



# **Management Discussion and Analysis**

For the second quarter and six-month ended June 30, 2023

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## Overall Business Operations

The consolidated net profit of the Bank for 2Q23 totaled Baht 1,408 million, a decline of 30.7% YoY with comprehensive income of Baht 1,311 million, declining by 28.2% YoY. For the first half of 2023, the consolidated net profit totaled Baht 3,493 million with comprehensive income totaled Baht 3,450 million, a decline of 14.6% and 8.7% YoY respectively. While the Bank continued to deliver strong operating income which increased YoY, the increase in expected credit loss and loss from sale of foreclosed assets resulted in lower net profit.

For 2Q23, the Bank continued to generate strong operating income with YoY increase of 20.8% driven by the robust growth in net interest income of 23.4% and also growth in non-interest income of 13.7% YoY. The Bank continued to focus on asset quality management and prudently set up provisions resulting in an increase in expected credit loss amount. The increase in expected credit loss is a result of the expanded loan portfolio and also to accommodate the impact to loan quality from uneven economic recovery and intense competition in the market. As such, the Bank recorded an increase in expected credit losses, which for 2Q23 totaled Baht 1,878 million.

The Bank continued to focus on efficient cost management with cost to income<sup>1</sup> ratio for 2Q23 declining to 37.8% comparing to 40.9% YoY. The Non-Performing Loans<sup>2</sup> (NPLs) to total loans ratio for 2Q23 increased to 3.6% comparing to 3.3% level at the end of 2022, with total allowance for expected credit losses to total NPLs ratio (coverage ratio) at 143.1%.

## Overall market environment

In the first 6 months of 2023, the Thai economy continued to recover as domestic activities resumed following the easing of lockdown measures as the COVID-19 pandemic subsided. Tourism picked up as international travel restrictions were lifted. Private consumption and investment growth turned positive slightly as income and business outlook improved. However, private consumption recovery is uneven, reflected by inflation slowdown. Exports in the first 6 months of 2023 dropped by 5.4% YoY due to a global economic slowdown, but exports of agricultural and oil-related products continued to expand. In the first 6 months of the year, the number of tourist arrivals to Thailand increased to 12,914,691 compared to 2,079,950 for the same period in 2022 as many countries relaxed international travel restrictions.

The Thai Monetary Policy Committee (MPC) voted to raise the policy rate by a total of 75 basis points to 2.00% in the first 6 months of 2023, as the Thai economy continued to recover while inflation remained high from rising global crude oil prices as well as increases in cost pass-through. However, the MPC adopted a gradual approach to interest rate hikes as the MPC continued to emphasize on the slow recovery of the Thai economy and the high level of household debt. Meanwhile, major central banks slow policy rates in the first 6 months of the year as inflation has shown signs of cooling. However, large interest rate differentials between Thailand and other major economies created depreciating pressure on the Thai baht throughout 2023.

The Thai economy in 2023 will continue to expand, but the recovery might remain fragile and uneven across sectors and across geographic areas. Tourism will be the main growth engine following China's border re-opening. The number of tourist arrivals in 2023 is projected to stand at 29.8 million, a sharp increase compared to the previous year but remaining considerably lower than the pre-COVID level at 40 million. Thai exports in 2023 will likely become under pressure because of a global economic slowdown. Private consumption and investment should continue to expand following an improvement in economic activity especially related to tourism. However, high level of inflation may hinder private consumption recovery.

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<sup>1</sup> Operating expenses excluding items relating to foreclosed assets (loss from revaluation of foreclosed assets and loss from sale of foreclosed assets)

<sup>2</sup> Excluding loans classified as Purchased or originated credit-impaired financial assets (POCI)

Key risks that could impede the recovery of the Thai economy in 2023 include: 1) a faster-than-expected rise in inflation and monetary policy tightening in major advanced economies, 2) lower-than-expected growth in China's economy due to rising vulnerabilities in its property sector, 3) international geopolitical uncertainties that might affect the trajectory of economic recovery and inflation outlook, 4) the emergence of new variants of COVID-19 following the full relaxation of international travel, 5) heightened exchange rate volatility that may hinder international trade and domestic investment.

The auto industry slightly softened compared to last year. The total number of car sales for the first 6 months of 2023 fell by 5.0% YoY, led by a sharp drop in commercial vehicle segment of 11.4% YoY. However, passenger vehicle segment continued to pick up by 9.0% YoY because of an increase in car supply following an improvement in semiconductor shortage.

The equity market remained weak from negative surprises in the pace of economic recovery and post-election domestic politics, contributing to deteriorating market sentiment resulting in the average daily turnover (SET and mai) for 2Q23 to contract by 25.1% from Baht 66,684 million during 1Q23 to Baht 49,964 million in 2Q23. The SET index at the end of 2Q23 closed at 1,503.10 points, declining 6.6% from 1,609.17 points at the end of 1Q23.

