



Management Discussion and Analysis

For the third quarter and nine-month ended September 30, 2023
(Unreviewed financial statements)

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Overall Business Operations

The consolidated net profit of the Bank for 3Q23 totaled Baht 1,281 million, a decline of 38.5% YoY with comprehensive income of Baht 1,145 million, declining by 45.1% YoY, driven primarily by the increase in expected credit loss and loss from sale of foreclosed assets, which resulted in the decline in net profit. For the nine months of 2023, the consolidated net profit totaled Baht 4,774 million with comprehensive income totaled Baht 4,595 million, a decline of 22.7% and 21.6% YoY respectively.

For 3Q23, operating income increased 9.4% YoY driven by the strong growth in net interest income of 25.4% largely from the expanded loan portfolio while non-interest income declined by 28.2%. Amid the uneven economic recovery, the Bank continues to actively manage the asset quality of the loan portfolio and remains prudent in setting up provisions resulting in a continuing elevated level of provision in the amount of Baht 1,678 million for 3Q23 but at a declining level when comparing to 2Q23.

The Non-Performing Loans¹ (NPLs) to total loans ratio for 3Q23 declined to 3.5% comparing to 3.6% level during the end of 2Q23, with total allowance for expected credit losses to total NPLs ratio (coverage ratio) improved to 145.3% comparing to 143.1% during 2Q23.

Overall market environment

In the first 9 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 8 months of 2023 dropped by 4.5% YoY due to a global economic slowdown, but exports of agricultural and oil-related products continued to expand. In the first 8 months of the year, the number of tourist arrivals to Thailand increased to 17,873,376 compared to 4,375,923 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 125 basis points to 2.50% in the first 9 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 9 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 auto industry slightly softened compared to last year. The total number of car sales for the first 8 months of 2023 fell by 6.2% YoY, led by a sharp drop in commercial vehicle segment of 13.4% YoY. However, passenger vehicle segment continued to pick up by 9.3% YoY because of an increase in car supply following an improvement in semiconductor shortage.

The equity market remained weak due to both external and internal factors. US long-term bond yields continued to rise, pressuring more on capital outflow from emerging markets and Baht depreciation. Moreover, negative surprises in the pace of economic recovery from the service and export sectors and post-election domestic politics contributed to deteriorating market sentiment resulting in the SET index at the end of 3Q23 to close at 1,471.43 points, declining 2.1% from 1,503.10 points at the end of 2Q23. The average daily turnover (SET and

¹ Excluding loans classified as Purchased or originated credit-impaired financial assets (POCI)

mai) for 3Q23 slightly increased by 2.9% from Baht 49,964 million during 2Q23 to Baht 51,434 million in 3Q23 but still a sharp decline of 27.8% if comparing to the same period of 2022.

Operating results of the Bank and subsidiaries for 3Q23 and for the nine months of 2023

Unit : Baht million	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Net Interest income	5,988	5,521	8.4	4,775	25.4	16,732	13,555	23.4
Non-interest income	1,456	1,902	(23.4)	2,028	(28.2)	5,076	5,838	(13.0)
Total operating income	7,444	7,423	0.3	6,804	9.4	21,808	19,392	12.5
Total other operating expenses	4,281	3,791	12.9	3,106	37.8	11,311	8,717	29.7
Expected credit losses	1,678	1,878	(10.7)	1,089	54.0	4,653	2,967	56.8
Profit from operating before income tax expenses	1,485	1,754	(15.3)	2,608	(43.1)	5,844	7,708	(24.2)
Income tax expenses	201	342	(41.3)	523	(61.5)	1,060	1,525	(30.4)
Net Profit (attributable to equity holders of the Bank)	1,281	1,408	(9.1)	2,083	(38.5)	4,774	6,172	(22.7)
Total Comprehensive income (attributable to equity holders of the Bank)	1,145	1,311	(12.7)	2,083	(45.1)	4,595	5,864	(21.6)
Basic earnings per share (Baht)	1.51	1.66	(9.0)	2.46	(38.6)	5.64	7.29	(22.6)

