



Management Discussion and Analysis (MD&A)

For the Quarter Ending September 30, 2023

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

Executive Summary of Management Discussion and Analysis

For the Quarter Ending September 30, 2023

The Thai economy grew within a limited range in the third quarter of 2023 as the export sector and industrial production were affected by the global economic slowdown, especially the fragile Chinese economy. Moreover, private sector spending – both consumption and investment – slowed. Meanwhile, support from government measures was limited. Close attention should be paid to numerous risk factors, such as the impacts of the El Niño phenomenon on farmers' production and income, and the effects of high household debt and financial costs that may put downward pressure on domestic spending. Additionally, tensions in Israel must be closely monitored, because a prolonged or expanded conflict could cause global oil prices to stay elevated for a substantial period of time. This would pose additional risks to the global and Thai economic outlook and cause financial markets and the Baht to fluctuate as well.

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 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 during both normal and stressed situations. In alignment with our business plan, 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.

KBank and its subsidiaries reported net profit for the third quarter of 2023 amounting to Baht 11,282 million, a slight increase of Baht 288 million or 2.62 percent over-quarter. Operating profit before expected credit loss and income tax expense amounted to Baht 27,294 million, close to the level of the prior quarter. Our expected credit loss was also almost on par with that of the previous quarter in alignment with our consistently prudent approach in setting aside expected credited loss to bolster our strength and continual proactive asset quality management amid the global economic slowdown and uncertainty, as well as surrounding factors which hindered Thai economic growth.

For operating performance during the nine-month period of 2023, KBank and its subsidiaries reported net profit of Baht 33,017 million, a slight increase of Baht 438 million or 1.35 percent compared to the same period of 2022. KBank and its subsidiaries set aside expected credit loss of Baht 38,269 million, an increase of Baht 9,134 million or 31.35 percent. Credit cost during the nine-month period of 2023 therefore stood at 2.07

percent, rising from 1.59 percent during the same period of last year. Moreover, our coverage ratio as of September 30, 2023, was equal to 154.90 percent.

Operating profit before expected credit loss and income tax expense during the nine-month period of 2023 amounted to Baht 81,298 million, an increase of Baht 11,151 million or 15.90 percent compared to the same period of last year. The increase came from both net interest income and non-interest income. Net interest income rose by Baht 12,744 million or 13.16 percent in line with the policy rate hikes despite rising financial cost from an increase in the rate of contribution to the Financial Institutions Development Fund (FIDF) to the normal level of 0.46 percent and an increase in deposit rates. Moreover, KBank continued to adopt a proactive stance in providing assistance to customers who have been affected by the uneven economic recovery to ensure their business continuity. Net interest margin thus stood at 3.62 percent.

In addition, non-interest income during the nine-month period of 2023 increased by Baht 5,157 million or 19.09 percent, mainly due to an increase in financial instruments measured at fair value through profit or loss in line with market conditions, and an increase in revenue from trading and foreign exchange transactions.

However, other operating expenses increased by Baht 6,750 million or 12.57 percent due to increased employee expenses, also driven in part by one-time expenses after the implementation of cost-of-living subsidy measures and expenses for customer services which rose in line with business volume. As a result, cost to income ratio during the nine-month period of 2023 stood at 42.65 percent, relatively stable compared to 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 19.62 percent, with a Tier 1 capital ratio of 17.65 percent and Common Equity Tier 1 Ratio of 16.67 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 thus met our business targets as expected in line with the economic conditions. All the abovementioned endeavors and performance of KBank and K Companies have thus far been undertaken with prudence and in step with the ever-changing environment, together with awareness of the economic uncertainty that persists. Along with this, we have plans in place to cope with any potential impacts upon our business while also giving our customers support in an efficient and timely manner. On account of our efforts, we have won numerous awards while also gaining wide acceptance and recognition at home and abroad.

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1. Overview of Operating Environment

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

In the third quarter of 2023, the global economy continued to grow at a slower pace. The slowdown could be attributed to impacts of continual policy rate hikes, led by the US Federal Reserve, the European Central Bank, the Bank of England, and central banks in Asia, in a bid to tame inflation which remained higher than their target levels. Meanwhile, rising oil prices in the global market amid geopolitical tensions and China's fragile property sector which adversely affected its overall economy put an additional pressure on the global economy. Close attention should thus be paid to these multiple risks which may hinder the economic recovery worldwide, going forward. According to the International Monetary Fund (IMF), the outlook for global economic recovery remains highly uncertain, and the world economic growth may slow to 3.0 percent and 2.9 percent in 2023 and 2024, respectively, from 3.5 percent in 2022

The Thai economy expanded within a limited range in the third quarter of 2023 as the country's exports and industrial production still felt the effects of the global economic slowdown, particularly the Chinese economy. Meanwhile, private spending – both consumption and investment – decelerated after a sharp acceleration during recent months.

As for the remainder of 2023, the Thai economy will likely see continual growth thanks to a low base compared to the same period of last year. Moreover, the tourism sector will receive an additional boost from its high season and the government's stimulus measures. However, risks from the global economic slowdown, China's fragile economy, and geopolitical tensions may hinder the recovery of Thailand's export and tourism sectors going forward. This could also lead to volatility in financial markets and the Baht. Moreover, the uneven recovery of purchasing power among households and businesses, as well as the persistently high debt burdens and financial costs, are likely to limit the expansion of domestic consumption. Moreover, the impacts of the government's economic stimulus efforts may be muted this year. Regarding the domestic interest rate trend, the Monetary Policy Committee is expected to hold its policy rate steady at 2.50 percent during the remaining months of 2023.

1.2 Banking Industry

The overall performance of domestically registered commercial banks in the third quarter of 2023 recorded higher net profit over-year. Compared to the previous quarter, however, net profit decreased due to falling non-interest income, especially from a decline in gains on financial instruments measured at fair value through profit or loss. Moreover, commercial banks set aside higher expected credit loss to cope with the uncertain environment going forward. This is in line with non-performing loans to total loans (NPL ratio) which increased slightly over-quarter. Nonetheless, net interest income and net interest margin (NIM) continued to edge up thanks to rising domestic interest rates and expansion of the high-yield loan portfolio.

At the end of the third quarter of 2023, loans to customers and accrued interest receivables – net at 17 domestically registered commercial banks had risen 0.87 percent from the end of 2022, and 0.58 percent from the same period of last year, due to repayment of both government and corporate loans. Meanwhile, new loans saw limited growth, hindered by the fragile Thai economic outlook. At the same time, outstanding deposits dropped by 0.96 percent compared to the end of 2022, due to a decrease in savings deposits, though they rose slightly by 1.13 percent over-year, derived mainly from fixed deposits.

Looking ahead into the remainder of 2023, net interest income in the banking system is expected to record steady growth. Amid the uncertain economic environment both at home and abroad, commercial banks will be challenged by asset quality issues, ensuring that deposit growth aligns with the overall loan portfolio. They must also prepare adequate liquidity to accommodate the potential for rising demand in the system, especially if the government implements economic stimulus measures. Additionally, they must expedite their adjustment to the responsible lending guidelines that will come into force in early 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:

- **Thailand Taxonomy Phase 1**

The Bank of Thailand and the Office of the Securities and Exchange Commission, in their capacity as representatives of the Working Group on Sustainable Finance, have issued the Thailand Taxonomy Phase 1, a common standard for categorizing environmentally friendly economic activities. It covers the energy and transportation sectors as the first two priorities, as the two sectors are the biggest contributors to the country's greenhouse gas emissions and play a significant role in climate change. The initiative came into force June 30, 2023.

The Bank of Thailand aims for financial institutions to use the Thailand Taxonomy as a reference in two dimensions: (1) to assess the status of themselves and their customers so that they can set goals, adjust strategies and arrange customer segments for the design of financial and investment products and services that help the business sector transition to sustainability; (2) to assess climate-related risk management of financial service and investment portfolios in a more systematic manner.

Major points of the Thailand Taxonomy Phase 1 can be summarized as follows:

1. It serves as a vital instrument to support the development of financial products and services, including investment, to achieve the net-zero greenhouse gas emissions target by 2050 in accordance with the Paris Agreement. Additionally, it functions as a recognized benchmark for assessing activities aimed at mitigating climate change, which helps to avoid greenwashing.

2. It classifies economic activities into three categories using a traffic light system. This system symbolizes the criteria and screening thresholds for their evaluation. In addition, the activities must not have a

significant impact on the achievement of other environmental objectives, while also accounting for social impacts. The three categories are as follows:

- "Green" means the activities that mitigate climate change as they currently emit greenhouse gas at levels that are close to or equal to zero.
- "Amber" means the activities that emit greenhouse gas emissions at a level that is not yet close to or equal to zero, but they help reduce climate change to some extent and have shown improvement.
- "Red" means activities that cannot be assessed as being friendly to net-zero greenhouse gas emissions, and do not meet the criteria or indicators for activities at the green or amber level.