### Operating results of the Bank and subsidiaries for 2Q23 and for the first half of 2023

Unit : Baht million	2Q23	1Q23	% QoQ	2Q22	% YoY	1H23	1H22	% YoY
Net Interest income	5,521	5,223	5.7	4,475	23.4	10,744	8,779	22.4
Non-interest income	1,902	1,718	10.7	1,672	13.7	3,620	3,809	(5.0)
Total operating income	7,423	6,941	6.9	6,147	20.8	14,364	12,589	14.1
Total other operating expenses	3,791	3,239	17.0	2,818	34.5	7,030	5,611	25.3
Expected credit losses	1,878	1,097	71.2	812	131.2	2,975	1,878	58.4
Profit from operating before income tax expenses	1,754	2,605	(32.7)	2,517	(30.3)	4,359	5,099	(14.5)
Income tax expenses	342	517	(33.8)	481	(28.9)	859	1,002	(14.2)
<b>Net Profit (attributable to equity holders of the Bank)</b>	<b>1,408</b>	<b>2,085</b>	<b>(32.5)</b>	<b>2,033</b>	<b>(30.7)</b>	<b>3,493</b>	<b>4,089</b>	<b>(14.6)</b>
<b>Total Comprehensive income (attributable to equity holders of the Bank)</b>	<b>1,311</b>	<b>2,139</b>	<b>(38.7)</b>	<b>1,827</b>	<b>(28.2)</b>	<b>3,450</b>	<b>3,781</b>	<b>(8.7)</b>
Basic earnings per share (Baht)	1.66	2.46	(32.5)	2.40	(30.8)	4.13	4.83	(14.5)

**For 2Q23**, the consolidated net profit totaled Baht 1,408 million, a decline of 30.7% YoY of which Baht 413 million was the net profit from Capital Market business. During 2Q23, the operating income continued to be strong led by the robust increase in net interest income of 23.4% consistent with loan expansions together with the increase in interest rates. Non-interest income also registered an increase of 13.7% YoY primarily from higher net fees and services income from bancassurance and investment banking fee and also higher gain on financial instruments measured at fair value through profit or loss (FVTPL). Operating expenses excluding items related to foreclosed assets remained at an efficient level while loss from sale of foreclosed assets increased. Provisions expense increased 131.2% as a result of expanded loan portfolio coupled with the impact on asset quality from uneven economic recovery and intense competition in the market. Overall, resulting in net profit for 2Q23 to decline by 30.7% YoY. The consolidated comprehensive income for 2Q23 totaled Baht 1,311 million, a decline of 28.2% from 2Q22 with Capital Market business's comprehensive income at Baht 432 million for 2Q23.

**For the first half of 2023**, the consolidated net profit totaled Baht 3,493 million, a decline of 14.6% comparing to the same period last year, of which Baht 722 million was the net profit from Capital Market business. Operating income remained strong, increasing by 14.1% YoY with increase driven by higher net interest income of 22.4% YoY from loan expansion while non-interest income decreased slightly by 5.0% amid uncertainties from the capital market. Operating expenses excluding items relating to foreclosed assets remained at an efficient level. Meanwhile, loss from sale of foreclosed assets and expected credit loss increased from the same period last year. The consolidated comprehensive income for the first half of 2023 totaled Baht 3,450 million with Capital Market business's comprehensive income at Baht 743 million.

### Summary of financial performance ratios

Annualized Ratios	2Q23	1Q23	2Q22	1H23	1H22
<b>Net Profit (Baht million)</b>	<b>1,408</b>	<b>2,085</b>	<b>2,033</b>	<b>3,493</b>	<b>4,089</b>
ROAE (%)	9.4	14.2	15.4	11.9	15.7
ROE (%)	9.4	14.4	15.3	12.1	16.0
ROAA (%)	1.1	1.6	1.7	1.3	1.8
<b>Comprehensive income (Baht million)</b>	<b>1,311</b>	<b>2,139</b>	<b>1,827</b>	<b>3,450</b>	<b>3,781</b>
ROAE (%)	8.7	14.5	13.8	11.7	14.5
ROE (%)	8.7	14.8	13.8	11.9	14.8
ROAA (%)	1.0	1.7	1.5	1.3	1.6
Loan growth	2.8	2.7	2.9	5.6	9.7
NPLs/ Total loans (excluding interbank and POCI)	3.6	3.3	3.0	3.6	3.0
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	<b>143.1</b>	<b>151.6</b>	<b>169.1</b>	<b>143.1</b>	<b>169.1</b>

## Net Interest Income

Unit: Baht million	2Q23	1Q23	% QoQ	2Q22	% YoY	1H23	1H22	% YoY
<b>Interest income</b>	<b>7,474</b>	<b>6,996</b>	<b>6.8</b>	<b>5,547</b>	<b>34.7</b>	<b>14,469</b>	<b>10,817</b>	<b>33.8</b>
Interest on loans	3,220	2,914	10.5	1,989	61.9	6,135	3,932	56.0
Hire purchase and financial lease income	3,673	3,573	2.8	3,292	11.5	7,245	6,383	13.5
Interest on POCI	32	27	15.5	45	(28.9)	59	110	(46.0)
Interest on interbank and money market items	331	282	17.6	119	178.6	613	219	180.0
Interest on securities	202	186	8.7	97	108.5	389	167	132.6
Others	15	13	20.6	5	205.5	28	7	320.6
<b>Interest expense</b>	<b>1,952</b>	<b>1,772</b>	<b>10.2</b>	<b>1,071</b>	<b>82.2</b>	<b>3,725</b>	<b>2,038</b>	<b>82.8</b>
Interest on deposits	1,122	968	16.0	686	63.5	2,090	1,307	59.9
Interest on interbank and money market items	101	94	6.9	35	187.4	195	64	207.3
Interest on debt issued and borrowings	265	233	13.9	135	96.1	498	256	94.6
Fees and charges on borrowings	7	6	10.8	2	188.4	13	6	115.8
FIDF and DPA fees	444	442	0.4	202	119.3	885	387	128.6
Others	14	30	(51.8)	10	39.0	44	19	134.9
<b>Net Interest Income</b>	<b>5,521</b>	<b>5,223</b>	<b>5.7</b>	<b>4,475</b>	<b>23.4</b>	<b>10,744</b>	<b>8,779</b>	<b>22.4</b>