For 3Q23, the consolidated net profit totaled Baht 1,281 million, a decline of 38.5% YoY of which Baht 284 million was the net profit from Capital Market business. During 3Q23, operating income continued to be strong, increasing by 9.4% YoY, led by the increase in net interest income of 25.4% driven by loan expansions together with the increase in interest rates. Meanwhile, non-interest income declined by 28.2% YoY primarily from lower brokerage fee amid market uncertainties, lower bancassurance fee from slower new loans. Additionally, the Bank recorded lower gain on financial instruments measured at fair value through profit or loss (FVTPL) from market conditions.

Operating expenses increased driven primarily by loss from sale of foreclosed assets as the Bank continues to manage the outstanding repossessed assets. Meanwhile, provisions expense for 3Q23 declined 10.7% from the previous quarter but if comparing YoY, increased by 54.0% to accommodate the impact on asset quality arising from an uneven economic recovery and intense competition in the market. Overall, resulting in net profit for 3Q23 to decline by 38.5% YoY. The consolidated comprehensive income for 3Q23 totaled Baht 1,145 million, a decline of 45.1% from 3Q22 with Capital Market business's comprehensive income at Baht 330 million for 3Q23.

For the nine months of 2023, the consolidated net profit totaled Baht 4,774 million, a decline of 22.7% comparing to the same period last year, of which Baht 1,006 million was the net profit from Capital Market business. Operating income remained strong, increasing by 12.5% YoY with increase driven by higher net interest income of 23.4% YoY largely from loan expansion and increase in interest rates while non-interest income decreased by 13.0% amid uncertainties from the capital market resulting in lower fee from brokerage business while bancassurance fee declined from lower new loans. Additionally, gain on financial instruments measured at fair value through profit and loss (FVTPL) also softened YoY. Operating expenses increased largely due to loss from sale of foreclosed assets with expected credit loss also increased from the same period last year. Overall, resulting in the decline of net profit. The consolidated comprehensive income for the nine months of 2023 totaled Baht 4,595 million with Capital Market business's comprehensive income at Baht 1,073 million.

Summary of financial performance ratios

Annualized Ratios	3Q23	2Q23	3Q22	9M23	9M22
Net Profit (Baht million)	1,281	1,408	2,083	4,774	6,172
ROAE (%)	8.5	9.4	15.6	10.8	15.7
ROE (%)	8.5	9.4	15.7	11.0	16.1
ROAA (%)	0.9	1.1	1.6	1.2	1.7
Comprehensive income (Baht million)	1,145	1,311	2,083	4,595	5,864
ROAE (%)	7.6	8.7	15.6	10.4	14.9
ROE (%)	7.6	8.7	15.7	10.6	15.3
ROAA (%)	0.8	1.0	1.6	1.2	1.6
Loan growth	0.3	2.8	7.0	6.0	17.3
NPLs/ Total loans (excluding interbank and POCI)	3.5	3.6	3.0	3.5	3.0
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	145.3	143.1	159.7	145.3	159.7

Net Interest Income

Unit: Baht million	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Interest income	8,191	7,474	9.6	5,967	37.3	22,660	16,784	35.0
Interest on loans	3,240	3,220	0.6	2,151	50.7	9,375	6,083	54.1
Hire purchase and financial lease income	3,765	3,673	2.5	3,476	8.3	11,010	9,858	11.7
Interest on POCI	607	32	1,815.9	37	1,526.7	666	147	353.7
Interest on interbank and money market items	279	331	(15.8)	170	63.7	892	389	129.1
Interest on securities	272	202	34.3	117	132.2	660	284	132.4
Others	28	15	80.5	16	76.0	56	22	148.8
Interest expense	2,204	1,952	12.9	1,192	84.9	5,928	3,230	83.6
Interest on deposits	1,334	1,122	18.9	745	79.1	3,424	2,051	66.9
Interest on interbank and money market items	127	101	25.9	49	160.7	322	112	187.1
Interest on debt issued and borrowings	284	265	7.3	160	78.2	782	415	88.3
Fees and charges on borrowings	5	7	(24.9)	3	87.6	18	9	107.0
FIDF and DPA fees	438	444	(1.2)	212	106.3	1,324	600	120.7
Others	15	14	5.8	24	(35.9)	59	43	39.7
Net Interest Income	5,988	5,521	8.4	4,775	25.4	16,732	13,555	23.4