- **Guidelines for Relaxation of Non-residents' Thai Baht-related Transactions**

The Bank of Thailand issued a circular BOT.ForGorNgor.(33) c. 643/2566 (2023) Re: Relaxation of Measures to Prevent Thai Baht Speculation for Non-resident Qualified Company (NRQC), effective September 26, 2023, and implemented practical guidelines on supporting documents for non-residents' Thai Baht-related transactions. Salient points can be summarized as follows.

1. More flexibility under the Non-resident Qualified Company (NRQC) scheme: Juristic persons abroad which engage in cross-border payment services can participate in the scheme which will allow them to undertake transactions related to Thai Baht with onshore financial institutions without submitting supporting documents. They can also deposit Thai Baht in their Non-resident Baht Account (NRBA) without being subject to the end-of-day outstanding balance limit.

2. Easing requirements on supporting documents for transactions related to Thai Baht of non-residents other than those under the NRQC scheme: This relaxation aims to allow non-residents having trade and investment in Thailand to conduct transactions with more flexibility. It will also allow non-resident investors (end beneficiaries) investing in securities in Thailand to be able to conduct such transactions directly with onshore financial institutions without proceeding through global custodians.

2. Risk Management and Risk Factors

2.1 Credit Risk Management

The Thai economy in the third quarter of 2023 grew within a limited range due to a global economic slowdown. This caused private spending to turn sluggish. Certain businesses and households thus needed more time to restore their income amid the rising funding cost in line with the policy interest rate and the inflation that is poised to accelerate if the El Niño phenomenon becomes more severe than expected.

KBank has in place credit risk management guidelines that account for the prevailing circumstances which may affect the soundness of asset quality. We therefore prioritized the improvement of credit underwriting processes on a regular basis. These include 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. Overall, KBank emphasizes portfolio management to balance credit concentration while establishing loan growth targets in alignment with the prevailing economic conditions. Our key priority is to proactively manage asset quality for enhanced efficiency while we also adequately set aside expected credit loss at appropriate levels.

KBank continued to adopt a prudent approach in credit underwriting. We improved lending processes for business and SME customers which must be appropriate for each customer's risk profile. To this end, we thoroughly processed customer data, comprising financial, qualitative and transaction-related data. Focus was also on the development of efficient tools to monitor asset quality for enhanced efficiency of credit processes in alignment with our proactive asset quality management guidelines. These efforts allowed us to assist our customers in a timely manner as soon as signs of customers' potential debt repayment issues were detected. We focused 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.

2.2 Market Risk Management

In the third quarter of 2023, global inflation remained elevated. The Federal Reserve thus raised its policy rate from 5.00-5.25 percent to 5.25-5.50 percent p.a. The US central bank also signaled another policy rate hike later this year, and may keep it high in an effort to bring inflation back to the targeted range. Meanwhile, the Bank of Thailand raised its policy rate twice, totaling 0.50 percent, to 2.50 percent p.a. in this quarter

Overall, the tightening monetary policy adopted by central banks worldwide, especially the Federal Reserve, for a longer-than-expected period, has resulted in capital outflows from the Thai bond and stock markets, while also pressuring the Thai Baht to weaken to Baht 36.00 per USD.

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 in money and capital markets. KBank has also placed importance on efficient risk management under the supervision of the Risk Oversight Committee, Market Risk Management Sub-committee and Enterprise Risk Management Division, to maintain risk within specified prudent limits.

2.3 Liquidity Risk Management

In the third quarter of 2023, the Bank's liquidity remained ample, seeing no significant change compared to the end of the previous quarter. Our lending and deposits dropped slightly in this quarter. This reflected that the Thai economic recovery remained limited amid the global economic slowdown which dampened demand from Thailand's trading partners, and the gradual transmission of impacts from the policy rate hikes.

KBank remains vigilant while closely monitoring economic circumstances 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, based on both regulatory requirements and internal criteria. In addition, we are watchful for any potential impacts on our loans, deposits and liquidity, both short- and long-term, to ensure that we adopt appropriate fund-raising strategies.

3. Business Directions and Operations of Core Businesses

3.1 Sustainable Development and Corporate Governance

□ Sustainable Development

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

- **Representing Thai private financial institutions in attending the ASEAN Business Advisory Council Summit Week** and participating in a panel discussion, “Decarbonizing Southeast Asia: Charting ASEAN’s Pathway to a Net Zero Future”, to exchange related perspectives, roles and concepts of the private sector, which plays a vital role in the drive towards achieving net zero emissions. KBank also advocated for collaboration at the ASEAN regional level in setting a common standard for greenhouse gas reduction and promoting the ASEAN Taxonomy.
- **Launching the KATALYST STARTUP LAUNCHPAD 2023 program** in order to support the development of Thai startups to be a driving force in advancing sustainable economic growth. The program focused on bolstering business capability to the world-class level for tech startups in the following industries: financial technology (FinTech), environment (ESG and green technology), artificial intelligence and machine learning, health technology (HealthTech), and enterprise solutions.
- **Reducing GHG emissions** from KBank’s own operations through support for the use of electric vehicles, the shift to green materials across all dimensions, and more efficient waste management at office buildings. The Bank also expanded its sector decarbonization strategy to encompass four industries, including power plants, oil and natural gas, coal, and cement, while gearing up to work closely with other businesses in major industries to ensure a seamless transition, with tools and solutions tailored to the specific needs of each business.
- **Developing services and fostering collaboration with partners to deliver financial services and benefits that help customers embrace a green lifestyle.** KBank joined forces with five leading solar power companies in launching the Green Zero loan campaign for customers seeking home loans for solar rooftop installation.
- **Collaborating with Thailand Post and H SEM Motor in launching the WATT’S UP end-to-end platform for electronic motorcycle or EV bike rental service.** The pilot project was set up for employees at three Thailand Post branches, and it aims to be made available to the general public by the beginning of 2024.

□ 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 this quarter included:

- Providing the opportunity for all shareholders to propose qualified candidates for nomination as KBank directors and to propose issues for inclusion in the agenda of the 2024 General Meeting of Shareholders.
- Organizing KASIKORNBANK Directors Workshop (Board Retreat 2023) to allow the Board of Directors to share their opinions and recommendations on business directions and strategic priorities in order to achieve the goals and create sustainable value for shareholders.
- Communicating with directors on knowledge relevant to the discharge of directors' duties, corporate governance and sustainable development, via CG Journal and KBank Bulletin.
- Communicating with directors, executives and employees on prevention of the use of inside information.
- Communicating on relevant topics of the Code of Conduct, such as conflicts of interest, to promote employee awareness and to discourage them from taking any action to seek personal benefits which are in conflict with the interests of the Bank or the Bank's customers.
- Communicating whistleblowing channels to employees to raise their awareness and encourage them to blow the whistle on improper employee behavior.
- Communicating with employees on knowledge of how to communicate with customers to ensure that they accept only authentic messages that are conveyed from KBank. This action aimed to prevent fraud and provide channels for reporting irregular incidents.
- Conducting phishing drill exercises on a continual basis by sending fake emails to executives and employees in order to raise their awareness and stay ahead of cyber threats.

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.

KBank also 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. These endeavors have been advanced with good corporate governance, proactive and integrated risk management principles, and a risk-aware culture Bank-wide in order to support our operations per our key strategic imperatives 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 the AEC+3 region
- Strengthen Harmonized Sales and Service Channel Experience with efficient technological infrastructure and services

In addition, KBank spun off KASIKORN INVESTURE COMPANY LIMITED (KIV), which is a holding company under KASIKORNBANK FINANCIAL CONGLOMERATE, to make it more flexible and agile in the expansion of our investment in other companies in collaboration with our partners. This measure was taken to support our long-term growth strategy.

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 third 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: We offered YouTrip 2.0 – a newly designed card with user-friendly interface on the application to provide greater user convenience. With distinctive features, the card offers competitive exchange rates and allows customers to exchange up to 10 currencies in advance. Cardholders can also spend in more than 150 currencies worldwide with no fees. To promote

continual use of the card, KBank launched special campaigns such as waiver of application and annual fees as well as fee for withdrawal via ATM in other countries, cash back for spending under established conditions and periods, as well as special deals offered by KBank's business partners. We also organized activities and introduced tourism-themed contents via both online and offline channels.