**For 2Q23**, net interest income amounted to Baht 5,521 million, an increase of Baht 1,046 million or increase of 23.4% from 2Q22 with following key detail:

- Interest income increase of 34.7% driven by increase in interest income on loans of 61.9% and interest income from hire purchase and financial lease income of 11.5% from growth in loan portfolio together with the increase in loan yield consistent with multiple increases in policy rate during the recent periods
- Interest expense increased by 82.2% YoY from higher volume of deposit and borrowing in tandem with the growth of loan portfolio, the increase in funding costs amid rising market rates together with the increase in the contribution fee to Financial Institution Development Fund (FIDF), which returned to the normalize level of 0.46%
- Loan spread for 2Q23 increased slightly to 5.3% from 5.2% level during 2Q22. Loan yield increased to 7.1% YoY consistent with the increase in policy rate while cost of funds also rose to 1.8% amid rising interest rates environment and the increase in FIDF contribution fee to normalize level of 0.46%. Overall, resulting in loan spread to increase to 5.3%

**For the first half of 2023**, net interest income totaled Baht 10,744 million, an increase of 22.4% consistent with the growth in loan portfolio and the rise in interest rates. Meanwhile, interest expenses also increased from higher deposit volume while interest rates and FIDF contribution also increased resulting in overall loan spread to remain stable at 5.3% comparing to the same period last year.

## Loan Yield, Cost of Fund and Loan Spread

%	2Q23	1Q23	4Q22	3Q22	2Q22	1H23	1H22
<b>Yield on loan</b>	7.1	6.9	6.9	6.4	6.3	7.0	6.4
<b>Cost of fund</b>	1.8	1.7	1.3	1.2	1.1	1.7	1.1
<b>Loan spread</b>	5.3	5.2	5.7	5.3	5.2	5.3	5.3

## Non-Interest Income

Unit: Baht million	2Q23	1Q23	% QoQ	2Q22	% YoY	1H23	1H22	% YoY
Fees and services income	1,691	1,624	4.1	1,646	2.7	3,315	3,496	(5.2)
Fees and services expenses	227	281	(19.3)	249	(9.0)	508	546	(7.0)
<b>Fees and services income, net</b>	<b>1,464</b>	<b>1,343</b>	<b>9.0</b>	<b>1,396</b>	<b>4.8</b>	<b>2,807</b>	<b>2,950</b>	<b>(4.8)</b>
Gain on financial instruments measured at fair value through profit or loss, net	296	151	96.1	123	141.0	447	485	(7.8)
Gain (loss) on investments, net	(12)	1	(1,497.6)	2	(801.6)	(12)	(13)	(7.9)
Dividend income	105	168	(37.1)	93	13.2	273	293	(6.7)
Other operating income	49	55	(11.0)	58	(15.5)	105	95	10.6
<b>Total Non-Interest Income</b>	<b>1,902</b>	<b>1,718</b>	<b>10.7</b>	<b>1,672</b>	<b>13.7</b>	<b>3,620</b>	<b>3,809</b>	<b>(5.0)</b>

**For 2Q23**, non-interest income totaled Baht 1,902 million, increase of 13.7% from 2Q22 driven primarily by higher gain on financial instruments measured at fair value through profit or loss (FVTPL). Net fees and services income also increased by 4.8% from higher fee from investment banking business and also higher income from bancassurance YoY. Fee income from Asset Management business remained stable YoY while uncertain market conditions and lower market activities resulted in lower fee from brokerage business. Kiatakinn Phatra Securities continues to maintain the number one position in terms of market share<sup>3</sup> of 18.2% during 2Q23.

**For the first half of 2023**, non-interest income totaled Baht 3,620 million, declining by 5.0% YoY driven by lower net fees and services income which declined by 4.8%. Bancassurance fee declined from slower loan growth while fee from brokerage business impacted by unfavorable market conditions. Meanwhile, fee from investment banking business increased YoY from transactions completed during the first half of 2023.