For 3Q23, net interest income amounted to Baht 5,988 million, an increase of Baht 1,212 million or increase of 25.4% from 3Q22 with following key detail:

- Interest income totaled Baht 8,191 million, increase of 37.3% driven by increase in interest income on loans of 50.7% and interest income from hire purchase and financial lease income of 8.3% from growth in loan portfolio together with the increase in loan yield. Additionally, the Bank recorded increase in income on POCI from the distressed asset management business in the amount of Baht 607 million, an increase YoY

- Interest expense totaled Baht 2,204 million, increased of 84.9% YoY driven by 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 resumption in the contribution fee to Financial Institution Development Fund (FIDF) to the normalize level of 0.46%
- Loan spread for 3Q23 declined to 5.1% from 5.3% level during 3Q22. Loan yield increased to 7.1% YoY consistent with the multiple increases in policy rate while cost of funds continue to rise to 2.0% amid rising interest rates environment and the resumption in FIDF contribution fee to normalize level of 0.46%. Overall, resulting in loan spread for 3Q23 to decline to 5.1%

For the nine months of 2023, net interest income totaled Baht 16,732 million, an increase of 23.4% consistent with the growth in loan portfolio and the rise in interest rates. Meanwhile, interest expenses also continued to increase from higher deposit volume while interest rates and FIDF contribution fee also increased resulting in overall loan spread for the nine months of 2023 to decline slightly to 5.2% comparing to 5.3% YoY.

Loan Yield, Cost of Fund and Loan Spread

%	3Q23	2Q23	1Q23	4Q22	3Q22	9M23	9M22
Yield on loan	7.1	7.1	6.9	6.9	6.4	7.0	6.4
Cost of fund	2.0	1.8	1.7	1.3	1.2	1.8	1.1
Loan spread	5.1	5.3	5.2	5.7	5.3	5.2	5.3

Non-Interest Income

Unit: Baht million	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Fees and services income	1,581	1,691	(6.5)	1,806	(12.5)	4,896	5,302	(7.7)
Fees and services expenses	244	227	7.6	236	3.3	752	783	(3.9)
Fees and services income, net	1,337	1,464	(8.6)	1,570	(14.8)	4,144	4,519	(8.3)
Gain on financial instruments measured at fair value through profit or loss, net	32	296	(89.2)	220	(85.5)	479	705	(32.1)
Gain (loss) on investments, net	(1)	(12)	(95.5)	3	(121.0)	(12)	(10)	22.6
Dividend income	49	105	(53.9)	194	(75.0)	321	487	(34.0)
Other operating income	39	49	(20.1)	42	(6.4)	144	137	5.4
Total Non-Interest Income	1,456	1,902	(23.4)	2,028	(28.2)	5,076	5,838	(13.0)

For 3Q23, non-interest income totaled Baht 1,456 million, decline of 28.2% from 3Q22 driven by lower net fees and services income of 14.8% largely from decrease in fee income from brokerage business arising from uncertainties in market conditions leading to lower market activities with 3Q23 average daily turnover declining by 27.8% YoY. Meanwhile, Kiatnakin Phatra Securities continues to maintain the number one position in terms of market share² of 20.7% during 3Q23. Bancassurance fee also softened from slower new loans. Additionally, gain on financial instruments measured at fair value through profit or loss (FVTPL) also weakened YoY from market conditions.

² Including SET and mai but excluding proprietary trading

For the nine months of 2023, non-interest income totaled Baht 5,076 million, declining by 13.0% YoY driven by lower net fees and services income which declined by 8.3% mainly from the decline in fee from brokerage business impacted by unfavorable market conditions and lower bancassurance fee from slower new loans. Meanwhile, gain on financial instruments measured at fair value through profit or loss (FVTPL) also softened YoY.