- **Promotion of KBank Debit Card:** To promote application for the K Max Plus Debit Card, KBank launched a campaign offering personal accident coverage up to Baht 200,000 which includes medical expenses and daily compensation plus added insurance benefits for 30 critical illnesses to customers who registered for the privileges via KBank's website during the established period.
- **Promotion of e-Donation and QR code donation:** The promotion covers a wide range of recipient units, such as hospitals, foundations, educational and religious institutions. This is an effective donation mechanism, ensuring that organizations receive donations correctly and that donors receive tax deductions without having to show proof of donation to the Revenue Department.
- **Development of Kyat funds transfer service via K PLUS:** This service aims to provide greater convenience for Myanmar workers in Thailand in gaining improved access to financial services and sending money to their homeland quickly. To make Kyat funds transfer, customers just provide the recipient's telephone number linked to KBZPay Wallet with no documents required. The sender can check the recipient's name before conducting the transaction and will receive notification once the funds transfer is credited into the recipient's account. The recipient can receive the funds transfer via KBZPay Wallet account and withdraw cash at any KBZ Bank branch, ATMs and more than 40,000 KBZPay service points in the Republic of the Union of Myanmar.
- **Development of Blue CONNECT:** Under the 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. Blue CONNECT has been linked to the applications of other PTTOR retail stores such as Café Amazon and xpLORe to facilitate payment via those applications. Moreover, customers can apply for K PAY LATER credit line and make repayment via the Blue CONNECT.
- **K SHOP "Get Money Easily and Surely":** We have developed Chat & Bill features to allow online merchants to generate a bill promptly without leaving the chat room. Aside from various payment formats available, merchants can verify a slip immediately and use the "Quick Text, Quick Photo" feature with favorite transactions for greater convenience. Meanwhile, merchants with physical stores can accept payment via QR code scan from mobile banking applications of tourists from five countries including Malaysia, Vietnam, Singapore, Cambodia and Indonesia. K SHOP can also accommodate payment made via UnionPay, as well as Alipay and WeChat Pay – the Chinese e-wallets. These initiatives aim to serve the growing number of international arrivals.

- **Development of K-Merchant:** We expanded payment service via K PAY LATER to cover hospitals, education-related businesses, restaurants, department stores, supermarkets, car rental and leading home decor stores.
- **Development of K PromptBIZ:** Under the collaboration between member banks and the Bank of Thailand, K PromptBIZ provides a comprehensive digital finance and payment infrastructure for businesses, integrating trade, payment and government data for the end-to-end process. This initiative helps save operating costs and time, especially those related to document preparation and delivery, while also improving business process efficiency.

3.2.2 Lending

KBank had in place a prudent credit policy, focusing on continual improvement of lending products and services amid challenges of the Thai economic situation and intense market competition. Emphasis is also on leveraging technology to promote customer access to loan services in various forms, while enhancing efficiency of our credit underwriting processes under efficient risk management, accounting for sustainability for the Bank, society and environment.

The Bank has introduced green loan products in support of our sustainable development policies. Notable initiatives included renewable energy projects, green buildings, clean transportation projects which provide financial support to businesses importing electric vehicles (EVs), and sustainability-linked loans aimed at achieving sustainability goals such as reducing greenhouse gas emissions. Customers are required to establish ambitious key performance indicators (KPIs) and sustainability performance targets (SPTs) with clear operational timeframes, while also having a second-party opinion to assess the indicators based on Thai and international standards.

Regarding business loans in this quarter, the Bank has established guidelines in providing short-term funding to bolster liquidity and working capital for businesses as well as long-term financing to accommodate business expansion of our customers based on each customer's risk persona.

At the same time, the Bank has focused on encouraging our business customers to apply for services and conduct transactions via electronic channels. These include 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. This is aimed at providing greater convenience and continual service while also maintaining our status as customers' main operating bank.

Regarding retail loans in this quarter,, the Bank focused on provision of secured loans, offering the highest credit limit based on collateral value to low-risk customers with good credit history so as to remain competitive in the market, while maintaining overall asset quality at a manageable level. As for unsecured loans, we prioritized a prudent credit policy aimed at providing loans to high-quality customers with increased income, and expanding our reach to clients with greater potential for income growth. Additionally, KBank has in place guidelines for offering credit limits and interest rates in accordance with each customer risk profile, allowing us

to manage income and service costs more appropriately. Along with this, our key priority is to proactively monitor credit quality for enhanced efficiency.

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:** The overall financial and investment market in the country remained volatile due to the impact of the highly uncertain global economy. KBank therefore recommended investments with different risk levels. These included multi-asset/balanced funds for customers seeking attractive returns amid lower volatility, and fixed income funds and term funds for investors having a lower risk tolerance. For customers having a higher risk appetite and seeking long-term investment opportunity, we recommended that they diversify their investment in stocks with long-term growth potential, such as K Global High Impact Thematic Equity Fund (K-HIT) which invests in global equities trending at certain times, health care stocks which are resilient to economic slowdown. Meanwhile, our Private Banking clients were advised to invest in private equity funds which are less affected by market volatility.

For high net worth individual customers, emphasis remained on risk-based allocation investment in funds under the K-ALLROAD Series as core portfolio amid the prevailing uncertain market circumstances. This is to ensure that they can obtain consistent returns under an appropriate risk appetite. In this quarter, investors were also advised to consider investments embracing the “Winner of New Economy, Policy Driven for Better World” as a key theme which focuses on businesses in the new economy that can create positive impacts to the world. Another notable fund recommended by KBank was LHMCMULTI-UI, which increases the proportion of investment in uncorrelated assets which have low correlation to the investment market.

- **Life insurance products:** KBank aims to develop a variety of competitive insurance products. We offered smaller policies via digital channels and sales agents, while introducing insurance products that provide various options for extensive coverage. Notable examples included critical illness insurance offering cash benefit in case of no claim to increase the sales of life and health insurance plans, and unit-linked life insurance.

For high net worth individual clients who focus on family wealth and legacy planning, we recommended the Legacy 99/1, Premier Legacy 99/5, and Premier Legacy 99/10 life insurance products. These policies offer coverage up to the age of 99 and allow policyholders to choose premium payment terms that suit their preference.

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 local 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 focused on a transformation of PT Bank Maspion Indonesia Tbk's business operations for enhanced efficiency in three areas, namely personnel, work processes and technological infrastructure. In this quarter, KBank opened a business experiment space to learn about the market and customer needs through our collaboration with an online platform in offering a loan service to small business customers in need of working capital. Meanwhile, we have continually broadened the bank's reach to customers using payment acceptance service via QR code under the Quick Response Code Indonesia Standard (QRIS). As of now, the Bank has a total of 2,633 QRIS customers and 2,827 touchpoints.

2. The Socialist Republic of Vietnam: KBank has prudently expanded our business with the aim of becoming our customers' main operating bank. To this end, we launched a variety of products in order to meet the needs of all customer segments. Along with this, KBank focused on full-fledged financial services in the transactional ecosystem and brand positioning to attract the target customers. In this quarter, KBank launched a personal loan service and expanded the customer base rapidly. As evidenced, the number of customers opening an account via K PLUS Vietnam rose to almost 800,000, and is expected to reach 1.3 million by the end of this year.

3. People's Republic of China: KBank focused on expansion of financial services to three major customer groups: large corporations, SMEs and retail customers. For large corporate customers, we prioritized serving large local clients doing business within the SINO-AEC region through the offering of cross-border business solutions with the aim of providing value chain financing in the future. For SME and retail clients, we developed online platforms while bolstering our risk and data management in order to offer financial products responsive to target customers within a short period of time under the "Better Me & Better SME" concept. To serve SME clients, KBank focused on strengthening our online lending potential through increasing the number of business partners' platforms. At the same time, we worked with business partners in expanding personal loan to retail customers while also launching our own product in the market on trial basis. Another initiative was issuance of Negotiable Certificate of Deposit (NCD) for onshore and offshore financial institutions as part of our efforts to reduce funding costs.

KBank has 77 locations of its international branch network 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 Republic of 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	
	Sep. 2023	Jun. 2023
Branches of Locally Incorporated Institutions	7	6
KASIKORNTHAI BANK LIMITED (Lao PDR)	2	2
KASIKORNBANK (CHINA) CO., LTD.	5	4
PT Bank Maspion Indonesia Tbk	60	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. All of these endeavors are intended to allow our customers to access KBank financial services anywhere, anytime. Major initiatives in this quarter were as follows:

1. Domestic Branches and Financial Service Centers: KBank focused on the available number of branches, which must be appropriate for broader service coverage in each area. Along with this, we prioritized development of services and internal branch processes to ensure enhanced efficiency. To this end, we consolidated branches to reduce redundancy, especially those with relatively low traffic. Meanwhile, KBank offered services at branches of various formats to align with customers' needs in each area. For instance, we now have 21 hybrid branches which offer customers self-service electronic machines with assistance by our officer and four K PARK locations which share the space of our business partners to provide basic services at gas stations and in various communities.

In addition, we focused on expanding KBank Service via banking agents and machine agents at targeted areas in each province nationwide to accommodate future branch consolidation. In this quarter, we continued to improve the quality of banking agent services, including cash deposit/withdrawal, bill payment and identity verification for electronic account opening as well as application for other financial services which were made available via different agents, under the standards established by KBank. We also 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 to ensure broader service coverage, especially in areas that attract a large number of foreign tourists, 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, it is also available via automated currency exchange machines – now totaling 13. 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	
	Sep. 2023	Jun. 2023		Sep. 2023	Jun. 2023
Branch Network ¹⁾	813	816	Self-Service Channel (K-ATM and K-CDM)	11,001	10,967
Foreign Exchange Booth	91	88	K-ATM (Automated Teller Machines)	9,095	9,074
THE WISDOM	78	79	K-CDM (Cash Deposit Machines)	1,906	1,893
SME Business Center ²⁾	184	183	K-PUM (Passbook Update Machines)	931	932
International Trade Service Center	58	58	Automated Currency Exchange Machines	13	13
Cheque Direct Service	15	15			

Note: ¹⁾ Excluding six 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 developed functions on these machines for enhanced customer responsiveness. In this quarter, we improved the identity verification system at electronic machines for greater customer convenience in the opening of K-eSavings and mutual fund accounts, and activation of Blue CONNECT e-wallet as well as application for LINE BK and K PAY LATER for increased service efficiency.

