignment with prevailing economic conditions. Our key priority is to proactively manage asset quality for enhanced efficiency, prompt and proper customer assistance as well as qualitative asset classification for customers potentially on the brink of debt default or non-viability. We also adequately set aside expected credit loss within appropriate levels.

2.2 Market Risk Management

In the second quarter of 2023, the Federal Reserve raised its policy rate from 4.75-5.00 percent to 5.00-5.25 percent p.a. The US central bank also signaled two additional policy rate hikes later this year, bringing rates to a range of 5.50-5.75 percent p.a. in order to tame inflation which remains beyond the set target, albeit being on a downward trend, amid heightened US economic risks. These developments led to volatility in global financial markets.

Meanwhile, the Bank of Thailand increased its policy rate from 1.75 percent p.a. to 2.00 percent p.a. in this quarter. The uncertain Thai political situation regarding the new government formation prompted the Thai Baht to weaken and the SET Index to decline amid ebbing confidence among domestic investors.

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 second quarter of 2023, the Thai economy saw a gradual recovery, fueled mainly by tourism. This was a boon to private consumption, employment and household income. Meanwhile, Thailand's headline inflation declined steadily in line with falling domestic energy prices and the government's assistance measures.

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.

2.4 Digital Risk Management

Guided by KBank's business strategy of being at the forefront as a digital banking service provider in Thailand, we prioritize customer confidence and service security. In a sophisticated risk landscape, we focus on systematic risk management, encompassing associated risks, i.e., operational and information technology risks, as well as enhanced efficiency in work processes and internal control. These endeavors allow us to keep up with the ever-evolving circumstances in line with international standards and the Bank of Thailand's policy guidelines and best practices.

In the second quarter of 2023, KBank strengthened our measures to prevent fraud through digital channels in alignment with the Bank of Thailand's policy guidelines for prevention of fraudulent financial transactions. Notable steps taken included enhancement of the security of K PLUS to prevent unauthorized remote access and control through the use of facial recognition for identity verification and high-value transactions, and refraining from sending links via email and SMS, as well as links requesting identification data and important personal information via social media. We also arranged campaigns to educate and alert our customers and the general public about digital frauds and self-protection tips through the "SATI" (awareness) program. Additionally, KBank has continually expanded our capabilities in cyber threat prevention and response to branches and overseas representative offices with the aim of elevating operational standards to align with the Bank's overall business operations and suiting the specific needs of each company.

Overall, risk management focuses on risk controls through risk identification, prevention, detection, response and recovery as well as creation of a cyber hygiene culture. The risk controls cover business processes and major work systems in four areas as follows:

- Governance: The Risk Oversight Committee is responsible for supervising risk management in alignment with risk management policy and strategy within the risk appetite.
- Policies: We have reviewed and revised relevant policies to be consistent with our organizational structure, our business vision for maintaining our growth and leadership status in Thailand's digital banking business, as well as regulatory requirements and the capability to efficiently cope with present and future threats.
- Processes and technology: KBank has elevated cybersecurity measures to promptly detect and prevent advanced threats. Focus has been on continuous enhancement of system efficiency to ensure proper IT security management for digital financial transactions and services of KBank and other companies within KASIKORNBANK FINANCIAL CONGLOMERATE as well as appropriate third-party risk management.
- People and culture: KBank has consistently fostered a cyber hygiene culture, accounting for the current cyber threats, regulatory requirements and confidence in KBank's cyber security among four personnel groups, i.e., the Board of Directors and senior management, employees of KBank and other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, customers and third parties of KBank, via communications in different formats.

3. Business Directions and Operations of Core Businesses

3.1 Sustainable Development and Corporate Governance

□ Sustainable Development

In the second quarter of 2023, KBank conducted sustainable development operations in alignment with the K-Strategy that focuses on environmental, social and governance priorities. Major initiatives were as follows:

- **Organizing the “EARTH JUMP 2023: New Frontier of Growth” seminar** as a forum for world-class executives to share their vision and experience in navigating the business transition towards sustainable growth. The event attracted more than 2,000 businesspersons.
- **Launching the WATT’S UP application**, which is an e-marketplace platform that serves as an end-to-end solution for electric motorcycle rental service, including service application, rental, payment and battery swapping. The service area covers Bangkok and the vicinity.
- **Promotion of the GO GREEN Together concept** – KBank collaborated with the Provincial Electricity Authority (PEA) in introducing a service for the installation of PEA SOLAR rooftop for power generation. We also worked with Thailand Greenhouse Gas Management Organization (Public Organization) to conduct a study on carbon credit trading to promote greater accessibility to carbon credit markets among the Thai people.

In addition, KBank joined with the Ministry of Interior, the Interior Ministry Officials' Housewives' Association, and the United Nations (UN) Thailand office in purchasing carbon credits certified by Thailand Greenhouse Gas Management Organization (Public Organization) from four local administrative organizations in four provinces, totaling 3,140 metric tons of carbon dioxide equivalent. The proceeds from the sale of carbon credits to KBank will be returned to the communities for use as funding for additional development in various areas.

- **Unveiling the “Dispose Responsibly” campaign** to advocate for employee awareness and behavioral change for effective waste management throughout the entire process. Along with this, we also introduced online campaigns for the general public to participate in through social media channels of KBank Live, serving as a starting point to drive towards the net zero goal. Moreover, KBank transformed its operations within the organization to reduce greenhouse gas emissions (GHG) across all dimensions. By embracing the “Zero Waste to Landfill” concept, KBank has established a goal of achieving zero waste disposal at its four main buildings within 2023.
- **Organizing a seminar titled, “The Key to Business Sustainability and ESG Standard”**, for SME clients and listed companies to enhance business potential and bolster their respective competitive advantages, under the concept of sustainable business operations that create value for society.

□ 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. Our major Corporate Governance operations in the second quarter of 2023 included:

- Reviewing KBank's operations to ensure that they are in line with the Bank of Thailand's Notifications concerning criteria on corporate governance and internal control mechanisms of financial institutions and financial business groups;
- Arranging a meeting to communicate with companies within KASIKORNBANK FINANCIAL CONGLOMERATE on good corporate governance, sustainable development, operational risk management framework as well as internal audit and control to ensure that proper operations and management are adopted with a common direction, up-to-date and in conformity with regulations, regulatory requirements and international standards;
- Organizing training courses on Governance, Risk Management and Compliance (GRC) for executives;
- Reviewing the Occupational Safety and Health, and Workplace Environment Policy so that it is appropriate, up-to-date and consistent with the sustainability assessment criteria of the Dow Jones Sustainability Indices (DJSI) and the ISO 45001 standard;
- Reviewing knowledge and understanding of executives and employees on compliance with the Code of Conduct and arranging for them to sign in acknowledgement of compliance with the Code of Conduct for 2023;
- Communicating with directors, executives and employees on the silent period for securities and stock futures trading and disclosing information related to the Bank's operating results as well as the prevention of the use of inside information;
- Participating in corporate governance assessments arranged by external organizations such as the Thai Investors Association, the Thai Institute of Directors Association and the Stock Exchange of Thailand.

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. 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 second 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 initiatives in this quarter were as follows:

- **Promotion of YouTrip Multi-Currency Card, a digital wallet for travel that accommodates multiple currencies:** To capitalize on the international travel season for Thai people, we launched the "#Travel Fest – Select Your Rewards" campaign to offer attractive benefits to cardholders including cash back when spending in nine foreign currencies in 25 countries together with special foreign exchange rates. In addition, a waiver of application and annual fee as well as fee for withdrawal via ATM in other countries was offered. Given these initiatives, the number of new applicants almost

tripled compared to the same period of the previous year, while the volume of spending via the card increased by more than 2.5 times.

- **Promotion of KBank Debit Card:** To promote greater spending via KBank UnionPay Debit Card, we introduced a campaign to offer cardholders special K Points when spending per the established conditions. Multiple privileges and discounts were offered to holders of KBank Debit Card with the REWARD PLUS DEBIT CARD sign under the “FRIYAY! Get Super Deal!” when spending in the dining, shopping, traveling, entertainment, sports and beauty categories.
- **Development of Blue CONNECT:** Under cooperation with PTT Oil and Retail Public Company Limited (PTTOR), KBank developed the Blue CONNECT e-wallet to accommodate QR payment at PTT service stations and PTTOR retail stores. Customers can also use a K PAY LATER credit line to make installment payment of up to five months for fuel purchase. Moreover, Blue CONNECT can be used as a payment channel for the xpLORe application which offers products and services within and outside PTTOR retail stores to align with customers' lifestyles, such as purchase of discount vouchers for a variety of products and services.
- **Development of contactless fuel payment service:** KBank worked with PTT Oil and Retail Public Company Limited (PTTOR) in offering fuel payment service via Fill & Go+ at PTT stations nationwide. This service allows organizations and corporate entities to manage and check refueling data via the web portal system on a real-time basis.
- **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.
- **Addition of K-Payroll service on K BIZ:** Business customers, both juristic persons and individuals, who use K-Payroll via K BIZ can receive group accident insurance coverage of Baht 100,000 to Baht 10 million. This new service channel offers an option for making transactions which are suited to the business scale of customers.
- **Expansion of Online Direct Debit (ODD):** We also offered the service to securities firms, gold trading companies and savings cooperatives of state enterprises, along with efficiency enhancement, thus resulting in reduced onboarding process and more secure and more constant service.
- **Focus on business transactions via electronic channels:** These included domestic and international payments via K-Cash Connect Plus and K CONNECT-Intertrade, letters of guarantee issued through K CONNECT-LG, and payments via K-Payment Gateway. The move is aimed at providing greater convenience and continual service while also maintaining our status as customers' main operating bank.