## Other operating expenses

Unit: Baht million	2Q23	1Q23	% QoQ	2Q22	% YoY	1H23	1H22	% YoY
Employee's expenses	1,723	1,743	(1.2)	1,670	3.1	3,466	3,328	4.1
Directors' remuneration	10	9	8.5	10	5.5	19	23	(15.3)
Premises and equipment expenses	334	312	7.2	271	23.4	646	523	23.5
Taxes and duties	152	141	8.1	116	30.7	293	229	28.2
Loss from revaluation of foreclosed assets (reversal)	16	(619)	(102.6)	23	(30.9)	(603)	80	(848.8)
Loss from sale of foreclosed assets	967	1,096	(11.8)	242	299.3	2,063	493	318.7
(Gain) loss from sale of foreclosed properties	(11)	(24)	(53.5)	(90)	(87.6)	(35)	(113)	(68.9)
Loss from sale of repossessed cars	978	1,120	(12.7)	332	194.6	2,098	605	246.6
Other expenses	589	556	6.0	486	21.2	1,145	936	22.4
<b>Total other operating expenses</b>	<b>3,791</b>	<b>3,239</b>	<b>17.0</b>	<b>2,818</b>	<b>34.5</b>	<b>7,030</b>	<b>5,611</b>	<b>25.3</b>

<sup>3</sup> Including SET and mai but excluding proprietary trading

**For 2Q23**, other operating expenses were Baht 3,791 million, increasing by 34.5% comparing to the same quarter last year driven by items as follow:

- If excluding expense items related to foreclosed assets, operating expenses remained at an efficient level with cost-to-income ratio for 2Q23 at a low level of 37.8%, declining from 2Q22 level of 40.9% driven by higher income YoY while expenses increased mainly due to higher business activities
- Loss from sale of foreclosed assets for 2Q23 totaled Baht 967 million declining 11.8% QoQ but increased if comparing to 2Q22, led by higher loss from sale of repossessed cars which for 2Q23 totaled Baht 978 million. The increase in loss from sale of repossessed cars was due to the higher number of repossessed cars sold from the expanded loan portfolio size and also due to the Bank's proactive measures in managing the outstanding repossessed cars

**For the first half of 2023**, other operating expenses were Baht 7,030 million, increasing by 25.3% YoY, driven by:

- Operating expenses remained at well-controlled level. If excluding expense items related to foreclosed assets, cost-to-income ratio for the first half of 2023 stood at a low level of 38.7%, declining from YoY level of 39.7%
- Loss from sale of foreclosed assets for the first half of 2023 totaled Baht 2,063 million increasing YoY driven by higher loss from sale of repossessed cars. The increase in loss from sale of repossessed cars was due to the higher number of repossessed cars sold from the expanded loan portfolio size and also due to the Bank's proactive measures in managing the outstanding repossessed cars
- Effective 1Q23, the Bank has revised the allowance for impairment of foreclosed properties to be in accordance with the BOT's latest notification with regards to the foreclosed properties. The revised treatment resulted in a reversal of allowance for impairment of foreclosed properties in the amount of Baht 619 million during 1Q23

### Expected Credit Loss (ECL)

Unit: Baht million	2Q23	1Q23	% QoQ	2Q22	% YoY	1H23	1H22	% YoY
Expected Credit Losses	1,878	1,097	71.2	812	131.2	2,975	1,878	58.4
Credit Cost (%)	2.99	2.41		1.47		2.70	1.63	

**For 2Q23**, the Bank remains prudent when setting aside provisions to reflect continuing uncertainties resulting in expected credit losses amount for 2Q23 of Baht 1,878 million, increasing by 131.2% from 2Q22. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 2Q23 increased to 2.99% of average loan, from 2.41% during 1Q23. If comparing to 2Q22, increased from 1.47% level. The increase in credit costs was driven primarily by the expanded loan portfolio and the impact to loan quality amid uneven economic recovery and intense competitions in the market. The Bank has proactively pursued several measures to manage the quality of the loan portfolio and outstanding repossessed cars focusing on loan approval criteria, collection process, management of car repossessions in order to maximize efficiency. From the Bank on-going efforts, the Bank saw early signs of improvement especially in quality of assets for new

loan approvals. As of the end of 2Q23, allowance for expected credit losses to total NPLs ratio (coverage ratio) stood at 143.1%.

**For the first half of 2023**, expected credit losses totaled Baht 2,975 million, increased of 58.4% from Baht 1,878 million during the first half of 2022 as a result of expanded loan portfolio and the impact to loan quality amid uneven economic recovery and intense competitions in the market. Provisions including loss from sale of repossessed cars (credit cost) for the first half of 2023 increased to 2.70% of average loan from 1.63% during the first half of 2022.

## Statements of Financial Position

### Assets

As of the end of June 2023, totaled Baht 530,508 million, an increase of 4.5% from the end of 2022 driven by the increase in loans to customers and accrued interest receivables and interbank and money market items. Additionally, properties foreclosed, net, increased primarily as a result of the revised treatment to the allowance for impairment of foreclosed properties to be in accordance with the BOT's latest notification.

<b>Assets</b> (Baht Thousand)	<b>Consolidated</b>		<b>Change</b>	
	<b>Jun 30, 2023</b>	<b>Dec 31, 2022</b>	<b>Amount</b>	<b>%</b>
Cash	970,210	1,000,242	(30,032)	(3.0)
Interbank and money market items, net	53,277,527	45,732,349	7,545,178	16.5
Financial assets measured at fair value through profit or loss	9,709,357	18,702,990	(8,993,633)	(48.1)
Derivatives assets	10,588,710	10,538,015	50,695	0.5
Investment, net	27,193,971	31,847,691	(4,653,720)	(14.6)
Investments in properties, net	20,134	20,221	(87)	(0.4)
Loans to customers and accrued interest receivables, net	385,872,839	364,870,521	21,002,318	5.8
Properties foreclosed, net	6,482,878	5,787,730	695,148	12.0
Land, premises and equipment, net	7,456,437	7,412,008	44,429	0.6
Right-of-use assets	259,085	282,138	(23,053)	(8.2)
Other intangible assets, net	1,521,545	1,388,321	133,224	9.6
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,776,348	1,431,900	344,448	24.1
Accounts receivable from clearing house and broker - dealers	3,251,923	1,275,894	1,976,029	154.9
Securities and derivative business receivables	8,145,799	7,976,075	169,724	2.1
Other assets, net	10,915,021	6,304,888	4,610,133	73.1
<b>Total Assets</b>	<b>530,507,819</b>	<b>507,637,018</b>	<b>22,870,801</b>	<b>4.5</b>