Other operating expenses

Unit: Baht million	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Employee's expenses	1,735	1,723	0.7	1,831	(5.2)	5,201	5,159	0.8
Directors' remuneration	10	10	1.0	10	(0.3)	30	33	(10.6)
Premises and equipment expenses	337	334	0.9	274	23.2	983	797	23.4
Taxes and duties	179	152	17.5	129	38.9	472	358	32.0
Loss from revaluation of foreclosed assets (reversal)	(40)	16	(351.6)	(61)	(34.1)	(643)	20	(3,358.9)
Loss from sale of foreclosed assets	1,344	967	39.1	403	233.3	3,407	896	280.3
(Gain) loss from sale of foreclosed properties	(19)	(11)	73.9	(94)	(79.3)	(54)	(206)	(73.6)
Loss from sale of repossessed cars	1,364	978	39.5	497	174.4	3,462	1,102	214.0
Other expenses	714	589	21.3	519	37.6	1,860	1,455	27.8
Total other operating expenses	4,281	3,791	12.9	3,106	37.8	11,311	8,717	29.7

For 3Q23, other operating expenses were Baht 4,281 million, increasing by 37.8% 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 3Q23 at 39.9%, slight decline from 3Q22 level of 40.1%
- Loss from sale of foreclosed assets for 3Q23 totaled Baht 1,344 million increasing from Baht 403 million YoY, led by higher loss from sale of repossessed cars totaling Baht 1,364 million, which continued to be at an elevated level. 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 continuing proactive measures in managing the outstanding repossessed cars

For the nine months of 2023, other operating expenses were Baht 11,311 million, increasing by 29.7% YoY, driven by:

- Excluding expense items related to foreclosed assets, operating expenses remained well-controlled with cost-to-income ratio for the nine months of 2023 declining to 39.1%, from 39.8% YoY
- Loss from sale of foreclosed assets for the nine months of 2023 totaled Baht 3,407 million increasing YoY driven by the loss from sale of repossessed cars from higher number of repossessed cars sold from the expanded loan portfolio size and also due to the Bank's ongoing 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	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Expected Credit Losses	1,678	1,878	(10.7)	1,089	54.0	4,653	2,967	56.8
Credit Cost (%)	3.32	2.99		1.90		2.94	1.71	

For 3Q23, the Bank remains prudent when setting aside provisions to reflect ongoing uncertainties resulting in 3Q23 expected credit loss amount to remain at an elevated level of Baht 1,678 million, declining by 10.7% comparing to 2Q23 but if comparing to the same period last year, an increase of 54.0%. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 3Q23 increased to 3.32% of average loan, from 1.90% during 3Q22.

The increase in expected credit loss and loss from sale of repossessed cars (credit cost) was driven primarily by the expanded loan portfolio size and the impact to loan quality amid an uneven economic recovery and intense competitions in the market. The Bank continues to 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 continues to see signs of improvement especially in quality of assets for new loan approvals.

As of the end of 3Q23, allowance for expected credit losses to total NPLs ratio (coverage ratio) stood at 145.3%, improving from 143.1% at the end of 2Q23.

For the nine months of 2023, expected credit losses totaled Baht 4,653 million, increased of 56.8% from Baht 2,967 million during the nine months of 2022 as a result of expanded loan portfolio and the impact to loan quality amid an uneven economic recovery and intense competitions in the market as mentioned above. Provisions including loss from sale of repossessed cars (credit cost) for the nine months of 2023 increased to 2.94% of average loan from 1.71% during the nine months of 2022.

Statements of Financial Position

Assets

As of the end of September 2023, totaled Baht 553,889 million, an increase of 9.1% from the end of 2022 driven by the increase in loans to customers and accrued interest receivables and interbank and money market items.