3.2.2 Lending

KBank has reimagined commercial and consumer lending, accounting for sustainability for the Bank, society and environment. Our focus is on leveraging technology to promote customer access to loan services in various forms, while improving our risk-based credit underwriting processes for enhanced efficiency. We offered credit limits and interest rates based on each customer's risk persona under efficient risk management so as to maintain a balance between asset quality and competitive capability. Major initiatives included:

- **Green loans:** KBank provided business loans to renewable energy projects and green buildings to promote our Sustainable Development Policy. We also launched the "Solar Save" campaign offering financing for solar rooftop installation with interest-free repayment for four months to buyers of homes under the projects of Sansiri Public Company Limited. Plus, in collaboration with Provincial Electricity Authority, we offered loans for solar rooftop installation to businesses and households.

In addition, KBank signed a memorandum of agreement with Thailand Greenhouse Gas Management Organization (Public Organization) for the study and development of carbon credit trading and exchange, as well as carbon credit management. The move is aimed at encouraging business operators and the general public to participate in sustainable greenhouse gas reduction efforts.

- **Financial support to the business sector:** We provided short-term funding to bolster liquidity and working capital for businesses as well as long-term financing to accommodate business expansion of our customers.

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 this quarter, the overall financial and investment market remained volatile amid concerns over a potential global economic slowdown. KBank therefore offered low-risk funds, namely short-term fixed income funds, term funds, as well as multi-asset and balanced funds. For customers having a high risk appetite and seeking long-term investment opportunity, we recommended that they diversify their investment in Chinese and Thai shares, which have a brighter economic outlook after the countries' reopening, including health care stocks which are resilient in an economic slowdown.

For high net worth individual customers, KBank recommended that investors adopt an investment strategy that best suited the uncertain market environment both at home and abroad.

They were thus advised to hold a mixture of a core portfolio focused on consistent returns and a satellite portfolio consistent with the prevailing circumstances. Emphasis remained on risk-based allocation for core portfolio, such as investment in funds under the K-ALLROAD Series to increase flexibility in portfolio adjustment with multiple asset classes to obtain consistent returns under an appropriate risk appetite. For satellite portfolio, investors were advised to embrace various themes in order to capitalize on the prevailing market circumstances. One notable theme included the “Policy Driven for Better World” theme and recommended funds under this theme were K Planetary Transition (K-PLANET) and MFC Renewable Energy Fund (MRENEW). Other prominent funds were K Positive Change Equity Fund (K-CHANGE) and K Global High Impact Thematic Equity Fund (K-HIT) under the “Winners of the New Economy” theme.

Customers were also advised to consider alternative investments that are resilient to market volatility. Notable funds were United Private Equity Fund 1 (UPREQ1-UI) which invests in private real estate under the HOMA project – a sustainable rental residential project that emphasizes environmental conservation from the construction phase to project management.

- **Life insurance products:** KBank aims to develop competitive insurance products. We offered smaller policies via digital channels and sales agents, such as Life Insurance Endowment 15/6 Guarantee with annual cash benefit for customers who prefer medium-term savings. Additionally, we recommended insurance products that provide various options for extensive coverage. One notable example is OPD Maochai – a health rider which offers flexible claims for medical expenses in case of outpatient treatment at leading private hospitals with high service prices. Instead of limiting the coverage amount per visit, the insurance plan offers annual coverage of Baht 15,000-100,000.

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. 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; and 3) Disruptive Play: development of new financial service formats 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 conducted a transformation of PT Bank Maspion Indonesia Tbk's work processes and business operations. In this quarter, PT Bank Maspion Indonesia Tbk worked with an online platform to offer a loan service to small business customers in need of working capital while assisting them to gain access to financial services with greater convenience, security, and speed. Through this loan service, KBank was able to broaden its reach to customers with a more comprehensive financial service scope.

2. The Socialist Republic of Vietnam: KBank increased its capital by more than 2.5 times to Baht 9.6 billion to accommodate the expansion of services across all customer groups, including large corporations, medium-sized businesses, and retail customers, in line with the promising Vietnamese economic growth. Setting our sights on becoming a fully-fledged financial service provider in the transactional ecosystem and making KBank customers' main operating bank, in this quarter, we launched Visa debit card products that allow customers to withdraw cash via ATMs accepting a Visa card, with no fee. We also offered loans to small and local businesses through the launch of KBank Biz Loan via K PLUS Vietnam. We have set a goal of increasing the number of K PLUS Vietnam customers – now totaling around 660,000 – to 1.3 million by the end of this year.

3. People's Republic of China: KBank prioritized business transformation with a greater focus on online business solutions. To this end, we have developed online platforms that offer services to customers while also helping them in risk and data management under the "Better Me & Better SME" concept. This initiative aims to promote financial inclusion among local customers, allowing them more opportunities to improve their quality of life and businesses. In parallel, we also launched competitive financial products in the Chinese market. In this quarter, KBank focused on offering comprehensive financial products and services to local business clients in the Sino-AEC region while also fostering our collaboration with business partners to capitalize on the business growth of SME customers. Additionally, we offered personal consumption loans which can effectively meet retail customers' needs in step with the prevailing circumstances.

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 region-wide.

International Branch Network

International Branch Network	Number of Locations	
	Jun. 2023	Mar. 2023
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 our service channels via innovation and digital technology to support stable growth and sustainable returns. Our strategies aim for a high level of customer responsiveness across all segments. Each service channel is therefore tailored to meet the diverse needs of customers in line with their lifestyles and their ever-evolving behavior amid the rise of the digital era. KBank has in place proactive measures to safeguard customers' property and data privacy and thus ensure their confidence in conducting transactions with enhanced security for the most impressive customer experience. Major initiatives in the second quarter of 2023 were 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. Along with this, we offered services at branch models of various formats 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. Moreover, the Siam Square Branch building is the first "Innovative Iconic Green Building" under the KLOUD by KBank project. This branch has been designed specifically to suit customers' behavior and encourage the engagement of people in the surrounding communities. All customers, students and the general public are invited to use the service free of charge.

In addition, we focused on expanding 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 services available via different agents under the standard established by KBank. We launched a brand awareness campaign through reduction of fees for making deposit via the established banking agents.

Meanwhile, KBank gradually opened more foreign exchange booths. For broader service coverage, we increased the number of foreign exchange booths in areas where the number of foreign tourists has risen significantly, especially in airports and Airport Rail Link stations as well as at major tourist attractions, aside from the foreign exchange service available at KBank branches nationwide. To provide customers more service options, automated currency exchange machines are now available at the King Power Mahanakhon Building, King Power Sri Vari Building and King Power Rangnam Building. We also plan to introduce a Currency Exchange Mobile – a new format of foreign exchange booth service via electric vehicle in alignment with our "GO GREEN Together" policy.

Branches, Financial Service Centers and Electronic Banking Services

Domestic Branches and Financial Service Centers	Number of Locations		Electronic Banking Services	Number of Units	
	Jun. 2023	Mar. 2023		Jun. 2023	Mar. 2023
Branch Network ¹⁾	816	819	Self-Service Channel (K-ATM and K-CDM)	10,967	10,924
Foreign Exchange Booth	88	78	K-ATM (Automated Teller Machines)	9,074	9,036
THE WISDOM	79	79	K-CDM (Cash Deposit Machines)	1,893	1,888
SME Business Center ²⁾	183	179	K-PUM (Passbook Update Machines)	932	937
International Trade Service Center	58	58	Automated Currency Exchange Machines	13	13
Cheque Direct Service	15	15			

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

²⁾ 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. Along with this, we worked with our business partners in developing functions on these electronic machines for enhanced customer responsiveness under proper cost management. 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 LINE BK and K PAY LATER. Moreover, all K-ATM and K-CDM machines are now equipped with a multilingual function to facilitate transactions.