## Liabilities

As of the end of June 2023, amounted to Baht 470,210 million, increasing 4.6% from the end of 2022. Deposits were Baht 333,856 million, increased of 0.7% from the end of 2022 driven primarily by the increase in term deposits while current and saving accounts declined resulting in the proportion of current and saving accounts (CASA) of 44.6% with term deposits contributing to 55.4% of total deposits amount. Debts and borrowings were Baht 73,439 million, increasing by 19.7% from the end of 2022. Loans to deposits and borrowings ratio as of the end of 2Q23 stood at 98.2%, increasing slightly from 96.4% level at the end of 2022.

<b>Liabilities</b> (Baht Thousand)	<b>Consolidated</b>		<b>Change</b>	
	<b>Jun 30, 2023</b>	<b>Dec 31, 2022</b>	<b>Amount</b>	<b>%</b>
Deposits	333,856,147	331,464,000	2,392,147	0.7
Current Account	1,008,038	1,928,539	(920,501)	(47.7)
Saving Account	147,997,515	194,127,586	(46,130,071)	(23.8)
Term Deposit	184,755,302	135,303,583	49,451,719	36.5
Certificate of Deposit	95,292	104,292	(9,000)	(8.6)
Interbank and money market items, net	23,155,344	20,175,120	2,980,224	14.8
Liabilities payable on demand	622,731	339,834	282,897	83.2
Financial liabilities measured at fair value through profit or loss	3,156,814	3,556,542	(399,728)	(11.2)
Derivatives liabilities	11,311,002	9,328,151	1,982,851	21.3
Debt issued and borrowings	73,438,976	61,354,232	12,084,744	19.7
Lease liabilities	187,795	210,623	(22,828)	(10.8)
Provisions	1,222,875	1,207,623	15,252	1.3
Deferred tax liabilities	546,683	529,924	16,759	3.2
Accounts payable to clearing house and broker - dealers	751,146	164,038	587,108	357.9
Securities and derivative business payables	9,588,962	8,179,754	1,409,208	17.2
Accrued interest expenses	716,922	505,437	211,485	41.8
Other accounts payable	5,977,363	6,778,086	(800,723)	(11.8)
Income tax payable and specific business tax payable	1,185,510	623,071	562,439	90.3
Other liabilities	4,491,363	5,109,137	(617,774)	(12.1)
<b>Total Liabilities</b>	<b>470,209,633</b>	<b>449,525,572</b>	<b>20,684,061</b>	<b>4.6</b>

## Capital Adequacy Ratio

The Group maintains a strong capital position and can adequately withstand the current uncertainties and is above the regulatory requirement (regulatory requirement and additional capital conservation buffer) of 11.0% for total capital ratio, 8.5% for Tier 1 capital and 7.0% for Common Equity Tier 1 capital. The Group performs capital management planning to maintain an appropriate level of capital which is consistent with the annual business plan of the Group including any reviews during the year to ensure appropriate level of capital to withstand any uncertainties.

As of June 30, 2023, the consolidated Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2022 after dividend payment was at 15.98% while Tier 1 ratio was at 12.88%. When including net profit up to end of 2Q23, the BIS ratio will increase to 16.83% while Tier 1 ratio will be 13.74%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 80.6% of total capital reflecting high quality of capital.

Capital Requirement (%)	Minimum regulatory requirement	Capital Conservation Buffer	Total Capital Requirement
Common Equity Tier 1	4.50	2.50	7.00
Tier 1 capital	6.00	2.50	8.50
Total capital	8.50	2.50	11.00

Total Capital and Capital Adequacy Ratio of the Group as of the end of June 2023 are as follows:

	Bank Only			Consolidated		
	Jun 2023	Mar 2023	Jun 2022	Jun 2023	Mar 2023	Jun 2022
<b>Capital Requirement</b> (Unit: Baht million)						
Common Equity Tier 1	45,604	42,985	39,873	51,710	49,720	44,462
Tier 1 capital	45,604	42,985	39,873	51,710	49,720	44,462
Total capital	58,001	55,496	51,924	64,131	62,248	56,480
<b>Capital Adequacy Ratio</b> (Unit: %)						
Common Equity Tier 1	11.64	11.40	11.82	12.88	12.91	12.99
Tier 1 capital	11.64	11.40	11.82	12.88	12.91	12.99
<b>Total capital</b>	<b>14.81</b>	<b>14.72</b>	<b>15.39</b>	<b>15.98</b>	<b>16.16</b>	<b>16.51</b>

## Business Segment Performance

The Kiatnakin Phatra Financial Group (“the Group”) businesses are divided into two main areas: the Commercial Banking Business operated by the Bank and Capital Market Business operated by its subsidiaries which are comprised of KKP Capital, Kiatnakin Phatra Securities, Kiatnakin Phatra Asset Management and KKP Dime Securities.