Assets (Baht Thousand)	Consolidated		Change	
	Sept 30, 2023	Dec 31, 2022	Amount	%
Cash	965,498	1,000,242	(34,744)	(3.5)
Interbank and money market items, net	57,873,601	45,732,349	12,141,252	26.5
Financial assets measured at fair value through profit or loss	12,240,529	18,702,990	(6,462,461)	(34.6)
Derivatives assets	13,859,178	10,538,015	3,321,163	31.5
Investment, net	36,384,562	31,847,691	4,536,871	14.2
Investments in properties, net	20,084	20,221	(137)	(0.7)
Loans to customers and accrued interest receivables, net	387,138,199	364,870,521	22,267,678	6.1
Properties foreclosed, net	6,720,738	5,787,730	933,008	16.1
Land, premises and equipment, net	7,439,740	7,412,008	27,732	0.4
Right-of-use assets	253,664	282,138	(28,474)	(10.1)
Other intangible assets, net	1,594,583	1,388,321	206,262	14.9
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,977,353	1,431,900	545,453	38.1
Accounts receivable from clearing house and broker - dealers	1,542,894	1,275,894	267,000	20.9
Securities and derivative business receivables	8,298,601	7,976,075	322,526	4.0
Other assets, net	14,513,290	6,304,888	8,208,402	130.2
Total Assets	553,888,549	507,637,018	46,251,531	9.1

Liabilities

As of the end of September 2023, amounted to Baht 493,491 million, increasing 9.8% from the end of 2022. Deposits were Baht 350,042 million, increased of 5.6% 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 41.6% with term deposits contributing to 58.4% of total deposits amount. Debts and borrowings were Baht 66,208 million, increasing by 7.9% from the end of 2022. Loans to deposits and borrowings ratio as of the end of 3Q23 stood at 96.4%, remaining at the same level as of the end of 2022.

Liabilities (Baht Thousand)	Consolidated		Change	
	Sept 30, 2023	Dec 31, 2022	Amount	%
Deposits	350,041,588	331,464,000	18,577,588	5.6
Current Account	1,203,012	1,928,539	(725,526)	(37.6)
Saving Account	144,364,465	194,127,586	(49,763,121)	(25.6)
Term Deposit	204,384,317	135,303,583	69,080,735	51.1
Certificate of Deposit	89,792	104,292	(14,500)	(13.9)
Interbank and money market items, net	36,280,487	20,175,120	16,105,367	79.8
Liabilities payable on demand	611,908	339,834	272,074	80.1
Financial liabilities measured at fair value through profit or loss	1,700,662	3,556,542	(1,855,880)	(52.2)
Derivatives liabilities	15,256,197	9,328,151	5,928,046	63.6
Debt issued and borrowings	66,208,185	61,354,232	4,853,953	7.9
Lease liabilities	185,866	210,623	(24,757)	(11.8)
Provisions	1,267,752	1,207,623	60,129	5.0
Deferred tax liabilities	551,229	529,924	21,305	4.0
Accounts payable to clearing house and broker - dealers	1,060,351	164,038	896,313	546.4
Securities and derivative business payables	9,084,483	8,179,754	904,729	11.1
Accrued interest expenses	1,388,898	505,437	883,461	174.8
Other accounts payable	5,136,204	6,778,086	(1,641,882)	(24.2)
Income tax payable and specific business tax payable	459,195	623,071	(163,876)	(26.3)
Other liabilities	4,257,790	5,109,137	(851,347)	(16.7)
Total Liabilities	493,490,795	449,525,572	43,965,223	9.8

Capital Adequacy Ratio

The Bank 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 Bank performs capital management planning to maintain an appropriate level of capital which is consistent with the annual business plan of the Bank including any reviews during the year to ensure appropriate level of capital to withstand any uncertainties.