- **Digital Banking Services:** KBank has continually developed our banking platform for enhanced efficiency and customer base expansion while maintaining our leadership in digital banking services with the most users in Thailand. Focus was on increased linkage of platforms with our business partners across all ecosystems and technology-driven digital banking innovations to be at the forefront in offering new features to accommodate customers' ever-evolving lifestyles. Major initiatives included:

1) **K PLUS:** We aim to make K PLUS an open banking platform that promotes data integration with our business partners, enabling seamless connectivity within the lifestyles and business ecosystems of the digital era through the launch of innovations and boundless services. In parallel, our focus was on development of brilliant basics for operating system enhancement to ensure customers' confidence in conducting transactions with enhanced security. Major initiatives in the second quarter of 2023 were as follows:

- Enhanced security for funds transfer via facial recognition: Customers are required to conduct a facial scan when making funds transfer over Baht 50,000/transaction or over Baht 200,000 /day, including scheduled funds transfer transactions.
- Assessment on fraud awareness: Customers are required to complete an assessment questionnaire upon their first use of service and every six months in accordance with the Bank of Thailand's fraud prevention measures.

- Establishment of daily transaction limit for customers aged not more than 15 years old: They can conduct transfer, payment and top up transactions at a maximum of Baht 20,000/day and cardless withdrawal up to Baht 30,000 /day.

In addition, KBank has worked with our business partners in offering new themes and slips on K+ market to meet customers' lifestyle needs for their greatest satisfaction. We also added a menu for applying for TrueMove H supplementary packages and a KhunThong bill-splitting menu on K PLUS, allowing customers to have an option to use the feature of KhunThong social chat bot on K PLUS instead of LINE Official Account.

- 2) **K BIZ:** An internet banking service for business clients of the Bank, which provides services to both individuals and juristic persons. It has been equipped with features designed to meet specific business needs, such as multi-user assignment and statement download in Excel file format. Additional development included K-Payroll offering group accident insurance coverage for customers who sign up for the service; and credit inquiry for all six types of loans, namely overdraft (OD), letter of guarantee (LG), promissory note (PN), commercial loan, personal loan, and home loan, allowing customers to verify and track their loan utilization.
- 3) **K-Payment Gateway:** We have developed various forms of payment, in conformity with the Payment Card Industry Data Security Standard (PCI-DSS), to enhance flexibility for online stores of all business types, regardless of their manner of connectivity. Payment can be made by debit card, credit card, QR code, Pay with K PLUS, and the Alipay and WeChat Pay e-wallets. Also, merchants can create and share payment links via chat using either of two services – K PAYMENT LINK for merchants offering sales via social media channels; and K SOCIAL PAY for merchants having LINE Official Account (LINE OA). To continually expand online retail stores, we will foster collaboration with more business partners having expertise in each industry. To this point, we have worked with those in e-commerce and marketplace platforms, food delivery services, and tourism-related businesses. Moreover, various privileges were offered to customers.
- 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:
 - Notifications of account movement, plus a new feature of sharing these notifications to friends on LINE who jointly use the same account, such as business owners, family members and couples. In addition, customers are notified of their debit and credit card spending, loan request, and appointments for use of 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 Super Senior Fixed Deposit Account, K PAY LATER, promotions of KBank-Shopee Credit Card, home loan refinance and additional loan request for solar panel installation, reduction of deposit fees at KBank Service, Discount Codes on

Monday Season 3 campaign, donations to the World Conservation Foundation via K PLUS, as well as interesting articles of K WEALTH Tips & Trends.

- Development of services to tackle online scams in a timely manner. Notable initiatives included addition of a menu on KBank Live LINE OA for accepting fraud complaints and concerns, the opening of a hotline center for reporting financial crimes, and inquiry of information via K-Buddy 24 hours a day. Additionally, we provided relevant knowledge and prevention guidelines via the awareness campaign #UpdateSatiToProtectSatang, and halted the sending of SMS with attached hyperlinks to customers.

5) **Other Platforms:** KBank has developed various financial platforms for business partners. So doing allows them to conduct financial transactions with the Bank and apply our products and services in their businesses. Notable platforms are:

- KBank Open API: This channel allows system developers and business partners to access and connect to API services of KBank, enabling businesses to offer new products and services to target customers more efficiently, while the Bank can expand its customer base at a faster pace. Presently, KBank's products and services available on Open API include QR Payment, Inward Remittance, Slip Verification, KGP (KASIKORN GLOBAL PAYMENT) Merchant Payment platform and funds transfer from KBank accounts 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. Our efforts in analyzing data, monitoring and coordinating with relevant internal and external units led to the apprehension of fraudsters sending fake SMS stemming from so-called false base stations, resulting in a significant drop of number of reports of SMS-related fraud. Major operations are as follows:

1. **Setting up of a hotline center for reporting financial fraud** at 02-888-8888, press 001, available 24/7. We also enhanced KBank Live on the LINE platform, allowing customers to more conveniently report financial crimes online through chatbot and self-service features.

2. **Development of connectivity processes** with relevant units within the Bank, other banks and government agencies, as well as collaboration with mobile network service providers, to stop suspicious transactions in a timely manner.

3. **Establishment of internal work processes to address various forms of fraud**, in accordance with regulations and regulatory requirements. Focus is on providing comprehensive and prompt assistance to customers.

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:

- **Improvement of Service Quality:** Our employees have been trained with a focus on empathic skills and mindset in efficiently solving customers' problems, thus delivering an excellent customer experience.
- **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 the public's confidence in the Bank and the financial institution system in general.
- **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. Also, we launched Internet Voice Call via K PLUS to help reduce service fees for customers.
- **Chatbot Development:** We expanded the scope of information provided about KBank products and services for broader coverage, greater accuracy and enhanced efficiency.
- **Development of Knowledge Management Smart Agent Portal:** This effort is aimed at bolstering K-Contact Center capabilities for enhanced service efficiency.

3.3.1 Human Resource Management

KBank, as a customer empowerment organization, focused on human resource management that is in alignment with the K-Strategy. In a challenging environment and organizational context, we thus embarked on key initiatives as follows:

- **Recruitment:** KBank adopted Employee Value Proposition method in our recruitment via public relation media and job interview. We were therefore able to fill our vacant positions with high-caliber personnel who possess skills, knowledge and abilities in alignment with KBank's business directions. These sought-after job positions included product managers, relationship managers, credit analysts and other officers to support our new businesses. One notable initiative in this quarter was K Career Day, which offered immediate interviews and instant results to job candidates.
- **Effective New Way of Work:** To promote a suitable work environment, KBank encouraged our personnel at all levels in each division, from executives to heads and team members, to design their own work that suited their jobs for improved deliverables and enhanced efficiency. To this end, KBank launched various activities under The 2023 Influential Leader program. Meanwhile, we implemented self-learning programs that aimed to bolster skills and knowledge among participating employees so as to promote collaboration in the workplace. KBank placed importance on elevating our personnel's quality of life, physical health, mental well-being and financial security. In this quarter, we added entitlements on family care leave and encouraged employees to receive flu vaccinations, while granting welfare loans related to energy saving, such as loan for solar rooftop installation and loan for EV hire purchase.
- **Integrated Development:** KBank prioritizes learning in the workplace in order to drive the new work methodologies of "Performing to Transform". To this end, focus was on developing employees' skills and ability for efficiently managing assigned tasks while advancing various skills aligned with KBank's expected behavioral guidelines. These included growth mindset, outward mindset, collaboration, agility and leadership development.
- **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. These meetings allowed for consultations and problem-solving discussions between KBank and our employees, to strengthen our relationship.

3.3.2 IT Management

KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) prioritized the study and development of financial innovation under a novel form of financial IT infrastructure with the aim of maintaining our competitiveness and our status as the trusted regional leader in the technological realm. Our focus was on 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. Major initiatives in this quarter can be summarized as follows:

1. **Development of products and services** to be consistent with ever-evolving technology and consumer behavior.
 - **Developed and improved K PLUS application** – We added the following features to deliver a positive experience to more than 21 million K PLUS customers:
 - Development of QR payment with stores in more than 40 countries worldwide including Nigeria and Sweden
 - Enhanced security for funds transfer via facial recognition – Customers are required to conduct a facial scan when making funds transfer of no less than Baht 50,000/ transaction and/or more than Baht 200,000/day, including scheduled funds transfer transactions.
 - Development of system to accommodate the transfer of AIS Points to the K Point loyalty program
 - **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. New features developed in this quarter were 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 to change the email address used for receiving statements and other data, via the application’s “Settings” button
 - Development of a scheduled transfer feature that allows the transfer of funds to multiple Cloud Pockets at a single time
 - Development of a feature for changing a friend’s profile photo via the Friend Settings menu option
 - Addition of a feature for configuring notifications on incoming/outgoing funds via KBank Live on the LINE application
 - **Developed and improved KhunThong social chatbot** – To accommodate the high volume of payment collection via the KhunThong social chatbot – now topping 580,000 transactions per month and more than 1.3 million user accounts in more than 400,000 LINE groups – we have improved various features in this quarter as follows:

- Addition of the “Private Request Flow” feature, which allows private request of payment sent to each person in addition to payment collection within LINE groups
 - Addition of a feature for bulk bill collection within a LINE group to accommodate collection of multiple bills, both general and scheduled, at a single time
 - Introduction of a newly designed User Experience (UX) and improvement of User Interface (UI) that provide flexibility and user-friendliness
 - Addition of channels for accessing the KhunThong social chatbot via K PLUS and KBank Live
2. **Research and development of innovative technology** in order to create products and services while enhancing work efficiency for KBank and KBTG. Major initiatives were as follows:
- **K-GPT (Knowledge-GPT) research:** We have developed the language capabilities of artificial intelligence (AI) to understand conversations, answer questions, and provide suggestions in a manner that replicates natural, spoken language. To this end, we have combined the processing and text generation abilities of the Large Language Model (LLM) with knowledge in psychology to answer questions and provide domain-specific, in-depth information, along with enhancement of Thai language proficiency. Under the cooperative effort of researchers from KBTG Labs and MIT Media Lab, this K-GPT research, known as the “Buddy” project, is now in the proof of concept stage to ensure its feasibility and viability.
 - **Promotion of AI literacy:** We worked with the National Electronics and Computer Technology Center (NECTEC) and Thammasat University in establishing guidelines for accurate and efficient utilization of AI by the general public.
 - **Launch of Modernized Data Foundation for development of technology for data management and analytical tools:** To accommodate the anticipated rise of volume and increased complexity of data analytics, we have established the Enterprise Data Hub to integrate the data of companies within KASIKORNBANK FINANCIAL CONGLOMERATE. This integration allows for efficient data management and utilization for swift business decision-making. Along with this, focus was on the development of system infrastructure that supports collaborative operations and enhanced efficiency in leveraging AI technology.
 - **Improvement of Human Resources system:** We aim to consolidate all employee data into a single platform, allowing our staff members to access their own information, submit approval requests such as leave and benefit reimbursement requests, and check the status of operations through self-service features via smartphone and website. Linking this feature to KBank’s human resources system has bolstered human resource-related work efficiency while reducing manual work, in alignment with the hybrid work model.

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 second quarter of 2023, notably:

Awards to KBank and K Companies

- Four awards: **Best Retail Bank for Digital CX in Thailand** for the second consecutive year, **Outstanding Digital CX in FX Services (YouTrip)**, **Best Private Bank for Digital CX in Thailand** for the second consecutive year and **Best Private Bank - Thailand** from The Digital Banker magazine
- Four awards: **Project Finance House of the Year**, **Renewable Energy Deal of the Year - Rooftop Solar**, **Transport Deal of the Year - Highway** and **Digital Private Bank of the Year** from The Asset magazine
- Three awards: **BankQuality Ranking - Most Selected Main Bank in Thailand**, **Best Digital Credit Evaluation Initiative** and **Best Frictionless Customer Experience Initiative** from The Asian Banker journal
- Two awards: **Best THB Interest Rates Swap Contributor 2022 (Runner-up)** and **Best THB Local Cross Currency Contributor 2022 (Runner-up)** from Refinitiv - LSEG FX
- Two awards: **Best Employer Branding (Gold Medal)** and **Best Skilling Strategy (Bronze Medal)** in the Oceania competition from Human Resource Online
- **Best Bond House in Thailand** for the seventh consecutive year from Alpha Southeast Asia magazine
- **Best Mobile Wallet Initiative (Highly Commended)** from Retail Banker International journal
- **Best DCM House in Thailand** from FinanceAsia magazine
- **Best Private Bank for Building Client Communities, Asia** from Professional Wealth Management (PWM) under Financial Times
- **Best Private Bank Thailand 2023** from International Business Magazine

Award to KBTG

- **Employee Experience in the category of Best Remote Management Strategy (Silver Level)** from Human Resource Online

Awards to KASIKORN LINE Co., Ltd.

- Two awards: **Best Digital Bank for CX in Thailand** for the second consecutive year and **Best Fintech for Digital CX - Consumer Lender** from The Digital Banker magazine
- **Best Digital-Only Bank** for the second consecutive year from The Asian Banker journal

4. Operating Performance and Financial Position Analysis

4.1 Operating Performance

KBank and its subsidiaries reported net profit for the second quarter of 2023 amounting to Baht 10,994 million, an increase of Baht 253 million or 2.36 percent over quarter. We set aside a high level of expected credit loss, which was almost on par with the previous quarter. Operating profit before expected credit loss and income tax expense amounted to Baht 27,223 million, close to the level of the prior quarter. This was derived from an increase in net operating income, coming mainly from net interest income which rose by Baht 1,826 million or 5.23 percent due to rising average yield. Meanwhile, other operating expenses increased by Baht 1,054 million or 5.32 percent, due mainly to marketing expenses and premises and equipment expenses. Cost to income ratio therefore increased to 43.37 percent, compared to 42.50 percent in the previous quarter.

Operating Performance for the Second Quarter of 2023

(Unit: Million Baht)

	Q2-2023	Q1-2023	Change		First half of 2023	First half of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Net Interest Income	36,701	34,875	1,826	5.23	71,576	63,763	7,813	12.25
Non-Interest Income	11,369	11,699	(330)	(2.82)	23,068	18,361	4,707	25.64
Total Operating Income - net	48,070	46,574	1,496	3.21	94,644	82,124	12,520	15.25
Total Other Operating Expenses	20,847	19,793	1,054	5.32	40,640	35,460	5,180	14.61
Expected Credit Loss	12,784	12,692	92	0.72	25,476	19,188	6,288	32.77
Net Profit (attributable to equity holders of the Bank)	10,994	10,741	253	2.36	21,735	22,005	(270)	(1.22)
Basic Earnings per Share (Baht) ¹⁾	4.64	4.38	0.26	5.94	9.02	9.14	(0.12)	(1.31)

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

For the first half of 2023, KBank and its subsidiaries reported net profit of Baht 21,735 million, a decrease of Baht 270 million or 1.22 percent compared to the same period of last year. The decrease could be attributed to expected credit loss amounting to Baht 25,476 million, an increase of Baht 6,288 million or 32.77 percent, compared to the same period of last year. KBank continued to set aside expected credit loss (ECL) under a consistently prudent approach in line with ongoing proactive asset quality management. In the second quarter of 2023, one of our large corporate customers was classified as a credit impaired loan. However, the Bank's financial status remained strong given that we had fully reserved expected credit loss for this account in the previous quarter, when signs of credit deterioration were initially detected.

However, KBank continued to set aside a high level of allowance for expected credit loss in the second quarter of 2023, which was close to that in the previous quarter. Moreover, the Bank's allowance for expected credit loss during the first half of 2023 was 32.77 percent higher compared to the same period of last year. However, this level was almost on par with our previous projection, which accounted for the global economic slowdown and various surrounding factors that caused the uneven Thai economic recovery, and affected certain vulnerable customer groups. Therefore our credit cost during the first half of 2023 stood at 2.06 percent, higher than 1.56 percent during the same period of the previous year. Meanwhile, our coverage ratio as of June 30, 2023, was equal to 147.31 percent.

Operating profit before expected credit loss and income tax expense during the first half of 2023 amounted to Baht 54,004 million, an increase of Baht 7,340 million or 15.73 percent over the same period of 2022. The increase was derived from net interest income which rose by Baht 7,813 million or 12.25 percent in line with the rising interest rate trend and loan growth suited to the Bank's strategic direction. As a result, net interest margin (NIM) stood at 3.54 percent even though financial cost rose in conjunction 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 also rose by Baht 4,707 million or 25.64 percent, due mainly to the mark to market which rose in line with market condition. Meanwhile, other operating expenses increased by Baht 5,180 million or 14.61 percent due mainly to increased employee expenses which were derived from one-time expenses after the implementation of cost-of-living subsidy measures for employees and an increase in other operating expenses which was in line with the rising income amid growing business volume. Cost to income ratio therefore stood at 42.94 percent which was close to the level of the same period of 2022.

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

(Unit: Percent)

Financial Ratio	Q2-2023	Q1-2023	Increase (Decrease)	First half of 2023	First half of 2022	Increase (Decrease)
Return on Assets (ROA) ²⁾	1.03	1.01	0.02	1.02	1.06	(0.04)
Return on Equity (ROE) ³⁾	8.82	8.43	0.39	8.65	9.27	(0.62)
Net Interest Margin (NIM) ²⁾	3.63	3.46	0.17	3.54	3.21	0.33
Cost to Income Ratio	43.37	42.50	0.87	42.94	43.18	(0.24)

²⁾ Annualized

³⁾ 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	Jun. 30, 2023	Mar. 31, 2023	Increase (Decrease)	Dec. 31, 2022	Increase (Decrease)
Significant increase in credit risk loans ⁴⁾					
to total loans ⁵⁾	6.15	6.25	(0.10)	6.47	(0.32)
Significant increase in credit risk loans and					
credit impaired loans ⁶⁾ to total loans ⁵⁾	9.37	9.32	0.05	9.67	(0.30)
NPLs gross ⁷⁾ to total loans ⁸⁾	3.20	3.04	0.16	3.19	0.01
Total allowance to NPL gross (Coverage Ratio) ⁹⁾	147.31	156.68	(9.37)	154.26	(6.95)
Loans ¹⁰⁾ to Deposits Ratio	90.40	90.85	(0.45)	90.77	(0.37)
Capital Adequacy Ratio ¹¹⁾	19.01	18.90	0.11	18.81	0.20
Tier 1 Capital Ratio ¹¹⁾	17.04	16.92	0.12	16.84	0.20

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

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

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

⁷⁾ 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

⁸⁾ Loans used in calculation are loans to customers and loans to financial institutions

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

¹⁰⁾ Loans = Loans to customers

¹¹⁾ KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)

□ Net Interest Income

KBank's consolidated net interest income for the second quarter of 2023 was Baht 36,701 million, increasing by Baht 1,826 million, or 5.23 percent over-quarter. The increase was derived mainly from interest income from loans to customers which rose by Baht 2,220 million or 6.85 percent in line with rising average yield and loan volume in line with KBank's strategic direction. Moreover, interest income from interbank and money market items increased by Baht 403 million or 17.55 percent due to an increase in average yield and average transaction volume. However, interest expenses from deposits rose by Baht 419 million or 15.07 percent due mainly to rising average interest rates. Moreover, interest expenses from debts issued and borrowings increased by Baht 308 million or 30.62 percent due to issuance of unsubordinated and unsecured debentures by KBank. Therefore, our NIM for the second quarter of 2023 was equal to 3.63 percent, higher than 3.46 percent in the previous quarter.