- **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 largest number of 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:** Being an open banking platform that promotes data integration with our business partners, K PLUS enables seamless connectivity within the lifestyles and business ecosystems of the digital era. Our focus was on the launch of boundless services and development of brilliant basics for operating system enhancement with increased efficiency and security to ensure customers' confidence. Major initiatives were as follows:

- Enhanced security for funds transfer: We improved the warning message that appears before transaction verification for enhanced clarity in order to prevent erroneous funds transfers and fraudulent actions.
- Launch of international funds transfer to Republic of the Union of Myanmar: Recipients simply have a mobile phone number linked to a KBZPay Wallet of KANBAWZA BANK and activate the

KBZPay system. Maximum funds transfer is Baht 50,000 per transaction and MMK 5,000,000 per day.

- Addition of eight K PLUS themes: Customers may buy or send them as gifts via K+market and make payment by cash or redemption of K Points.
 - Addition of feature for transferring AIS Points to the K Point loyalty program with no fee
 - Offering of discount from LINE MAN application when making first payment via Pay with K PLUS
 - Organizing TCAS on Tour by K PLUS activity in Chiang Mai, Khon Kaen and Bangkok: Customers were invited to join this program wherein they were equipped with techniques for sitting in an exam of the Thai University Center Admission System in eight subjects, offered by famed tutors. The program could be viewed later through online channels.
- 2) **K BIZ:** An internet banking service for business and SME customers which provides financial management services to both individuals and juristic persons. Its comprehensive features cover funds transfer, top up, and bill payment designed to meet specific business needs, such as multi-user assignment, statement download in PDF and Excel file format, and e-slip verification for transaction confirmation. Additional developments included K-Payroll 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 under a standard security system for enhanced confidence in transactions.
- 3) **K-Payment Gateway:** KBank developed an internet payment service that support various forms of payment, including debit card, credit card, QR code, Pay with K PLUS, and the Alipay and WeChat Pay e-wallets to meet the needs of online stores. We also introduced services allowing merchants to create and share payment links via chat – K PAYMENT LINK for merchants offering sales via social media channels; and K SOCIAL PAY for merchants having a LINE Official Account (LINE OA). Additionally, we developed a bulk refund feature allowing merchants to cancel multiple transactions at once, while improving the display of important information in the merchant portal and payment details.
- 4) **KBank Live (LINE, Facebook, Twitter, Instagram, YouTube, TikTok and Blockdit):** We have developed communication channels to ensure greater customer convenience in using financial services in their daily lives, including:
- Notifications via KBank Live LINE: Customers are notified of account movement for deposit account, credit card and Xpress Cash as well as loan payment due and suspicious transactions. There is also a feature of sharing notifications on incoming-outgoing funds with LINE friends using a shared account. Moreover, clients can make appointments for use of branch services and receive news tailored to their interests via KBank Live LINE.
 - Search and inquiry of products and services, promotions and financial knowledge as well as KBank news and information such as special fixed deposit products with high interest rates,

K PAY LATER, home loan refinance, Xpress Loan, credit card promotion, debit card application, life and health insurance, the Friends get Friends program, pre-owned homes, as well as the presentation of K WEALTH Tips & Trends articles encompassing current issues of interest.

- Fraud case reporting via KBank Live LINE: This channel allows customers to report fraud cases to the financial fraud center quickly and easily, 24 hours a day. Moreover, information on cyber threats is available on a continual basis

5) **Other platforms:** KBank has developed various financial platforms for our 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 such as 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. Major operations in this quarter are as follows:

- 1) **Setting up of a hotline center for reporting financial fraud** at 02-8888888, press 001, available 24/7. We have developed a system and processes for notifying customers of their bank case ID in urgent cases, as well as sending SMS messages to inform them of progress on resolving problems. Moreover, we 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. 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, with adoption of generative AI technology.
- **Development of Knowledge Management Smart Agent Portal:** This effort is aimed at bolstering K-Contact Center capabilities for enhanced service efficiency.

3.3 Operations of Support Groups

3.3.1 Human Resource Management

KBank, 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 via novel formats:** In this quarter, KBank worked with KBTG to organize "U.S. Roadshow 2023: Great Future & Grow Together" activities to attract talented personnel to join our workforce. The most sought-after job positions include those related to current KBank businesses, namely product managers, wealth-relationship managers and credit analysts, as well as other

officers to support our data and digital businesses. The initiative aimed to develop our services to better meet the needs of a wider range of customers.

- **Effective New Way of Work:** KBank formulated three-pronged guidelines to support work which is not limited to specific locations or in the Bank premises only. These guidelines include:
 - (1) **Productivity:** We arranged the FITS that WORK program to help enhance employee skills such as techniques for concise communications with effective results.
 - (2) **Engagement:** KBank held a workshop for Engagement Ambassadors in each division to foster good relationships among them while also honing their skills which can be applied in their respective divisions. They included influencing without authority, team synergy workshop and feedback from retrospective sessions.
 - (3) **Well-being:** KBank promoted the use of the Viva Insight tool on the Microsoft platform to employees. This tool helps them to reflect on how they spend their time at work, so that they can manage their work hours and relaxation appropriately. Additionally, we arranged an annual health check program which allowed employees to choose their own hospitals.
- **Integrated Development:** KBank held Learning Day activities to equip participants with the specific skills required for each division. Along with this, we encouraged integrated learning across various divisions in order to enhance employees' skills and abilities from an overall perspective for enhanced work efficiency. Our employees were instilled with four mindsets: growth, outward, collaborative and agile. A key focus was also on leadership development to ensure that leaders can navigate the changing environment and coach their teams in a more efficient and sustainable manner.
- **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

In the third quarter of 2023, KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) prioritized the study and development of financial innovation in alignment with KBank's goals. In parallel, 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 with the aim of maintaining our competitiveness and our status as the trusted regional leader in the technological realm. Major initiatives in this quarter can be summarized as follows:

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

- **Developed and improved K PLUS application:** We added the following features to deliver a positive experience with enhanced efficiency to more than 21 million K PLUS customers:
 - Assessment of fraud awareness: K PLUS users are required to complete an assessment questionnaire before logging in to the system every six months.
 - Development of funds transfer to banks in the Republic of the Union of Myanmar via KBZPay at any time: This service allows recipients to receive the full amount of funds transfer and to save the transaction as a favorite for greater convenience when conducting future transfers.
- **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 in order to foster their financial discipline. Thus far, there are more than 2 million user accounts. Major initiatives developed in this quarter were as follows:
 - Developed “MAKE Trial Mode” which allows users to generate an unlimited number of cloud pockets and shared cloud pockets, on a trial basis, free of charge.
 - Developed a QR Verification system for verifying a transfer slip for funds transfer transactions conducted via MAKE, in order to prevent transfer slip forgery.
- **Developed and improved KhunThong social chatbot:** KhunThong serves as an intermediary for payment collection in LINE group chats and personal chats - with more than 1.6 million user accounts in almost 500,000 LINE groups, and more than 700,000 transactions per month. Payment can be made by four methods, namely cash, KBank account linked with KhunThong, K PLUS, or mobile banking of other banks. We have improved various features as follows:
 - The “Private Request Flow”, which allows private request of payment sent to each person in addition to payment collection within LINE groups
 - Bulk bill collection within a LINE group that can accommodate collection of multiple bills – both general and scheduled – at a single time
 - A newly redesigned User Experience (UX) and 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 new technology** in order to create products and services while enhancing work efficiency. Major initiatives were as follows:

- **Promotion of AI literacy:** We organized a seminar titled, “Techtopia: Across The AI-Verse”, to share knowledge about AI in four main areas, namely AI Trend and Outlook (Experience the influence of AI through emerging trends and innovations); AI Transformation (Steps of undertaking organizational transformation in numerous dimensions with AI); AI x Human (Delve into factors that will support coexistence between humans and AI); and AI Ecosystem (Explore future businesses driven by AI and open doors to new opportunities). The speakers included

executives and experts in AI from leading platforms and organizations, such as AWS (Amazon Web Services), Google Cloud, Microsoft (Thailand), LINE BK, and Siam Piwat Group.