As of September 30, 2023, the Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2Q23 after interim dividend payment was at 15.54% while Tier 1 ratio was at 11.93%. When including net profit up to end of 3Q23, the BIS ratio will increase to 15.78% while Tier 1 ratio will be 12.17%. The Bank's Tier 1 capital are all Common Equity Tier 1 contributing to 76.75% 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 Bank as of the end of September 2023 are as follows:

	Bank Only			Consolidated		
	Sept 2023	Jun 2023	Sept 2022	Sept 2023 ³	Jun 2023	Sept 2022
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	47,161	45,604	41,971	n.a.	51,710	46,591
Tier 1 capital	47,161	45,604	41,971	n.a.	51,710	46,591
Total capital	61,447	58,001	54,299	n.a.	64,131	58,888
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	11.93	11.64	11.70	n.a.	12.88	12.84
Tier 1 capital	11.93	11.64	11.70	n.a.	12.88	12.84
Total capital	15.54	14.81	15.14	n.a.	15.98	16.22

³ Consolidated capital information for September 2023 will be disclosed with the reviewed financial statements

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)	September 2023	June 2023	Change (% QoQ)	December 2022	Change (% YTD)
Retail Lending	271,923	270,024	0.7	255,644	6.4
Hire Purchase	191,293	192,859	(0.8)	185,342	3.2
Personal loan	13,020	12,001	8.5	10,128	28.5
Micro SMEs loan	13,056	12,191	7.1	10,757	21.4
Housing loan	54,554	52,973	3.0	49,418	10.4
Commercial Lending	61,542	64,205	(4.1)	59,507	3.4
Real Estate Development loan	28,358	29,750	(4.7)	25,130	12.8
SMEs loan	33,184	34,455	(3.7)	34,377	(3.5)
Corporate Lending	56,534	53,876	4.9	51,817	9.1
Special Asset Management loan	1,037	1,123	(7.6)	1,102	(5.9)
Lombard loan	10,727	11,303	(5.1)	11,129	(3.6)
Total loans	401,763	400,531	0.3	379,200	6.0
Total loans (excluding POCI)	401,169	399,851	0.3	378,531	6.0

As of the end of 3Q23, total loans excluding POCI totaled Baht 401,169 million, expanding by 6.0% from the end of 2022, a slower growth YoY consistent with the Bank’s direction for a slower growth comparing to previous year amid an uneven economic recovery. Loan expansion will be focused on quality and profitable loan segments. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 271,923 million, increasing by 6.4% 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 191,293 million, contracted 0.8% from the previous quarter, if comparing to end of 2022, expanded by 3.2%, a slower growth YoY. New hire purchase business volume booked during 3Q23 totaled Baht 15,800 million, declining by 26% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 47.6% with the portion of new cars to used cars at 39:61. The domestic new car sales for the 8 months of 2023 totaled 524,784 units, declining by 6.2% comparing to the same

period last year. The penetration rate of the Bank new cars lending to the domestic new car sales for the 8 months of 2023 was at 4.6%.

- **Other retail loans** amounted to Baht 80,630 million, with overall other retail loans expansion of 14.7% from the end of 2022 with growth across all segments. Total combined other retail loans portion to total Bank loan portfolio increased to 20.1% as of the end of 3Q23.
- **Commercial Lending** business loans amounted to Baht 61,542 million, expanded by 3.4% 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 28,358 million, expanded by 12.8% from the end of 2022.
 - SMEs loans were Baht 33,184 million, declining by 3.5% 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 56,534 million, expanded by 9.1% 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 1,037 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 10,727 million, contracted by 3.6% 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 September 2023 are classified into stages as follows:

Unit : Baht million	September 2023		June 2023		September 2022	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴
Stage 1 : Performing financial assets	364,818	8,325	364,442	8,501	333,469	8,095
Stage 2 : Under-Performing financial assets	25,818	4,603	24,701	4,265	22,901	3,646
Stage 3 : Non-Performing financial assets	16,122	7,304	16,040	6,984	12,584	5,150
Purchased or originated credit-impaired financial assets	870	73	981	68	897	56
Total	407,628	20,305	406,164	19,819	369,851	16,947

The Bank prudently set up provisions for expected credit losses under TFRS 9 taking into consideration the various uncertainties. As of the end of 3Q23, allowance for expected credit losses totaled Baht 20,588 million, with expected credit losses under TFRS 9 amounting to Baht 20,305 million and remaining excess loan loss reserve

⁴ Including ECL for loans and loan commitments and financial guarantees

totalled Baht 283 million at the end of 3Q23 which the Bank plans to fully release the remaining excess loan loss reserve by the end of 2023. The Bank consistently monitors the asset quality of 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 3Q23 at 145.3%.