For the first half of 2023, KBank's consolidated net interest income was Baht 71,576 million, an increase of Baht 7,813 million or 12.25 percent when compared to the same period of the previous year. The increase was derived mainly from interest income from loans to customers which rose by Baht 11,640 million or 21.00 percent in line with rising average yield. Moreover, interest income from interbank and money market items rose by Baht 3,189 million or 177.12 percent due largely to an increase in average yield and average transaction

volume. However, interest expenses from deposits rose by Baht 2,363 million or 65.33 percent due largely to rising average interest rates and interest expenses from contributions to Financial Institutions Development Fund and Deposit Protection Agency which rose by Baht 3,142 million or 100.74 percent in line with an increase in contributions to the Financial Institutions Development Fund, returning to the normal rate of 0.46 percent. Our NIM for the first half of 2023 stood at 3.54 percent, rising from 3.21 percent during the same period of last year.

(Unit: Million Baht)

	Q2-2023	Q1-2023	Change		First half of 2023	First half of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Interest Income	45,215	42,441	2,774	6.53	87,656	72,291	15,365	21.25
Interbank and money market items	2,696	2,293	403	17.55	4,989	1,800	3,189	177.12
Investments	5,973	5,890	83	1.40	11,863	11,671	192	1.65
Loans to customers	34,649	32,429	2,220	6.85	67,078	55,438	11,640	21.00
Hire purchase and finance leases	1,897	1,829	68	3.72	3,726	3,382	344	10.17
Others	-	-	-	-	-	-	-	-
Interest expenses	8,514	7,566	948	12.53	16,080	8,528	7,552	88.54
Deposits from customers	3,199	2,780	419	15.07	5,979	3,616	2,363	65.33
Interbank and money market items	828	635	193	30.39	1,463	559	904	161.51
Contributions to Financial Institutions Development Fund and Deposit Protection Agency	3,142	3,120	22	0.72	6,262	3,120	3,142	100.74
Debts issued and borrowings	1,317	1,009	308	30.62	2,326	1,190	1,136	95.47
Others	28	22	6	22.03	50	43	7	15.47
Total Interest Income – net	36,701	34,875	1,826	5.23	71,576	63,763	7,813	12.25
Yield on Earning Assets (percent)	4.47	4.21		0.26	4.33	3.64		0.69
Cost of Fund (percent)	1.14	1.01		0.13	1.07	0.58		0.49
Net Interest Margin (NIM) (percent)	3.63	3.46		0.17	3.54	3.21		0.33

□ Non-Interest Income

KBank's consolidated non-interest income in the second quarter of 2023 totaled Baht 11,369 million, decreasing by Baht 330 million, or 2.82 percent over-quarter. The decrease came mainly from net fees and service income which dropped by Baht 400 million or 4.93 percent in line with brokerage fees, underwriting fees, fees from acceptance, aval and guarantee and loan-related fee income. Moreover, gain on financial instruments measured at fair value through profit or loss decreased by Baht 146 million or 3.98 percent in line with the mark to market of financial assets in line with market condition. However, net premiums earned increased by Baht 297 million or 20.86 percent in line with life insurance business condition.

When compared to the same period of last year, non-interest income in the first half of 2023 totaled Baht 23,086 million, increasing by Baht 4,707 million or 25.64 percent due mainly to the mark to market of financial assets which rose by Baht 6,961 million or 2,969.76 percent which was in line with market condition. Meanwhile,

net fees and service income decreased by Baht 1,150 million or 6.77 percent due mainly to a decrease in brokerage fees, fees from funds transfer, loan-related fee income and fees from fund management. Net premiums earned – net also decreased by Baht 821 million or 47.54 percent due to increased underwriting expenses despite growth seen in net premiums earned.

(Unit: Million Baht)

	Q2-2023	Q1-2023	Change		First half	First half	Change	
			Increase (Decrease)	Percent	of 2023	of 2022	Increase (Decrease)	Percent
Non-Interest Income								
Fees and Service Income	11,877	12,529	(652)	(5.20)	24,406	24,049	357	1.48
Fees and Service Expenses	4,163	4,415	(252)	(5.70)	8,578	7,071	1,507	21.30
Fees and Service Income - net	7,714	8,114	(400)	(4.93)	15,828	16,978	(1,150)	(6.77)
Gain (Loss) on Financial Instrument Measured								
at Fair Value through Profit or Loss	3,525	3,671	(146)	(3.98)	7,196	235	6,961	2,969.76
Gain (Loss) on Investments	(212)	(152)	(60)	(39.38)	(365)	(151)	(214)	(140.88)
Share of Profit (Loss) from Investments using	(182)	-	(182)	(100)	(182)	101	(283)	(280.24)
Equity Method								
Dividend Income	1,119	977	142	14.48	2,096	2,093	3	0.15
Net Premiums Earned	15,361	18,422	(3,061)	(16.62)	33,783	30,111	3,672	12.19
Other Operating Income	531	512	19	3.92	1,044	833	211	25.23
Less Underwriting Expenses	16,487	19,845	(3,358)	(16.92)	36,332	31,839	4,493	14.11
Total Non-Interest Income	11,369	11,699	(330)	(2.82)	23,068	18,361	4,707	25.64

□ Other Operating Expenses

KBank's consolidated other operating expenses for the second quarter of 2023 were Baht 20,847 million, an over-quarter increase of Baht 1,054 million, or 5.32 percent due mainly to an increase in marketing expenses and premises and equipment expenses. Therefore, our cost to income ratio during the second quarter of this year rose to 43.37, compared to 42.50 percent in the previous quarter.

When compared to the same period of last year, other operating expenses for the first half of 2023 were Baht 40,640 million, an increase of Baht 5,180 million or 14.61 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. Therefore, our cost to income ratio of the first half of 2023 was equal to 42.94 percent.

(Unit: Million Baht)

	Q2-2023	Q1-2023	Change		First half of 2023	First half Of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Employee Expenses	9,881	10,124	(243)	(2.39)	20,005	17,437	2,568	14.73
Directors' Remuneration	87	23	64	270.04	110	103	7	7.02
Premises and Equipment Expenses	3,010	2,732	278	10.17	5,742	5,646	96	1.69
Taxes and Duties	1,727	1,621	106	6.54	3,348	2,967	381	12.86
Others	6,142	5,293	849	16.03	11,435	9,307	2,128	22.87
Total Other Operating Expenses	20,847	19,793	1,054	5.32	40,640	35,460	5,180	14.61
Cost to Income Ratio (percent)	43.37	42.50		0.87	42.94	43.18		(0.24)

□ 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 June 30, 2023 and March 31, 2023, loans with significantly increasing credit risk (underperforming loans) to total loans ratio was equal to 6.15 percent and 6.25 percent, respectively whereas loans with significantly increasing credit risk (underperforming loans) and credit impaired loans (non-performing loans) to total loans ratio was equal to 9.37 percent and 9.32 percent, respectively.

(Unit: Million Baht)

	Jun. 30, 2023		Mar. 31, 2023	
	Loans and accrued interest receivables ¹⁾	Allowance for expected credit loss	Loans and accrued interest receivables ¹⁾	Allowance for expected credit loss
Stage 1 Performing	2,192,421	46,576	2,210,878	46,183
Stage 2 Underperforming	178,995	40,556	181,108	43,263
Stage 3 Non-performing	93,834	41,028	88,740	38,645
Total	2,465,250	128,160	2,480,726	128,091

¹⁾ Including loans to customers and accrued interest receivables and undue interest receivables

● Modified Loans

KBank and its subsidiaries engaged in modification contracts with customers. In the first half of 2023, there were loans before modification amounting to Baht 6,929 million and incurred losses amounting to Baht 260 million.