- **Participation in the development of Thailand's AI standards:** KBank signed a memorandum of understanding (MOU) with relevant agencies in the public and private sectors at the “AI Thailand Forum 2023”, in support of establishing Thailand AI standards and advancing AI research in the country.
- **Introduction of KXVC Fund:** KASIKORN X VENTURE CAPITAL COMPANY LIMITED (KXVC) launched the KXVC Fund – a Baht 3.5 billion fund targeting AI, Web 3.0, Deep Tech fintech startups, and leading funds worldwide, serving as a gateway to investment in the Asia-Pacific region. Presently, KXVC has partnerships with global fund networks and leading companies such as MagicLink, Transak, 1KX, Hashkey Capital, Symbolic Capital, L2 Iterative Ventures, Instari Ventures, and aifund.ai.

3. Development of IT personnel: KBank, in collaboration with the University of Information Technology, a member of Vietnam National University HCMC, offered the “UIT Scholarships 2023” for students interested in IT careers to promote learning about technology and innovation in response to the anticipated growth in demand for IT personnel in the future.

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 third quarter of 2023, notably:

Awards to KBank and K Companies

- Six awards: **Top Arrangers - Investors' Choice for Primary Issues - Corporate Bonds** (Baht, Rank 1), **Top Sellside Firm in the Secondary Market - Corporate Bonds** (Baht, Rank #3), **Best Sellside Individual - Research** (Thai Baht Bond, Rank# 1), **Best Sellside Individual - Sale** (Thai Baht Bond, Highly Commended), **Best Private Bank (Thailand)** and **Best Private Bank for HNWIs (Thailand)** from The Asset magazine
- Five awards: **Talent Management in Best Employee Value Proposition** (Gold Level), **Leadership Development in Best Unique or Innovative Leadership Development Program** (Silver Level), **Learning & Development in Best Hybrid Learning Program** (Silver Level), **Learning & Development in Best Unique or Innovation Learning Development Program** (Silver Level) and **Learning & Development in Best Use of a Blended Learning Program** (Bronze Level) from Human Capital Management Awards 2023, organized by Brandon Hall Group
- Four awards: **Digital Wallet Initiative of the Year - Thailand** (YouTrip), **Consumer Finance Product of the Year - Thailand** (Digital Shopee Co-Lending), **Thailand Domestic Cash Management Bank of the Year** and **Thailand Domestic Digital Payment Initiative of the Year** from Asian Banking & Finance magazine
- Four awards: **Employer of the Year** (Gold Level), **Excellence in Workforce Flexibility** (Gold Level), **Excellence in Employer Branding** (Silver Level) and **Excellence in Work-Life Harmony** (Bronze Level) from Human Resource Online

Awards to KBank and K Companies

- Three awards: **Best Trade Finance Bank in Thailand**, **Best FX Bank for Corporates & Fis** and **Best Wealth Management Bank in Thailand** from Alpha Southeast Asia magazine
- **Best Private Bank Thailand 2023** from World Business Outlook 2023
- **Best Private Banking Brand - Thailand** from Global Brands magazine
- **Best Companies to Work for in Asia 2023 - Thailand region** for the fourth consecutive year from HR Asia magazine
- **Highest Honor Award - Outstanding Establishment in Labour Relations and Labour Welfare** for the 18th consecutive year from the Ministry of Labour

Awards to KBTG

- Three awards from HR Excellence Awards 2023: **Excellence in Employer Branding (Gold Level)**, **Excellence in Recovery & Rebound Strategy (Gold Level)** and **Excellence in Women Empowerment Strategy (Silver Level)** from Human Resource Online
- **Asian Technology Excellence Awards for AI 2023** in the category of Financial Technology - AI-Car Detection from The Asian Business Review magazine
- **Design Excellence Award (DEmark)** for K PLUS Vietnam from Thailand Institute of Design and Promotion, Department of International Trade Promotion, Ministry of Commerce
- **2023 ASEAN Enterprise Innovation Award** from Asian Innovation Business Platform (AIBP)

Award to KASIKORN GLOBAL PAYMENT CO., LTD. ("KGP")

- **Strategic Partnership of the Year - Thailand** (Ultimate Approach for Managing Fragmented Merchants Project) from Asian Banking & Finance magazine

4. Operating Performance and Financial Position Analysis

4.1 Operating Performance

KBank and its subsidiaries reported net profit for the third quarter of 2023 amounting to Baht 11,282 million, an increase of Baht 288 million or 2.62 percent over quarter. Operating profit before expected credit loss and income tax expense amounted to Baht 27,294 million, close to the level of the prior quarter. This came mainly from other operating expenses which decreased by Baht 1,026 million or 4.92 percent due to a decline in employee and marketing expenses. Meanwhile, net operating income decreased in line with non-interest income which fell Baht 2,273 million or 20.00 percent due to a decrease in financial instruments measured at fair value through profit or loss in line with market conditions. As a result, cost to income ratio in the third quarter of 2023 stood at 42.07 percent, slightly decreasing from 43.37 percent in the previous quarter.

Operating Performance for the Third Quarter of 2023

(Unit: Million Baht)

	Q3-2023	Q2-2023	Change		Nine-month of 2023	Nine-month of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Net Interest Income	38,019	36,701	1,318	3.59	109,595	96,851	12,744	13.16
Non-Interest Income	9,096	11,369	(2,273)	(20.00)	32,164	27,007	5,157	19.09
Total Operating Income - net	47,115	48,070	(955)	(1.99)	141,759	123,858	17,901	14.45
Total Other Operating Expenses	19,821	20,847	(1,026)	(4.92)	60,461	53,711	6,750	12.57
Expected Credit Loss	12,793	12,784	9	0.07	38,269	29,135	9,134	31.35
Net Profit (attributable to equity holders of KBank)	11,282	10,994	288	2.62	33,017	32,579	438	1.35
Basic Earnings per Share (Baht) ¹⁾	4.60	4.64	(0.04)	(0.86)	13.62	13.43	0.19	1.41

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 operating performance during the nine-month period of 2023, KBank and its subsidiaries reported net profit of Baht 33,017 million, a slight increase of Baht 438 million or 1.35 percent compared to the same period of 2022. KBank and its subsidiaries set aside expected credit loss of Baht 38,269 million, an increase of Baht 9,134 million or 31.35 percent. KBank continued to adopt a consistently prudent approach in setting aside expected credit loss to bolster our strength while also focusing on continual proactive asset quality management amid a global economic slowdown and uncertainty as well as surrounding factors which hindered Thai economic growth. Therefore, our expected credit loss in the third quarter was almost on par with the figure seen in the preceding quarters and consistent with the Bank's estimates. Credit cost during the nine-month period of 2023 stood at 2.07 percent, rising from 1.59 percent during the same period of last year. Moreover, our coverage ratio as of September 30, 2023, was equal to 154.90 percent.

Operating profit before expected credit loss and income tax expense during the nine-month period of 2023 amounted to Baht 81,298 million, an increase of Baht 11,151 million or 15.90 percent compared to the

same period of last year. The increase came from net interest income, which rose by Baht 12,744 million or 13.16 percent in line with the policy rate hikes despite rising financial cost from an increase in the rate of contribution to the Financial Institutions Development Fund (FIDF) and Deposit Protection Agency (DPA) to the normal level of 0.46 percent and an increase in deposit interest rates. Moreover, KBank continued to adopt a proactive stance in providing assistance to customers who have been affected by the uneven economic recovery to ensure their business continuity. Net interest margin thus stood at 3.62 percent.

In addition, non-interest income increased by Baht 5,157 million or 19.09 percent, mainly due to an increase in financial instruments measured at fair value through profit or loss in line with market conditions, and an increase in revenue from trading and foreign exchange transactions. However, other operating expenses increased by Baht 6,750 million or 12.57 percent due to increased employee expenses, also driven in part by one-time expenses after the implementation of cost-of-living subsidy measures and rising expenses for customer services which rose in line with business volume. As a result, cost to income ratio during the nine-month period of 2023 stood at 42.65 percent, relatively stable compared to the same period of 2022.

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

(Unit: Percent)

Financial Ratio	Q3-2023	Q2-2023	Increase (Decrease)	Nine-month of 2023	Nine-month of 2022	Increase (Decrease)
Return on Assets (ROA) ²⁾	1.06	1.03	0.03	1.03	1.04	(0.01)
Return on Equity (ROE) ³⁾	8.63	8.82	(0.19)	8.63	8.97	(0.34)
Net Interest Margin (NIM) ²⁾	3.76	3.63	0.13	3.62	3.26	0.36
Cost to Income Ratio	42.07	43.37	(1.30)	42.65	43.37	(0.72)

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	Sep. 30, 2023	Jun. 30, 2023	Change	Dec 31, 2022	Change
Significant increase in credit risk loans ⁴⁾ to total loans ⁵⁾	6.19	6.15	0.04	6.47	(0.28)
Significant increase in credit risk loans and credit impaired loans ⁶⁾ to total loans ⁵⁾	9.22	9.37	(0.15)	9.67	(0.45)
NPLs gross ⁷⁾ to total loans ⁸⁾	3.11	3.20	(0.09)	3.19	(0.08)
Total allowance to NPL gross (Coverage ratio) ⁹⁾	154.90	147.31	7.59	154.26	0.64
Loans ¹⁰⁾ to Deposits Ratio	90.95	90.40	0.55	90.77	0.18
Capital Adequacy Ratio ¹¹⁾	19.62	19.01	0.61	18.81	0.81
Tier 1 Capital Ratio ¹¹⁾	17.65	17.04	0.61	16.84	0.81

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 third quarter of 2023 was Baht 38,019 million, increasing by Baht 1,318 million, or 3.59 percent over-quarter. The increase was derived mainly from interest income from loans to customers which rose by Baht 1,476 million or 4.26 percent in line with rising average yield. Meanwhile, interest expenses from deposits from customers increased by Baht 615 million or 19.23 percent in line with rising average interest rate, and interest expenses from interbank and money market items also rose by Baht 187 million or 22.70 percent in line with rising average yield and average transaction volume. Therefore, our NIM for the third quarter of 2023 was equal to 3.76 percent, higher than 3.63 percent in the previous quarter.