**Commercial Banking Business** includes retail lending, commercial lending, corporate lending, Special Asset Management (SAM) or distressed asset management loan and other loans. The breakdown of total loan portfolio is as follows;

### Loans to Customers

Type of loans (Baht million)	June 2023	March 2023	Change (% QoQ)	December 2022	Change (% YTD)
<b>Retail Lending</b>	<b>270,024</b>	<b>262,175</b>	3.0	<b>255,644</b>	5.6
Hire Purchase	192,859	188,755	2.2	185,342	4.1
Personal loan	12,001	10,892	10.2	10,128	18.5
Micro SMEs loan	12,191	11,586	5.2	10,757	13.3
Housing loan	52,973	50,941	4.0	49,418	7.2
<b>Commercial Lending</b>	<b>64,205</b>	<b>60,137</b>	6.8	<b>59,507</b>	7.9
Real Estate Development loan	29,750	26,108	13.9	25,130	18.4
SMEs loan	34,455	34,029	1.3	34,377	0.2
Corporate Lending	53,876	54,689	(1.5)	51,817	4.0
Special Asset Management loan	1,123	1,113	0.9	1,102	1.9
Lombard loan	11,303	11,469	(1.4)	11,129	1.6
<b>Total loans</b>	<b>400,531</b>	<b>389,583</b>	<b>2.8</b>	<b>379,200</b>	<b>5.6</b>
<b>Total loans (excluding POCI)</b>	<b>399,851</b>	<b>388,903</b>	<b>2.8</b>	<b>378,531</b>	<b>5.6</b>

As of the end of 2Q23, total loans excluding POCI totaled Baht 399,851 million, expanding by 5.6% from the end of 2022, a slower growth YoY consistent with the Bank’s direction for a slower growth comparing to previous year. The Bank continues to focus on quality and profitable loan segments while prudently monitoring the quality of the loan portfolio. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 270,024 million, increasing by 5.6% from the end of 2022. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.
  - **Hire purchase loans** amounted to Baht 192,859 million, expanded by 4.1% from the end of 2022. New hire purchase business volume booked during the first half of 2023 totaled Baht 39,000 million, declining by 5% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 48.2% with the portion of new cars to used cars at 40:60. The domestic new car sales for the first 6 months of 2023 totaled 406,131 units, declining by 5.0% comparing to same period last year. The penetration rate of the Bank new cars lending to the domestic new car sales for the first 6 months of 2023 was at 4.9%.

- **Other retail loans** amounted to Baht 77,165 million, with overall other retail loans expansion of 9.8% from the end of 2022 with growth across all segments. Total combined other retail loans portion to total Bank loan portfolio increased to 19.3% as of the end of 2Q23.
- **Commercial Lending** business loans amounted to Baht 64,205 million, expanded by 7.9% from the end of 2022. Commercial Lending includes real estate development loans and SMEs loans, detail are as follows:
  - **Real estate development loans** totaled Baht 29,750 million, increasing by 18.4% from the end of 2022.
  - **SMEs loans** were Baht 34,455 million, slight increase of 0.2% from the end of 2022. SMEs loan comprises of several business sectors including Apartment & Hotel, Logistics, Commercial & Industrial and Construction Machinery & Materials.
- **Corporate Lending** provides lending services to listed companies and large corporates or financing for investment banking transactions of Capital Market Business. Current outstanding loans totaled Baht 53,876 million, expanded by 4.0% from the end of 2022.
- **Special asset management (SAM)** is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,123 million. Assets under SAM were subjected to change in classification from TFRS 9 for financial assets classified as Purchased or originated credit impaired from previous classification of Investments in loans.
- **Lombard Loan**, a multi-purpose credit facility for Wealth Management clients using financial assets as collateral. Current outstanding loans totaled Baht 11,303 million, an increase of 1.6% from the end of 2022.

### Loan classifications and Allowance for expected credit losses (ECL)

Under TFRS 9, loans and accrued interest receivables as of the end of June 2023 are classified into stages as follows:

Unit : Baht million	June 2023		March 2023		June 2022	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>4</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>4</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>4</sup>
Stage 1 : Performing financial assets	364,442	8,501	355,516	8,467	313,318	8,309
Stage 2 : Under-Performing financial assets	24,701	4,265	23,576	4,060	20,227	3,399
Stage 3 : Non-Performing financial assets	16,040	6,984	14,669	6,323	11,550	4,682
Purchased or originated credit-impaired financial assets	981	68	954	68	888	29
<b>Total</b>	<b>406,164</b>	<b>19,819</b>	<b>394,715</b>	<b>18,918</b>	<b>345,983</b>	<b>16,420</b>

The Bank continues to prudently set up provisions for expected credit losses under TFRS 9 taking into consideration the various uncertainties. As of the end of 2Q23, allowance for expected credit losses totaled Baht 20,385 million, with expected credit losses under TFRS 9 amounting to Baht 19,819 million and remaining excess loan loss reserve totaled Baht 566 million at the end of 2Q23. The Bank consistently monitors the asset quality of

<sup>4</sup> Including ECL for loans and loan commitments and financial guarantees

all loan segments and continuously set aside prudent provisioning level for possible deterioration in asset quality with total allowance for expected credit losses to total NPLs ratio (coverage ratio) as of the end of 2Q23 at 143.1%.