- **Expected Credit Loss**

KBank and its subsidiaries set aside expected credit loss of Baht 12,784 million for the second quarter of 2023, which was a high level and almost on par with the previous quarter. As a result, the expected credit loss totaled Baht 128,160 million as of June 30, 2023. Our expected credit loss to average loans was equal to 2.08 percent, rising from 2.05 percent in the previous quarter.

In the first half of 2023, KBank and its subsidiaries set aside expected credit loss amounting to Baht 25,476 million, an increase of Baht 6,288 million or 32.77 percent from the same period of last year. KBank continued to set aside expected credit loss under a consistently prudent approach in line with ongoing proactive asset quality management. We fully reserved expected credit loss for a large corporate customer that showed signs of credit deterioration in the first quarter of 2023. Given this, KBank's financial status was unaffected even after this account was classified as credit impaired loan in the second quarter of 2023.

However, KBank continued to set aside a high level of allowance for expected credit loss in the second quarter of 2023, which was close to that in the previous quarter. Moreover, the Bank's allowance for expected credit loss during the first half of 2023 was 32.77 percent higher compared to the same period of last year. However, this level was almost on par with our previous projection which accounted for the global economic slowdown and various surrounding factors which caused the uneven Thai economic recovery, thus affecting certain vulnerable customer groups. Therefore, our expected credit loss to average loans for the first half of 2023 was 2.06 percent, increasing from 1.56 percent during the same period of last year. Meanwhile, our coverage ratio as of June 30, 2023 stood at 147.31 percent.

Expected Credit Loss

(Unit: Million Baht)

	Q2-2023	Q1-2023	Change		First half of 2023	First half of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Expected Credit Loss	12,784	12,692	92	0.72	25,476	19,188	6,288	32.77
Expected Credit Loss to								
Average Loans (percent)	2.08	2.05		0.03	2.06	1.56		0.50

- **Non-Performing Loans and Properties Foreclosed**

- *Non-Performing Loans*

As of June 30, 2023, financial conglomerate's NPLs stood at Baht 92,864 million, or 3.20 percent of the total outstanding credit, including that of financial institutions. KBank's NPLs totaled Baht 87,572 million, or 3.19 percent of the total outstanding credit, including that of financial institutions. The NPLs data is shown in the table below:

Non-Performing Loans

(Unit: Million Baht)

For the Quarter Ending	Jun. 30, 2023	Mar. 31, 2023
Financial conglomerate NPLs	92,864	87,640
Percent of total outstanding credit, including that of financial institutions	3.20	3.04
KBank NPLs	87,572	82,848
Percent of total outstanding credit, including that of financial institutions	3.19	3.02

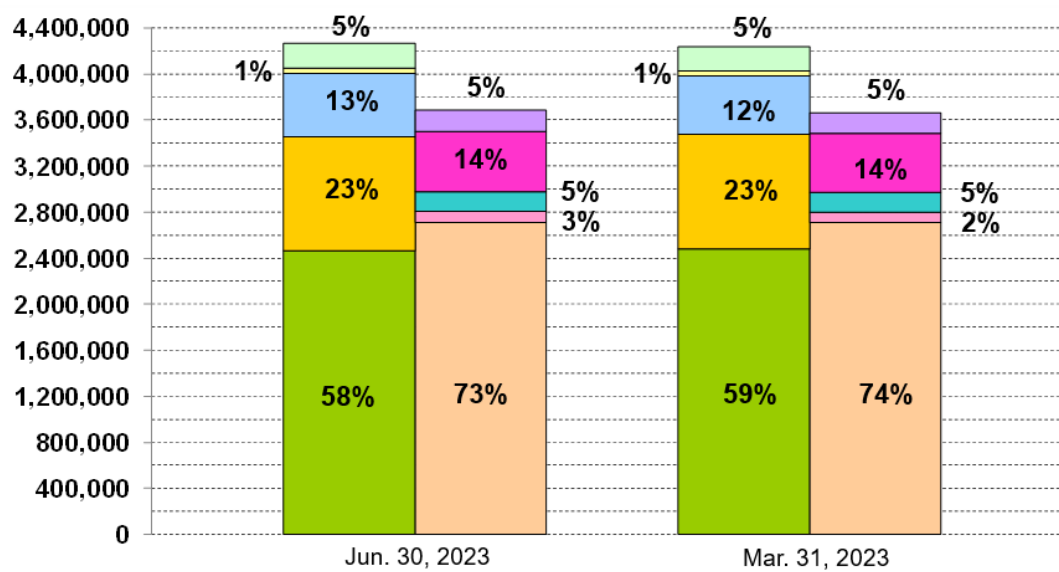
Properties Foreclosed

As of June 30, 2023, our financial conglomerate properties foreclosed had a net value of Baht 50,693 million, thus being 1.19 percent of total assets.

4.2 Financial Position

Assets and Liabilities Structure

(Unit: Million Baht)



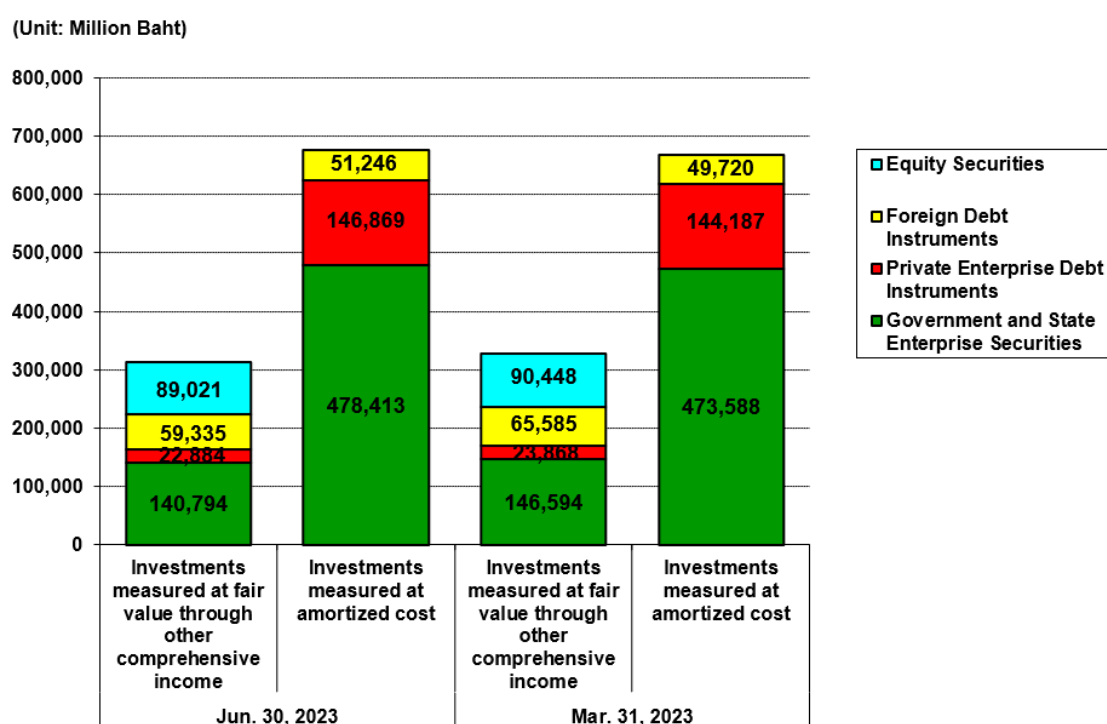
■	Loans to customers and accrued interest receivables	■	Deposits
■	Investment - net	■	Debt issued and borrowings
■	Interbank and money market items - net (assets)	■	Interbank and money market items (liabilities)
■	Cash	■	Insurance contract liabilities
■	Other assets	■	Other liabilities

□ Assets

At the end of the second quarter of 2023, KBank's consolidated assets totaled Baht 4,268,100 million, increasing by Baht 30,016 million or 0.71 percent from the end of the previous quarter. The rise was due mainly to an increase in net interbank and money market items. Meanwhile, loans to customers decreased. Key details are as follows:

- Net interbank and money market items at the end of the second quarter of 2023 totaled Baht 548,845 million, increasing by Baht 42,720 million or 8.44 percent from the end of the previous quarter, due mainly to KBank's liquidity management.
- Loans to customers at the end of the second quarter of 2023 totaled Baht 2,449,289 million, decreasing by Baht 15,742 million or 0.64 percent from the end of the previous quarter, due to non-performing loan management through debt restructuring, NPL sales, debt write-off, etc. However, new loans continued to grow among customer groups under KBank's strategic directions.