NPLs distribution by loan type

Type of loans (Baht million)	September 2023		June 2023		December 2022	
	Amount	% of loans	Amount	% of loans	Amount	% of loans
Retail Lending	8,140	3.0	8,029	3.0	6,675	2.6
Hire Purchase	5,716	3.0	5,875	3.0	4,702	2.5
Personal loan	105	0.8	84	0.7	80	0.8
Micro SMEs loan	1,693	13.0	1,463	12.0	1,352	12.6
Housing loan	626	1.1	607	1.1	541	1.1
Commercial Lending	4,884	7.9	5,082	7.9	5,124	8.6
Real Estate Development loan	3,080	10.9	3,181	10.7	3,082	12.3
SMEs loan	1,804	5.4	1,902	5.5	2,042	5.9
Corporate Lending	713	1.3	703	1.3	130	0.3
Special Asset Management loan	1,027	99.0	1,113	99.1	1,102	100.0
Lombard loan	-	0.0	-	0.0	-	0.0
Total NPLs	14,764	3.7	14,928	3.7	13,031	3.4
Total NPLs (excluding POCI)	14,170	3.5	14,248	3.6	12,362	3.3

As of the end of 3Q23, the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 14,170 million or 3.5% of total loans, declining from previous quarter level of 3.6%. The decline in Stage 3 loans QoQ was driven mainly by the decline in hire purchase segment and commercial lending segment. The Bank continues to proactively manage the loan portfolio quality through debt restructuring, write off and 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 3Q23, the market share⁵ of KKPS was 20.74%, ranking 1st from total 38 brokers. During 3Q23, KKPS generated brokerage revenue totaling Baht 374 million comprising of equity brokerage revenue of Baht 303 million, derivatives brokerage revenue of Baht 51 million and

⁵ Including SET and mai but excluding proprietary trading

other brokerage revenue of Baht 20 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 141 million⁶.

▪ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 3Q23, the investment banking business revenue was Baht 190 million, contributed to financial advisory fee amounting Baht 149 million, underwriting fee amounting Baht 23 million, revenue from tender offer agent of Baht 13 million and other revenue of Baht 5 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 3Q23, DI focusing on long-term investment with value based investment philosophy recorded gain on investment including other comprehensive income totaling Baht 87 million. Meanwhile, EDT had gain on investment totaling Baht 126 million⁷. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 310 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. KKPAM’s mutual fund AUM as of 30 September 2023 was Baht 117,568 million with total 129 funds under management consisting of 127 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 2.34%. In 3Q23, KKPAM’s fee income from mutual fund business totaled Baht 206 million.

As of 30 September 2023, asset under management from private fund was Baht 19,961 million with 3Q23 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. Currently, KKP Dime operate agency business providing local mutual fund and foreign and local securities brokerage services to individual clients who are domiciled in Thailand focusing on the mass segment.