During the nine-month period of 2023, net interest income stood at Baht 109,595 million, an increase of Baht 12,744 million or 13.16 percent from the same period of last year. The increase came mainly from interest income from loans to customers which increased Baht 18,887 million, or 22.40 percent in line with rising average yield. Moreover, interest income from interbank and market items rose by Baht 4,338 million or 145.97 percent due to rising average yield and average transaction volume. At the same time, interest expenses from contribution to Financial Institutions Development Fund and Deposit Protection Agency increased by Baht 4,678 million or 99.08 percent in line with an increase in the rate of contribution to Financial Institutions Development Fund to the normal level of 0.46 percent and deposit interest which rose by Baht 4,332 million or 79.32 percent due mainly to rising average interest rate. Our NIM for the nine-month period of 2023 therefore stood at 3.62 percent, rising from 3.26 percent during the same period of last year.

(Unit: Million Baht)

	Q3-2023	Q2-2023	Change		Nine-month of 2023	Nine-month of 2022	Change	
			Increase	Percent			Increase	Percent
			(Decrease)				(Decrease)	
Interest Income	47,236	45,215	2,021	4.47	134,892	109,912	24,980	22.73
Interbank and money market items	2,323	2,696	(373)	(13.85)	7,311	2,973	4,338	145.97
Investments	6,844	5,973	871	14.60	18,708	17,488	1,220	6.98
Loans to customers	36,125	34,649	1,476	4.26	103,204	84,317	18,887	22.40
Hire purchase and finance leases	1,944	1,897	47	2.48	5,669	5,134	535	10.43
Others	-	-	-	-	-	-	-	-
Interest expenses	9,217	8,514	703	8.26	25,297	13,061	12,236	93.69
Deposits from customers	3,814	3,199	615	19.23	9,793	5,461	4,332	79.32
Interbank and money market items	1,015	828	187	22.70	2,478	895	1,583	177.08
Contributions to Financial Institutions Development Fund and Deposit Protection Agency	3,137	3,142	(5)	(0.17)	9,399	4,721	4,678	99.08
Debts issued and borrowings	1,224	1,317	(93)	(7.12)	3,550	1,919	1,631	84.94
Others	27	28	(1)	(2.96)	77	65	12	19.83
Total Interest Income – net	38,019	36,701	1,318	3.59	109,595	96,851	12,744	13.16
Yield on Earning Assets (percent)	4.67	4.47		0.20	4.46	3.70		0.76
Cost of Fund (percent)	1.24	1.14		0.10	1.13	0.59		0.54
Net Interest Margin (NIM) (percent)	3.76	3.63		0.13	3.62	3.26		0.36

□ Non-Interest Income

KBank's consolidated non-interest income in the third quarter of 2023 totaled Baht 9,096 million, decreasing by Baht 2,273 million, or 20.00 percent over-quarter. The decrease came mainly from financial instruments measured at fair value through profit or loss which dropped by Baht 2,728 million or 77.38 percent in line with market conditions. Meanwhile, gain on investment rose by Baht 442 million or 208.37 percent.

During the nine-month period of 2023, non-interest income totaled Baht 32,164 million, an increase of Baht 5,157 million or 19.09 percent from the same period of last year. The increase came mainly from financial instruments measured at fair value through profit or loss which rose by Baht 7,615 million or 2,011.39 percent in line with market conditions. Meanwhile, net fees and service income dropped by Baht 1,472 million or 5.86 percent due mainly to a decrease in brokerage fees, fees from money transfer and loan-related fee income. Moreover, net premiums earned – net dropped by Baht 1,167 million or 42.52 percent due to a larger increase in underwriting expenses than net premiums earned.

(Unit: Million Baht)

	Q3-2023	Q2-2023	Change		Nine-month of 2023	Nine-month of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Non-Interest Income								
Fees and Service Income	12,177	11,877	300	2.53	36,582	36,148	434	1.20
Fees and Service Expenses	4,374	4,163	211	5.07	12,951	11,045	1,906	17.26
Fees and Service Income - net	7,803	7,714	89	1.15	23,631	25,103	(1,472)	(5.86)
Gain (Loss) on Financial Instrument Measured								
at Fair Value through Profit or Loss	797	3,525	(2,728)	(77.38)	7,993	378	7,615	2,011.39
Gain (Loss) on Investments	230	(212)	442	208.37	(135)	(169)	34	20.26
Share of Profit (Loss) from Investments using								
Equity Method	105	(182)	287	157.45	(77)	61	(138)	(228.00)
Dividend Income	852	1,119	(267)	(23.88)	2,948	2,932	16	0.54
Net Premiums Earned	15,907	15,361	546	3.55	49,689	47,965	1,724	3.60
Other Operating Income	673	531	142	26.57	1,717	1,448	269	18.57
<u>Less Underwriting Expenses</u>	17,271	16,487	784	4.76	53,602	50,711	2,891	5.70
Total Non-Interest Income	9,096	11,369	(2,273)	(20.00)	32,164	27,007	5,157	19.09

□ Other Operating Expenses

KBank's consolidated other operating expenses for the third quarter of 2023 were Baht 19,821 million, a decrease of Baht 1,026 million, or 4.92 percent over-quarter mainly due to estimated employee expenses and marketing expenses. Therefore, our cost to income ratio stood at 42.07 percent, slightly decreasing from 43.37 percent in the previous quarter.

During the nine-month period of 2023, other operating expenses were Baht 60,461 million, an increase of Baht 6,750 million or 12.57 percent from the same period of last year. The increase came mainly from an increase in employee expenses, also driven in part by one-time expenses after the implementation of cost-of-living subsidy measures and rising expenses for customer services which rose in line with business volume. Therefore, our cost to income ratio stood at 42.65 percent, which was close to the level seen in the same period of last year.

(Unit: Million Baht)

	Q3-2023	Q2-2023	Change		Nine-month of 2023	Nine-month of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Employee Expenses	9,485	9,881	(396)	(4.01)	29,490	26,318	3,172	12.05
Directors' Remuneration	29	87	(58)	(66.25)	139	131	8	5.85
Premises and Equipment Expenses	2,878	3,010	(132)	(4.40)	8,619	8,497	122	1.43
Taxes and Duties	1,636	1,727	(91)	(5.27)	4,984	4,450	534	12.02
Others	5,793	6,142	(349)	(5.68)	17,229	14,315	2,914	20.36
Total Other Operating Expenses	19,821	20,847	(1,026)	(4.92)	60,461	53,711	6,750	12.57
Cost to Income Ratio (percent)	42.07	43.37		(1.30)	42.65	43.37		(0.72)

□ Classified Loans and Expected Credit Loss

● Classified Loans

KBank classified loans into three levels per TFRS 9. The classified loans in stage 2 include the loans with significantly increasing credit risk since initial recognition but without credit impaired. As of September 30, 2023 and June 30, 2023, loans with significantly increasing credit risk (underperforming loans) to total loans ratio was equal to 6.19 percent and 6.15 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 9.22 percent and 9.37 percent, respectively.

(Unit: Million Baht)

	Sep. 30, 2023		Jun. 30, 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	2,185,942	47,683	2,192,421	46,576
Stage 2 Under-performing	178,683	40,359	178,995	40,556
Stage 3 Non-performing	87,383	41,723	93,834	41,028
Total	2,452,008	129,765	2,465,250	128,160

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

● Modified Loans

KBank and its subsidiaries engaged in modification contracts with customers. In the nine-month period of 2023, there were loans before modification amounting to Baht 8,674 million and incurred losses amounting to Baht 374 million.

● Expected Credit Loss

KBank and its subsidiaries set aside expected credit loss of Baht 12,793 million for the third quarter of 2023, which was almost on par with the previous quarter and in line with our estimates. As a result, our expected credit loss to average loans for the third quarter of 2023 stood at 2.09 percent, slightly higher than the figure of 2.08 percent in the previous quarter.