Investments in Securities



□ Liabilities and Equity

Our consolidated liabilities at the end of the second quarter of 2023 amounted to Baht 3,687,141 million, which rose by Baht 25,591 million or 0.70 percent from the end of the previous quarter. The increase was mainly attributable to increased derivative liabilities and debt issued and borrowings. Significant changes in our consolidated liabilities included:

- Derivative liabilities at the end of the second quarter of 2023 equaled Baht 58,495 million, increasing by Baht 15,596 million or 36.35 percent from the end of the previous quarter, due mainly to mark to market of financial derivatives in line with market condition such as foreign exchange rates and interest rates. However, changes in derivative liabilities should be considered in conjunction with derivative assets. KBank has already mitigated significant risks with counterparties.
- Debt issued and borrowings at the end of the second quarter of 2023 equaled Baht 98,684 million, increasing by Baht 9,969 million or 11.24 percent from the end of the previous quarter, mainly as a result of issuance of unsubordinated and unsecured debentures by the Bank.

Equity (attributable to KBank) at the end of the second quarter of 2023 amounted to Baht 516,353 million, increasing by Baht 3,932 million or 0.77 percent from the end of the previous quarter, derived mainly from KBank's net operating profit in the second quarter of 2023 which totaled Baht 10,994 million. Meanwhile, KBank approved payment of dividend from net profit for 2022 totalling Baht 8,293 million in April 2023.

□ Relationship between Sources and Uses of Funds

As of June 30, 2023, the funding structure as shown in the consolidated financial statement comprised Baht 3,687,141 million in liabilities and Baht 580,959 million in equity – of which Baht 516,353 million was equity (attributable to equity holders of the Bank), resulting in a debt-to-equity ratio of 7.14. The main source of funds on the liabilities side was deposits, which equaled Baht 2,709,500 million or 63.48 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 2.31 percent of the total source of funds, respectively.

KBank and subsidiaries' major use of funds was loans to customers which amounted to Baht 2,449,289 million, resulting in loan-to-deposit ratio of 90.40 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.

KBank and Subsidiaries' Major Sources and Uses of Funds

(Unit: Million Baht)

Period	Deposits				Loans ¹⁾			
	Jun. 30, 2023	Percent	Dec. 31, 2022	Percent	Jun. 30, 2023	Percent	Dec. 31, 2022	Percent
≤ 1 Year	2,681,911	98.98	2,721,860	99.02	1,052,055	42.67	1,078,144	42.93
> 1 - 5 Years	27,589	1.02	26,825	0.98	587,689	23.84	614,164	24.46
> 5 Years	-	-	-	-	825,506	33.49	818,995	32.61
Total	2,709,500	100.00	2,748,685	100.00	2,465,250	100.00	2,511,303	100.00

¹⁾ Including loan to customers and accrued interest and undue interest receivables

From the above table, as of June 30, 2023, deposits with maturities within 1 year were larger than loans with remaining maturities within 1 year. This is considered normal for most commercial banks in Thailand which mobilize short-term funds for long-term lending or investment. However, as most deposits of KBank have been renewed continuously upon maturities, they are thus likely remain with KBank longer than their stated contractual term, thereby helping to support funding for KBank's lending.

4.3 Loans and Deposits

□ Loans

As of June 30, 2023, KBank's consolidated outstanding loans stood at Baht 2,449,289 million, decreasing by Baht 15,742 million or 0.64 percent, over-quarter. The decrease could be attributed to our prudent approach to new loan extension, focusing on improvement of products and services to align with the uneven economic recovery, and maintenance of asset quality at a manageable level.

Loans Classified by Business

(Unit: Million Baht)

	Jun. 30, 2023		Mar. 31, 2023	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,617,066	684,277	1,638,550	689,538

Notes: 1) "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.

2) "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

As of the end of the second quarter of 2023, our corporate business loans (Corporate and SME customers) had decreased by Baht 21,484 million or 1.31 percent from the previous quarter. KBank had in place a prudent credit policy amid an uneven economic recovery.

Corporate business loans decreased slightly which came mainly from long-term loans whereas short-term loans showed continued growth, mostly seen in communications, chemicals and chemical products and electronics and electrical appliances industries. Meanwhile, SME business loans continued to decline due to our proactive debt management approach.

However, KBank still focused on multiple credit products to match customers' needs and their collateral. For instance, secured business loans were offered to customers with growth potential. Along with this, we used customers' transaction data, both financial and non-financial, to conduct behavioral analysis and debt servicing

ability assessment together while also adopting risk-adjusted pricing strategies in accordance with each customer's risk appetite.

Retail Business Loans

Our retail loans at the end of the second quarter of 2023 decreased by Baht 5,261 million or 0.76 percent compared to the previous quarter. The decrease came mainly from a slowdown in new loans, both secured and unsecured – especially personal loan – amid heightened competition. Along with this, credit quality has been closely monitored. As evidenced, KBank offered a modest approved credit limit to new customers having insufficient data but would increase loan amounts in line with risk level of customers who demonstrated discipline in debt repayment in accordance with the established conditions. For home loan, classified as a secured loan, KBank offered the highest credit limit based on collateral value to our customers with good credit history so as to remain competitive and maintain our market share in the home loan segment in line with the set target. However, new home loan in this quarter continued to decline amid intense market competition.

□ Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Jun. 30, 2023	Mar. 31, 2023	Increase (Decrease)	Percent
Total Deposits	100.00	2,709,500	2,713,372	(3,872)	(0.14)
Current accounts	5.44	147,516	150,834	(3,318)	(2.20)
Savings accounts	74.78	2,025,910	2,063,545	(37,635)	(1.82)
Fixed-term deposit accounts	19.78	536,074	498,993	37,081	7.43

Competition in the deposit market remained subdued as commercial banks' liquidity was sufficient to accommodate lending, which showed only slight growth. However, as loan demand tends to increase seasonally in the second half of the year amid an upward trend of the policy rate, competition is set to gradually intensify in the deposit market.

KBank prioritized appropriate liquidity management. Our focus was on maintaining deposit costs at suitable and competitive levels, while offering deposit products that meet the needs of all customer groups. In this quarter, KBank introduced a Special Fixed Deposit Account offering competitive interest rates and a 30-month Super Senior Fixed Deposit Account with accident insurance coverage and special interest rates for depositors aged 55 years and older. In addition, the Bank continually expanded the new customer base, especially in the student segment. To this end, we launched communication campaigns through social media channels such as TikTok and Twitter to promote the opening of K-eSavings via K PLUS, as well as savings suited to different periods.

4.4 Treasury Operations

In the second quarter of 2023, the US Federal Reserve (Fed) raised its policy rate by an additional 0.25 percent to a range of 5.00-5.25 percent in an effort to tame inflation that has not declined to the target level. This was a significant factor that triggered periodic interest rate volatility in the global bond market. Meanwhile, the Bank of Thailand continued to hike its policy rate, from 1.75 percent to 2.00 percent, to manage the risks to the Thai economy. The rate was increased three times by a total of 0.75 percent in the first half of 2023.

Due to the upward trend of policy rates, average overnight interbank lending rates rose to 1.81 percent p.a., compared to the average rate of 1.41 percent p.a. in the previous quarter. Meanwhile, KBank increased all three types of lending rates – namely Minimum Loan Rate (MLR), Minimum Overdraft Rate (MOR), and Minimum Retail Rate (MRR) – by 0.65 percent, 0.60 percent, and 0.55 percent p.a., respectively. The move was due to increased financial costs arising from gradual hikes in savings and fixed deposit interest rates by 0.05-0.15 percent and 0.30-0.75 percent p.a., respectively. Along with this, the contribution rate to the Financial Institutions Development Fund (FIDF) was increased from 0.23 percent p.a. to the normal rate of 0.46 percent p.a., starting January 1, 2023.

Regarding our investment portfolio management, KBank prioritized the maintenance of liquidity in order to accommodate any 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. The policy rates for both the US Dollar and the Thai Baht still have the potential to increase during the remainder of the year. This could exert pressure on the prices of US Dollar-denominated bonds and Thai government bonds. KBank therefore reduced overall bond portfolio duration to limit the potential impact of volatility and changes in interest rates going forward.

In addition, KBank established guidelines for liquidity management under an acceptable risk appetite and effective cost management. Focus was mainly on fund mobilization through deposits, especially current accounts and savings accounts (CASA) funded by customer's main bank operating accounts which are considered as high-quality deposits. As for liquidity management in foreign currencies, KBank placed emphasis on the matching maturity strategy for sources and uses of funds to mitigate risks from sourcing non-core currency liquidity.

Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	2Q23	1Q23	Change	
				Increase (Decrease)	Percent
Interest Income¹⁾					
Interbank and money market items ²⁾	61.46	2,317	1,730	587	33.93
Investments	38.54	1,453	1,361	92	6.76
Total	100.00	3,770	3,091	679	21.97

Note: ¹⁾ Managerial figures

²⁾ Including loans

Total interest income in the second quarter of 2023 stood at Baht 3,770 million, increasing by Baht 679 million or 21.97 percent over-quarter, attributed mainly to rising interest rates in the market in line with the policy rate.

□ Liquid Asset Ratio

KBank maintains average fortnightly current deposits at not less than 1.00 percent of total deposits and certain types of borrowings in accordance with the Bank of Thailand's regulations. As of June 30, 2023, our deposits at the Bank of Thailand and cash at cash center averaged Baht 27,723 million.