⁶ Including selling agent fee received from subsidiary company

⁷ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 122 million

Profit and Loss Transaction

For the three-month period ended September 30, (Baht Thousand)	Consolidated		Change	
	2023	2022	Amount	%
Interest income	8,191,146	5,967,077	2,224,069	37.3
Interest expenses	2,203,640	1,191,845	1,011,795	84.9
Interest income, net	5,987,506	4,775,232	1,212,274	25.4
Fees and services income	1,581,075	1,805,942	(224,867)	(12.5)
Fees and services expenses	244,033	236,317	7,716	3.3
Fees and services income, net	1,337,042	1,569,625	(232,583)	(14.8)
Gain (loss) on financial instruments measured at fair value through profit or loss, net	31,837	219,762	(187,925)	(85.5)
Gain (loss) on investments, net	(557)	2,653	(3,210)	(121.0)
Dividend income	48,597	194,190	(145,593)	(75.0)
Other operating income	39,386	42,058	(2,672)	(6.4)
Total operating income	7,443,811	6,803,520	640,291	9.4
Other operating expenses				
Employee's expenses	1,735,422	1,831,137	(95,715)	(5.2)
Directors' remuneration	10,235	10,264	(29)	(0.3)
Premises and equipment expenses	337,288	273,747	63,541	23.2
Taxes and duties	179,034	128,898	50,136	38.9
Reversal from revaluation of foreclosed assets	(40,057)	(60,758)	20,701	(34.1)
Loss from sale of foreclosed assets	1,344,242	403,306	940,936	233.3
Other expenses	714,480	519,388	195,092	37.6
Total other operating expenses	4,280,644	3,105,982	1,174,662	37.8
Expected credit losses	1,677,818	1,089,139	588,679	54.0
Profit from operating before income tax expenses	1,485,349	2,608,399	(1,123,050)	(43.1)
Income tax expenses	201,097	522,794	(321,697)	(61.5)
Net profit	1,284,252	2,085,605	(801,353)	(38.4)
Net profit attributable to:				
Equity holders of the Bank	1,280,508	2,083,412	(802,904)	(38.5)
Non-controlling interests	3,744	2,193	1,551	70.7
Total comprehensive income attributable to:				
Equity holders of the Bank	1,144,522	2,083,046	(938,524)	(45.1)
Non-controlling interests	3,758	2,209	1,549	70.1
Basic earnings per share (Baht)	1.51	2.46	(0.95)	(38.6)

Profit and Loss Transaction

For the nine-month period ended September 30, (Baht Thousand)	Consolidated		Change	
	2023	2022	Amount	%
Interest income	22,660,343	16,784,440	5,875,903	35.0
Interest expenses	5,928,462	3,229,815	2,698,647	83.6
Interest income, net	16,731,881	13,554,625	3,177,256	23.4
Fees and services income	4,895,818	5,302,022	(406,204)	(7.7)
Fees and services expenses	752,000	782,605	(30,605)	(3.9)
Fees and services income, net	4,143,818	4,519,417	(375,599)	(8.3)
Gain (loss) on financial instruments measured at fair value through profit or loss, net	478,838	704,742	(225,904)	(32.1)
Gain (loss) on investments, net	(12,080)	(9,856)	(2,224)	22.6
Dividend income	321,430	486,742	(165,312)	(34.0)
Other operating income	144,056	136,692	7,364	5.4
Total operating income	21,807,943	19,392,362	2,415,581	12.5
Other operating expenses				
Employee's expenses	5,201,209	5,159,196	42,013	0.8
Directors' remuneration	29,702	33,236	(3,534)	(10.6)
Premises and equipment expenses	983,047	796,697	186,350	23.4
Taxes and duties	472,295	357,673	114,622	32.0
Loss from revaluation of foreclosed assets (reversal)	(642,660)	19,720	(662,380)	(3,358.9)
Loss from sale of foreclosed assets	3,407,095	895,931	2,511,164	280.3
Other expenses	1,859,823	1,454,946	404,877	27.8
Total other operating expenses	11,310,511	8,717,399	2,593,112	29.7
Expected credit losses	4,653,080	2,967,408	1,685,672	56.8
Profit from operating before income tax expenses	5,844,352	7,707,555	(1,863,203)	(24.2)
Income tax expenses	1,060,481	1,524,757	(464,276)	(30.4)
Net profit	4,783,871	6,182,798	(1,398,927)	(22.6)
Net profit attributable to:				
Equity holders of the Bank	4,773,663	6,172,046	(1,398,383)	(22.7)
Non-controlling interests	10,208	10,752	(544)	(5.1)
Total comprehensive income attributable to:				
Equity holders of the Bank	4,594,959	5,863,649	(1,268,690)	(21.6)
Non-controlling interests	10,226	10,767	(541)	(5.0)
Basic earnings per share (Baht)	5.64	7.29	(1.65)	(22.6)