During the nine-month period of 2023, KBank and its subsidiaries set aside expected credit loss of Baht 38,269 million, an increase of Baht 9,134 million or 31.35 percent from the same period of last year. KBank continued to adopt a consistently prudent approach in setting aside expected credited loss to bolster our strength while also focusing on continual proactive asset quality management amid a global economic slowdown and uncertainty as well as surrounding factors which hindered Thai economic growth.

Our expected credit loss to average loans for the nine-month period of 2023 stood at 2.07 percent, higher than the figure of 1.59 percent for the same period last year. Moreover, our coverage ratio as of September 30, 2023, was equal to 154.90 percent.

Expected Credit Loss

(Unit: Million Baht)

	Q3-2023	Q2-2023	Change		Nine-month of 2023	Nine-month of 2022	Change	
			Increase (Decrease)	Percent			Increase (Decrease)	Percent
Expected Credit Loss	12,793	12,784	9	0.07	38,269	29,135	9,134	31.35
Expected Credit Loss to Average Loans (percent)	2.09	2.08		0.01	2.07	1.59		0.48

Expected Credit Loss

As of September 30, 2023, KBank and its subsidiaries' expected credit loss totaled Baht 129,765 million.

— Non-Performing Loans and Debt Restructuring

Non-Performing Loans

As of September 30, 2023, financial conglomerate's NPLs stood at Baht 89,459 million, or 3.11 percent of the total outstanding credit, including that of financial institutions. KBank's NPLs totaled Baht 83,879 million, or 3.10 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	Sep. 30, 2023	Jun. 30, 2023
Financial conglomerate NPLs	89,459	92,864
Percent of total outstanding credit, including that of financial institutions	3.11	3.20
KBANK NPLs	83,879	87,572
Percent of total outstanding credit, including that of financial institutions	3.10	3.19

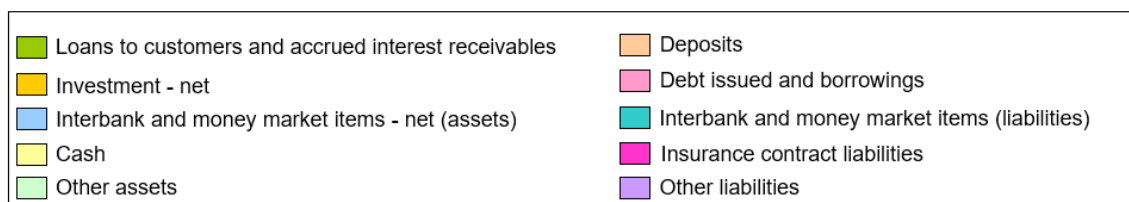
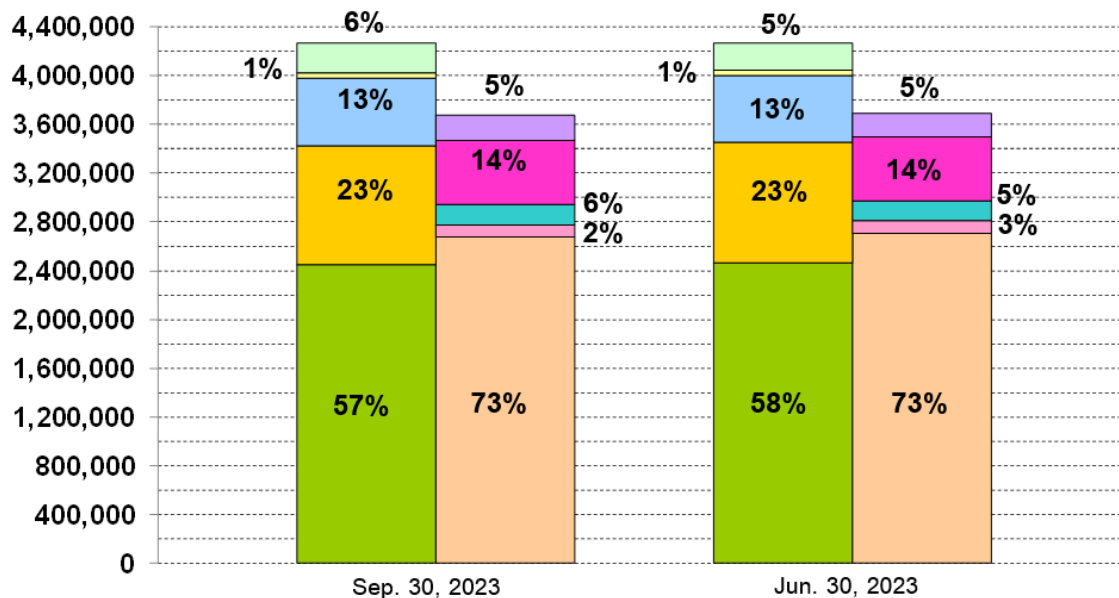
Properties Foreclosed

As of September 30, 2023, our financial conglomerate properties foreclosed had a net value of Baht 53,602 million, thus being 1.26 percent of total assets.

4.2 Financial Position

Assets and Liabilities Structure

(Unit: Million Baht)



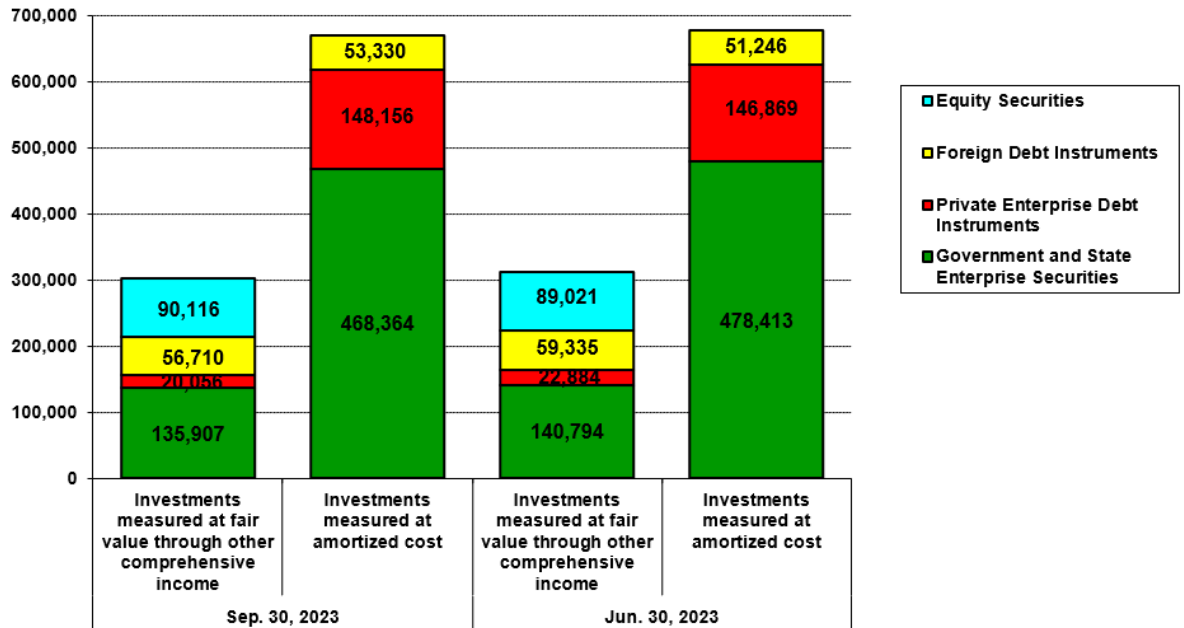
□ Assets

At the end of the third quarter of 2023, KBank's consolidated assets totaled Baht 4,266,004 million, decreasing slightly by Baht 2,096 million or 0.05 percent from the end of the previous quarter. The decline was due mainly to a decrease in net investment and loans to customers. Meanwhile, net interbank and money market items increased. Key details are as follows:

- Net investment at the end of the third quarter of 2023 totaled Baht 972,639 million, decreasing by Baht 15,923 million or 1.61 percent from the end of the previous quarter, due mainly to sales and maturity of government bonds.
- Loans to customers at the end of the third quarter of 2023 totaled Baht 2,438,026 million, decreasing by Baht 11,263 million or 0.46 percent from the end of the previous quarter, due to our prudent credit underwriting approach and asset quality management amid an economic slowdown.
- Net interbank and money market items at the end of the third quarter of 2023 totaled Baht 556,949 million, increasing by Baht 8,104 million or 1.48 percent from the end of the previous quarter, due mainly to KBank's liquidity management.