4.5 Operating Performance of K Companies and Muang Thai Life Assurance PCL

Operating Performance of K Companies¹⁾ and Muang Thai Life Assurance PCL

(Unit: Million Baht)

	Performance Measurement	First Half of 2023	First Half of 2022	2022
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management	1,562,538	1,458,634	1,489,097
	Market Share (Percent)	18.26	17.92	18.00
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	360,383	609,149	1,021,116
	Market Share (Percent)	2.73	3.18	3.00
KASIKORN LEASING CO., LTD. (KLeasing)	Outstanding Loans	144,790	127,907	137,366
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Outstanding Loans	24,062	23,600	24,314
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	35,765	32,131	69,327
	Market Share (Percent)	11.92	11.11	11.34

Note: ¹⁾ KResearch is not included, since this company does not engage in financial business.

During the first half of 2023, K Companies and Muang Thai Life Assurance PCL (MTL) attained satisfactory qualitative and quantitative operating performance. This achievement was attributable to the close cooperation between KBank and K Companies, as well as MTL.

KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset): KAsset maintained the number-one position in the mutual fund business as gauged by assets under management in this category, with a market share of 22.57 percent. Total market share of assets under management (AUM) was 18.26 percent. This excellent performance was due in part to its synergy with KBank in developing multiple products as investment options which can completely match the needs of all customer groups while enhancing their confidence. KAsset also launched funds that invest in businesses focusing on environmental, social and governance operations to foster sustainability for stakeholders within the business ecosystem. Notable funds were K Planetary Transition-A (K-PLANET-A(A)) which invests in equity and equity related securities issued by companies worldwide whose

growth will benefit from regulations, innovations, services or products related to the global fight against or adaptation to climate change ;K Sustainable Fund Not for Retail Investors-A(A) (K-STN-UI-A(A)) investing in global stocks that are beneficially aligned with sustainable business practices; K Positive Change Equity Fund (K-CHANGE) focusing on companies which aim to create positive impacts for the society at large; and K Thai Equity CG RMF (KTHAICGRMF) that invests in shares of companies with good corporate governance.

Meanwhile, KAsset worked with KBank in enhancing sales channel efficiency in compliance with the regulations of the Office of the Securities and Exchange Commission (SEC). Emphasis was placed on competency of fund sales officers and support of investment via digital channels that are easily accessible to customers. The company prioritized the provision of information and recommendations on investments via its website, online media, K PLUS and K-My Funds applications. Another notable initiative was after-sales service that customers can process by themselves for enhanced customer convenience and swift response time.

KASIKORN SECURITIES PCL (KSecurities): The company held a market share of 2.73 percent with securities trading volume of more than Baht 360 billion. It emphasized the development of services via online channels in sync with investor behavior, such as opening of online accounts and online account-related services that allow investors to conduct transactions by themselves. Focus was also on provision of quality information via multiple online channels to keep investors abreast of the latest situation. In addition, KSecurities is developing a comprehensive investment tool, serving as a source of investment data and a one-stop platform for trading multiple products.

KASIKORN LEASING CO., LTD. (KLeasing): The company's outstanding loans totaled Baht 144,790 million, growing 13.20 percent YoY. The share of new car loan rose to 5.6 percent of the market total. The rise could be attributed to higher-than-targeted EV loans which accounted for 5.7 percent of total new auto loan thanks to collaborative efforts between the company and new EV manufacturers in the Thai market.

KLeasing remained at the forefront in the used car market via online platform thanks to its collaboration with business partners in launching special campaigns for various customer groups. Meanwhile, it pioneered the launch of 'Self-Declared Car Registration Loan' to meet the needs of prospective customers with no proof of income. Moreover, the company has developed "Top Up Loan" – an innovative service to accommodate car loan refinancing for existing customers with streamlined approval and car registration transfer processes to ensure faster service delivery. Along with this, Digital Self-Apply was also developed to provide greater customer convenience while allowing the company to access all customer groups in a proactive manner.

Meanwhile, the company prioritized efficient credit quality management through the adoption of KBank's customer quality and potential assessment system, which is in line with the Bank of Thailand's responsible lending guidelines. Moreover, leasing contracts have been improved to be in conformity with regulations of the Office of the Consumer Protection Board. Meanwhile, the company focused on effective income portfolio management amid elevated operating costs.

KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E): The company collaborated with KBank in offering “Green Loan” to clean energy and/or renewable energy projects, i.e., K–Energy Saving Guarantee Program (Solar Rooftop), and EV Charging Loan. Meanwhile, KF&E provided support to investment in machinery for other types of renewable energy while continually maintaining relationships with its partners who are machinery dealers in other industries,

Muang Thai Life Assurance PCL (MTL): The market share of the company’s total premiums in the bancassurance business was 15.40 percent, ranked second in the life insurance industry. The company prioritized collaboration with KBank in developing multiple life and health insurance products focusing on personalization so as to provide increased coverage options to meet the needs of each individual customer. Notable products offered during the first half of 2023 included (1) life insurance for retirement 70/7; (2) “Life Insurance Endowment 11/3 Guarantee (with annual cash benefit)”; (3) a life insurance plan with short-term payment for coverage of 81 critical illnesses (fixed premium payment for nine years with coverage until 99 years old); (4) Health rider for OPD (outpatient department) with lump sum payment which provides a yearly coverage limit to unlock restrictions on individual healthcare expenses; and (5) Smart Life CI 150 Percent featuring business loan protection life insurance, specifically designed for small business customers

The company prioritizes customer benefits throughout all of its processes, from pre-sales, to sales and post-sales stages, with the aim of improving the sales process. During the first half of 2023, the company used the e-Application program on tablets for offering bancassurance products to enhance application efficiency while also providing K Payment Link for greater convenience in payment. Meanwhile, Unit-Linked Portfolio Review has been developed to equip our customers with useful information and knowledge on investment. Other notable initiatives included MTL Portfolio Management Service, policy renewal notification and insurance premium payment via K PLUS, and the MTL Click application which allows customers to conduct policy-related transactions by themselves.

4.6 Capital Requirements

As of the end of the second quarter of 2023, KASIKORNBANK FINANCIAL CONGLOMERATE under the Basel III capital requirements, had capital funds of Baht 521,006 million, consisting of Baht 467,065 million in Tier-1 capital, Baht 440,152 million in Common Equity Tier-1 capital, and Baht 53,941 million in Tier-2 capital. The capital adequacy ratio was 19.01, Tier-1capital ratio was 17.04 percent and Common Equity Tier-1 ratio was equal to 16.06 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 Ratio¹⁾

- KASIKORN FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022
Tier 1 Capital Ratio	9.50	17.04	16.92	16.84	17.21	16.39
<i>Common Equity Tier 1 Ratio</i>	8.00	16.06	15.94	15.86	16.20	15.38
Tier 2 Capital Ratio	-	1.97	1.98	1.97	1.98	1.98
Capital Adequacy Ratio	12.00	19.01	18.90	18.81	19.19	18.37

- The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022
Tier 1 Capital Ratio	9.50	16.12	16.06	15.96	16.14	15.26
<i>Common Equity Tier 1 Ratio</i>	8.00	15.08	15.02	14.93	15.08	14.20
Tier 2 Capital Ratio	-	2.06	2.07	2.06	2.08	2.08
Capital Adequacy Ratio	12.00	18.18	18.13	18.02	18.22	17.34

Note: ¹⁾ 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.

²⁾ 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.

³⁾ 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.

4.7 Credit Ratings

In the second quarter of 2023, the Bank's credit ratings given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the previous quarter.

Meanwhile, on April 28, 2023, Fitch Ratings assigned ex-government support ratings or "xgs" ratings to banks in the Asia-Pacific (APAC) region, including KBank and two other commercial banks in order to demonstrate the true capabilities of each bank to investors. The ratings were in line with the intention of regional central banks which aim to show their creditworthiness that excluded assumptions of government support.

Details of the Bank's credit ratings are shown in the following table.

KASIKORNBANK's Credit Ratings	
Credit Ratings Agency	Jun. 30, 2023
Moody's Investors Service ¹⁾	
<u>Foreign Currency</u>	
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
<u>Domestic Currency</u>	
Outlook	Stable
Long-term - Deposit	Baa1
- Counterparty Risk	A3
Short-term - Debt / Deposit	P-2
- Counterparty Risk	P-2
<hr/>	
Standard & Poor's ¹⁾	
<u>Global Scale Ratings</u>	
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
<hr/>	

Fitch Ratings ¹⁾International Credit Ratings (Foreign Currency)

Outlook	Stable
Long-term Issuer Default Rating	BBB
Long-term Issuer Default Rating (xgs)	BBB(xgs)
Short-term Issuer Default Rating	F2
Short-term Issuer Default Rating (xgs)	F3(xgs)
Senior Unsecured Notes	BBB
Senior Unsecured Notes (xgs)	BBB(xgs)
Viability	bbb
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+
Government Support	bbb

National Credit Ratings

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

Note: ¹⁾ 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

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.

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