### NPLs distribution by loan type

Type of loans (Baht million)	June 2023		March 2023		December 2022	
	Amount	% of loans	Amount	% of loans	Amount	% of loans
<b>Retail Lending</b>	<b>8,029</b>	<b>3.0</b>	<b>7,446</b>	<b>2.8</b>	<b>6,675</b>	<b>2.6</b>
Hire Purchase	5,875	3.0	5,351	2.8	4,702	2.5
Personal loan	84	0.7	81	0.7	80	0.8
Micro SMEs loan	1,463	12.0	1,418	12.2	1,352	12.6
Housing loan	607	1.1	597	1.2	541	1.1
<b>Commercial Lending</b>	<b>5,082</b>	<b>7.9</b>	<b>4,971</b>	<b>8.3</b>	<b>5,124</b>	<b>8.6</b>
Real Estate Development loan	3,181	10.7	3,049	11.7	3,082	12.3
SMEs loan	1,902	5.5	1,922	5.6	2,042	5.9
<b>Corporate Lending</b>	<b>703</b>	<b>1.3</b>	<b>130</b>	<b>0.2</b>	<b>130</b>	<b>0.3</b>
<b>Special Asset Management loan</b>	<b>1,113</b>	<b>99.1</b>	<b>1,113</b>	<b>100.0</b>	<b>1,102</b>	<b>100.0</b>
<b>Lombard loan</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>Total NPLs</b>	<b>14,928</b>	<b>3.7</b>	<b>13,660</b>	<b>3.5</b>	<b>13,031</b>	<b>3.4</b>
<b>Total NPLs (excluding POCI)</b>	<b>14,248</b>	<b>3.6</b>	<b>12,980</b>	<b>3.3</b>	<b>12,362</b>	<b>3.3</b>

As of the end of 2Q23, the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 14,248 million or 3.6% of total loans, increasing from the end of 2022 level of 3.3%. The increase in Stage 3 loans was driven mainly by retail lending in the hire purchase segment. Additionally, Stage 3 loans increased from Corporate Lending segment which the Bank has already provisioned for. The Bank continues to proactively manage the loan portfolio quality through debt restructuring, write off, through various assistance measures as appropriate for each customer segment.

**Capital Market business** comprises of brokerage business, investment banking business, investment business and asset management business. Details are as follows:

- **Equity and Derivatives Brokerage Business**

Kiatnakin Phatra Securities Public Company Limited (“KKPS”) operates Agency Business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high net worth individuals under Wealth Management. For high net worth clients, other wealth management products are provided such as local and foreign mutual funds and structured products. For 2Q23, the market share<sup>5</sup> of KKPS was 18.24%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 353 million comprising of equity brokerage revenue of Baht 283 million, derivatives brokerage revenue of Baht 49 million and other brokerage

<sup>5</sup> Including SET and mai but excluding proprietary trading

revenue of Baht 21 million. Additional, KKPS also had brokerage revenue from selling agent fees of Baht 273 million<sup>6</sup>.

▪ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 2Q23, the investment banking business revenue was Baht 110 million, contributed to financial advisory fee amounting Baht 73 million, underwriting fee amounting Baht 21 million, revenue from tender offer agent of Baht 5 million and other revenue of Baht 11 million.

▪ **Investment Business**

Investment Business is managed by 2 departments, comprising of Direct Investment Department (“DI”), with medium to long-term investment horizon, and Equity and Derivatives Trading Department (“EDT”). EDT focuses on equity and equity-linked securities in the capital market and derivatives market, with short-term investment not more than 1 year by applying Arbitrage investment strategy as well as issuing and offering financial structured products.

In 2Q23, DI focusing on long-term investment with value based investment philosophy recorded gain on investment including other comprehensive income totaling Baht 82 million. Meanwhile, EDT had gain on investment totaling Baht 232 million<sup>7</sup>. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 400 million.

▪ **Asset Management Business**

Kiatnakin Phatra Asset Management Company Limited (“KKPAM”), under mutual fund and private fund management licenses, offers fund management services to individuals and corporate customers. As of 30 June 2023, KKPAM’s mutual fund AUM was Baht 114,816 million with total 123 funds under management consisting of 121 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 2.31%. In 2Q23, KKPAM’s fee income from mutual fund business totaled Baht 191 million. As of 30 June 2023, asset under management from private fund was Baht 20,104 million with KKPAM’s fee income from private fund business totaled Baht 27 million.

▪ **KKP Dime Securities Company Limited**

The Group has set up KKP Dime Securities Company Limited (“KKP Dime”) which obtained the securities businesses license from the Securities and Exchange Commission. In September 2022, KKP Dime started to operate Agency Business providing both local mutual fund and foreign securities brokerage services to individual clients who are domiciled in Thailand focusing on the mass segment.