Investments in Securities

(Unit: Million Baht)



□ Liabilities and Equity

Our consolidated liabilities at the end of the third quarter of 2023 amounted to Baht 3,676,666 million, which declined by Baht 10,475 million or 0.28 percent from the end of the previous quarter. The decrease was mainly attributable to decreased deposits and debt issued and borrowings. Meanwhile, interbank and money market items and derivative liabilities increased. Significant changes in our consolidated liabilities included:

- Deposits at the end of the third quarter of 2023 equaled Baht 2,680,655 million, decreasing by Baht 28,845 million or 1.06 percent from the end of the previous quarter, mainly as a result of a decline in savings deposits. Meanwhile, fixed deposits increased.
- Debt issued and borrowings at the end of the third quarter of 2023 equaled Baht 89,698 million, decreasing by Baht 8,986 million or 9.11 percent from the end of the previous quarter, due mainly to redemption of short-term debentures and unsubordinated and unsecured debentures by the Bank.
- Interbank and money market items at the end of the third quarter of 2023 equaled Baht 175,594 million, increasing by Baht 9,092 million or 5.46 percent from the end of the previous quarter, mainly as a result of KBank's liquidity management.
- Derivative liabilities at the end of the third quarter of 2023 equaled Baht 71,309 million, increasing by Baht 12,814 million or 21.91 percent from the end of the previous quarter, due mainly to mark to market of financial derivatives in line with market conditions such as foreign exchange rates and interest rates. However, changes in derivative liabilities should be considered in conjunction with derivative assets. KBank has already mitigated significant risks with counterparties.

Equity (attributable to KBank) at the end of the third quarter of 2023 amounted to Baht 525,160 million, increasing by Baht 8,807 million or 1.71 percent from the end of the previous quarter, derived mainly from KBank’s net operating profit in the third quarter of 2023 which totaled Baht 11,282 million.

□ Relationship between Sources and Uses of Funds

As of September 30, 2023, the funding structure as shown in the consolidated financial statement comprised Baht 3,676,666 million in liabilities and Baht 589,338 million in equity – of which Baht 525,160 million was equity (attributable to equity holders of the Bank), resulting in a debt-to-equity ratio of 7.00. The main source of funds on the liabilities side was deposits, which equaled Baht 2,680,655 million or 62.84 percent of the total source of funds as of September 30, 2023. Meanwhile, interbank and money market items as well as debt issued and borrowings accounted for 4.12 percent and 2.10 percent of the total source of funds, respectively.

As of September 30, 2023, KBank and subsidiaries’ major use of funds was loans to customers which amounted to Baht 2,438,026 million, resulting in loan-to-deposit ratio of 90.95 percent. As for the remaining liquidity, KBank invested in various selections of liquid assets, such as interbank and money market items, financial assets measured at fair value through profit or loss, and investments in securities.

4.3 Loans and Deposits

□ Loans

As of September 30, 2023, KBank’s consolidated outstanding loans stood at Baht 2,438,026 million, decreasing by Baht 11,263 million or 0.46 percent, over-quarter.

Loans Classified by Business

(Unit: Million Baht)

	Sep. 30, 2023		Jun. 30, 2023	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,601,517	676,516	1,617,066	684,277

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 third quarter of 2023, our corporate business loans (Corporate and SME customers) had decreased by Baht 15,549 million or 0.96 percent from the previous quarter. The decline was attributable to a decrease in new loans, reflecting business restrictions as a result of an uneven economic recovery.

Corporate business loans decreased, mostly seen in pharmaceuticals and hospitals, packaging and printing, as well as consumer commerce sector. 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 both behavioral analysis and debt servicing ability assessment, 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 third quarter of 2023 decreased by Baht 7,761 million or 1.13 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. KBank focused on high-quality customers with high income or the potential to increase their income. For new customers with insufficient data, we offered credit limits and interest rates based on their risk appetite while closely monitoring their credit quality. Regarding 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.

□ Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Sep. 30, 2023	Jun. 30, 2023	Increase (Decrease)	Percent
Total Deposits	100.00	2,680,655	2,709,500	(28,845)	(1.06)
Current accounts	5.69	152,656	147,516	5,140	3.48
Savings accounts	73.98	1,982,972	2,025,910	(42,938)	(2.12)
Fixed-term deposit accounts	20.33	545,027	536,074	8,953	1.67

Competition in the deposit market in the third quarter of 2023 gradually increased to accommodate loan growth due to seasonality during the second half of the year and in line with the policy rate increase. KBank still focused on maintaining financial liquidity through management of deposit costs at an appropriate level and offering deposit products that are responsive to the needs of all customer segments.

In this quarter, KBank introduced special fixed deposit products offering appropriate and competitive interest rates. We conducted PR campaigns via media at branches and online channels to mobilize deposits

from our customers on a broader scope. We expanded the new customer base for K-eSavings, especially among school and university students. To this end, we set up PR booths at target educational institutions and introduced online promotional campaigns. The initiatives aim to highlight the convenience of opening and using K-eSavings that aligns with customers' prevailing lifestyles as it can be used as a tool for saving as well as a secure and convenient payment channel.

Moreover, KBank introduced an Online Direct Debit promotional campaign to customers who are savings cooperative members with a linked account to KBank deposit account on K PLUS. The campaign was intended to encourage these customers to use K PLUS as their main channel for conducting deposit, withdrawal and transfer transactions.

4.4 Treasury Operations

In the third quarter of 2023, the US Federal Reserve (Fed) raised its policy rate by an additional 0.25 percent to a range of 5.25-5.50 percent as US inflation remained higher than normal. Meanwhile, in Thailand, the Monetary Policy Committee (MPC) hiked its policy rate by a total of 0.50 percent – from 2.00 percent to 2.50 percent – as per the resolutions from its meetings held on August 2, 2023, and September 27, 2023, to maintain a balanced economic recovery and keep the inflation rate within its target range.

Regarding movements in the short-term money market in this quarter, average overnight interbank lending rates rose to 2.15 percent p.a., compared to the average rate of 1.81 percent p.a. in the previous quarter, in line with an increase in the key policy rate.

KBank's guideline for its investment portfolio is to prioritize the maintenance of liquidity in order to accommodate any future change in business conditions. An investment strategy has been established in line with changes in economic conditions, as well as the movements of money and capital markets both at home and abroad. During the remainder of 2023, the Fed's policy rate is expected to remain stable or increase further. This could lead to volatility and pressure on interest rates in the US Dollar-denominated bond market and elsewhere. Meanwhile, Thai bond yields may face pressure from the government's economic stimulus policies going forward. KBank therefore aligned the investment strategy of the bond portfolio to be consistent with interest rate trends by focusing on short-term bond holding while also making prudent adjustments to limit the potential impacts of interest rate volatility.

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 customers' 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	3Q23	2Q23	Change	
				Increase (Decrease)	Percent
Interest Income¹⁾					
Interbank and money market items ²⁾	59.37	2,851	2,317	534	23.05
Investments	40.63	1,951	1,453	498	34.27
Total	100.00	4,802	3,770	1,032	27.37

Note: ¹⁾ Managerial figures

²⁾ Including loans

Total interest income in the third quarter of 2023 stood at Baht 4,802 million, increasing by Baht 1,032 million or 27.37 percent over-quarter, attributed mainly to rising interest rates in the market in line with the policy rate.

4.5 Capital Requirements¹⁾

As of the end of the third quarter of 2023, KASIKORNBANK FINANCIAL CONGLOMERATE under the Basel III capital requirements, had capital funds of Baht 538,839 million, consisting of Baht 484,811 million in Tier-1 capital (Baht 457,898 million in Common Equity Tier-1 capital) and Baht 54,028 million in Tier-2 capital. The capital adequacy ratio was 19.62, Tier-1 capital ratio was 17.65 percent and Common Equity Tier-1 ratio was equal to 16.67 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	Minimum Requirements including Buffer Requirement ³⁾	Basel III				
		Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
Tier 1 Capital Ratio	9.50	17.65	17.04	16.92	16.84	17.21
<i>Common Equity Teir 1 Ratio</i>	8.00	16.67	16.06	15.94	15.86	16.20
Tier 2 Capital Ratio	-	1.97	1.97	1.98	1.97	1.98
Capital Adequacy Ratio	12.00	19.62	19.01	18.90	18.81	19.19

● The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
Tier 1 Capital Ratio	9.50	16.95	16.12	16.06	15.96	16.14
<i>Common Equity Tier 1 Ratio</i>	8.00	15.90	15.08	15.02	14.93	15.08
Tier 2 Capital Ratio	-	2.07	2.06	2.07	2.06	2.08
Capital Adequacy Ratio	12.00	19.02	18.18	18.13	18.02	18.22

Notes: 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.

4.6 Credit Ratings

At the end of September 2023, the Bank's credit ratings given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of June 2023.

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

KASIKORNBANK's Credit Ratings

Credit Ratings Agency	Sep. 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

Domestic Currency

Outlook	Stable
Long-term - Deposit	Baa1
- Counterparty Risk	A3
Short-term - Debt / Deposit	P-2
- Counterparty Risk	P-2

Standard & Poor's ¹⁾Global Scale Ratings

Outlook	Stable
Long-term Counterparty Credit Rating	BBB
Long-term Certificate of Deposit	BBB
Short-term Counterparty Credit Rating	A-2
Short-term Certificate of Deposit	A-2
Senior Unsecured Notes (Foreign Currency)	BBB

Fitch Ratings 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.

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

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