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<sup>6</sup> Including selling agent fee received from subsidiary company

<sup>7</sup> Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 229 million

**Profit and Loss Transaction**

For the three-month period ended June 30, (Baht Thousand)	Consolidated		Change	
	2023	2022	Amount	%
Interest income	7,473,691	5,546,896	1,926,795	34.7
Interest expenses	1,952,470	1,071,451	881,019	82.2
<b>Interest income, net</b>	<b>5,521,221</b>	<b>4,475,445</b>	<b>1,045,776</b>	<b>23.4</b>
Fees and services income	1,690,521	1,645,544	44,977	2.7
Fees and services expenses	226,898	249,455	(22,557)	(9.0)
<b>Fees and services income, net</b>	<b>1,463,623</b>	<b>1,396,089</b>	<b>67,534</b>	<b>4.8</b>
Gain on financial instruments measured at fair value through profit or loss, net	296,035	122,833	173,202	141.0
Gain (loss) on investments, net	(12,411)	1,769	(14,180)	(801.6)
Dividend income	105,321	93,017	12,304	13.2
Other operating income	49,294	58,304	(9,010)	(15.5)
<b>Total operating income</b>	<b>7,423,083</b>	<b>6,147,457</b>	<b>1,275,626</b>	<b>20.8</b>
<b>Other operating expenses</b>				
Employee's expenses	1,722,640	1,670,129	52,511	3.1
Directors' remuneration	10,130	9,606	524	5.5
Premises and equipment expenses	334,171	270,745	63,426	23.4
Taxes and duties	152,311	116,497	35,814	30.7
Loss from revaluation of foreclosed assets (reversal)	15,924	23,049	(7,125)	(30.9)
Loss from sale of foreclosed assets	966,520	242,036	724,484	299.3
Other expenses	589,230	486,229	103,001	21.2
<b>Total other operating expenses</b>	<b>3,790,926</b>	<b>2,818,291</b>	<b>972,635</b>	<b>34.5</b>
Expected credit losses	1,878,360	812,391	1,065,969	131.2
<b>Profit from operating before income tax expenses</b>	<b>1,753,797</b>	<b>2,516,775</b>	<b>(762,978)</b>	<b>(30.3)</b>
Income tax expenses	342,350	481,256	(138,906)	(28.9)
<b>Net profit</b>	<b>1,411,447</b>	<b>2,035,519</b>	<b>(624,072)</b>	<b>(30.7)</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	1,408,291	2,033,280	(624,989)	(30.7)
Non-controlling interests	3,156	2,239	917	41.0
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	1,311,427	1,826,641	(515,214)	(28.2)
Non-controlling interests	3,159	2,237	922	41.2
<b>Basic earnings per share (Baht)</b>	<b>1.66</b>	<b>2.40</b>	<b>(0.74)</b>	<b>(30.8)</b>

**Profit and Loss Transaction**

For the six-month period ended June 30, (Baht Thousand)	Consolidated		Change	
	2023	2022	Amount	%
Interest income	14,469,197	10,817,363	3,651,834	33.8
Interest expenses	3,724,822	2,037,970	1,686,852	82.8
<b>Interest income, net</b>	<b>10,744,375</b>	<b>8,779,393</b>	<b>1,964,982</b>	<b>22.4</b>
Fees and services income	3,314,743	3,496,080	(181,337)	(5.2)
Fees and services expenses	507,967	546,288	(38,321)	(7.0)
<b>Fees and services income, net</b>	<b>2,806,776</b>	<b>2,949,792</b>	<b>(143,016)</b>	<b>(4.8)</b>
Gain on financial instruments measured at fair value through profit or loss, net	447,001	484,980	(37,979)	(7.8)
Gain (loss) on investments, net	(11,523)	(12,509)	986	(7.9)
Dividend income	272,833	292,552	(19,719)	(6.7)
Other operating income	104,670	94,634	10,036	10.6
<b>Total operating income</b>	<b>14,364,132</b>	<b>12,588,842</b>	<b>1,775,290</b>	<b>14.1</b>
<b>Other operating expenses</b>				
Employee's expenses	3,465,787	3,328,059	137,728	4.1
Directors' remuneration	19,467	22,972	(3,505)	(15.3)
Premises and equipment expenses	645,759	522,950	122,809	23.5
Taxes and duties	293,261	228,775	64,486	28.2
Loss from revaluation of foreclosed assets (reversal)	(602,603)	80,478	(683,081)	(848.8)
Loss from sale of foreclosed assets	2,062,853	492,625	1,570,228	318.7
Other expenses	1,145,343	935,558	209,785	22.4
<b>Total other operating expenses</b>	<b>7,029,867</b>	<b>5,611,417</b>	<b>1,418,450</b>	<b>25.3</b>
Expected credit losses	2,975,262	1,878,269	1,096,993	58.4
<b>Profit from operating before income tax expenses</b>	<b>4,359,003</b>	<b>5,099,156</b>	<b>(740,153)</b>	<b>(14.5)</b>
Income tax expenses	859,384	1,001,963	(142,579)	(14.2)
<b>Net profit</b>	<b>3,499,619</b>	<b>4,097,193</b>	<b>(597,574)</b>	<b>(14.6)</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	3,493,155	4,088,634	(595,479)	(14.6)
Non-controlling interests	6,464	8,559	(2,095)	(24.5)
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	3,450,437	3,780,603	(330,166)	(8.7)
Non-controlling interests	6,468	8,558	(2,090)	(24.4)
<b>Basic earnings per share (Baht)</b>	<b>4.13</b>	<b>4.83</b>	<b>(0.70)</b>	<b>(14.5)</b>