



Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2023

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Overall market environment

For the year 2023, the Thai economy continued to recover with an expected expansion of 2.4%. The main driving force is private sector consumption, fueled by improved income and the continuous recovery of the tourism sector. In 2023, tourist arrivals to Thailand reached 28 million, increasing from 11 million during 2022. Inflation slowed down due to reduced oil prices, but exports contracted by 1.0% in 2023, influenced by global trade slowdown, particularly in electronic goods.

The Thai Monetary Policy Committee (MPC) voted to raise the policy rate by a total of 125 basis points to 2.50% in 2023, following a continuous economic recovery. The MPC assessed that the Thai economy would gradually recover, reaching its potential, and inflation rates would return to the target range. Despite the consistent increases in interest rates by the MPC in 2023, the rates remained relatively low compared to those in other major economies. This resulted in interest rate differentials that contributed to the fluctuation of the Thai Baht throughout 2023.

The Thai economy in 2024 will continue to expand, but the recovery might remain fragile and uneven across sectors and across geographic areas. The economic rebound in Thailand continues to be driven mainly by an increase in tourist numbers. It is anticipated that tourist arrivals will likely continue to recover to approximately 35 million people in 2024, up from 28 million during 2023. While exports are expected to return to growth from the previous year's contraction, the recovery is anticipated to be slow. This slow recovery is attributed to the challenges faced by various Thai export products competing with Chinese products. Similarly, domestic demand, particularly durable goods consumption, is also expected to slow down due to high household debt and rising interest rates. The inflation rate is expected to adjust downward in response to lower oil prices and weak domestic demand. However, there remains uncertainty regarding the impact of digital wallet policies. If this policy is implemented, it will have potential to positively influence short-term consumption and the economy in general. Although the Bank of Thailand is expected to maintain the policy interest rate at 2.5%, there is a possibility of a rate reduction in the second half of the year if the digital wallet policies fail to implement and economic conditions becomes more severe than expected.

Key risks that could impede the recovery of the Thai economy in 2024 include: 1) Global economic slowdown, pressured by heightened interest rate 2) China's economy slowdown due to rising vulnerabilities in its property sector that could hinder Thai exports and tourism sector 3) International geopolitical uncertainties that might affect the trajectory of economic recovery and inflation outlook, 4) Lower competitiveness in some Thai exports such as electrical appliances and internal combustion car that negatively affected by technological change, 5) Rising default risk of corporate bonds and non-performance loans in banking sector from heightened interest rate amid economic slowdown and digital wallet policy uncertainty.

The auto industry for 2023 continuously declined compared to last year. The total number of car sales for 2023 fell by 8.7% YoY, led by a significant decline in commercial vehicle sales by 17.3%. Meanwhile, personal vehicle sales expanded by 10.3%, driven by the government's support for electric vehicles (EVs). The second-hand car market faced significant challenges in 2023 due to deteriorating farmers' income, rising cost of agricultural production, and elevated interest rate. Consequentially, the number of confiscated cars has increased with a notable drop in prices compared to the beginning of 2023. This imposed direct impacts on hire purchase performance.

The capital market remained weak due to both external and internal factors. US long-term bond yields continued to rise, pressuring more on capital outflow from emerging markets and Baht depreciation. Moreover, negative surprises in the pace of economic recovery from the service and export sectors and post-election domestic politics contributed to deteriorating market sentiment resulting in the SET index at the end of 2023 to close at

1,415.85 points, declining 15.2% from 1,668.66 points at the end of 2022. The average daily trading value (SET and mai) for 2023 decreased by 30.5% to Baht 53,331 million during 2023 from Baht 76,773 million during 2022.

Operating results of the Bank and subsidiaries for the year 2023 and for 4Q23

For 2023, the performance of the Bank and subsidiaries softened comparing to the previous year driven mainly by the increase in expected credit loss and higher expenses from loss on sale of repossessions from the hire purchase business as a result of the uneven economic recovery and external factors relating to the auto industry creating repercussions to the hire purchase business. Additionally, the Bank high loan growth during the past periods coupled with hire purchase segment contributing to a large portion of the Bank total loan portfolio all of which contributed to the considerable performance decline for the year 2023. The capital market business was also impacted by the unfavorable market conditions resulting in the consolidated net profit of the Bank for 2023 to totaled Baht 5,443 million, a decline of 28.4% YoY with comprehensive income for the year 2023 amounted to Baht 5,452 million.

In terms of revenue, the Bank continues to generate strong operating income which totaled Baht 28,763 million for the year 2023, an increase of 4.4% YoY driven by the strong increase in net interest income of 16.8% from loan portfolio expansion, which expanded by 5.3% during 2023 together with the increase in interest rates. The Bank has been able to effectively manage the rising cost of funds resulting in loan spread to remain above the expected level. Meanwhile, non-interest income declined by 23.5% as a result of subdued market conditions, which led to a decline in non-interest income from lower brokerage fee and also lower gain on financial instruments measured at fair value through profit or loss (FVTPL) from market conditions. Bancassurance fee also declined as a result of slower new loan volume. Operating expenses excluding items relating to foreclosed assets remained at a well-controlled level with cost to income ratio¹ for the year 2023 at an efficient level of 40.4%.

The Bank remains committed throughout 2023 in resolving the prevailing asset quality situation in the hire purchase business and the subsequent management of outstanding repossessed assets in order to maximize efficiency resulting in the losses from sale of repossessed cars to be at an elevated level during 2023. Several proactive measures have been pursued in order to improve the quality of the loan portfolio and as a result of the Bank on-going efforts, the Bank saw signs of improvements which have subsequently led to the improving trends in the expected credit loss amount during the last part of 2023. Additionally, during 2023, the Bank was able to successfully resolve a significant non-performing loan account which has been outstanding at the Bank for the past several years leading to a considerable reduction in stage 3 loans in the commercial lending segment.

The Bank continues to proactively monitor the asset quality of all loan segments and maintains its prudent approach in setting up the expected credit loss amount reflecting various aspects of uncertainties including any possible signs of loan deteriorations. For the year 2023, the Bank recorded totaled Baht 6,082 million in expected credit loss amount, an increase of 20.8% YoY. The expected credit loss amount also included additional provision which the Bank has set up during 4Q23, as a precautionary measure for one specific loan customer, of which loan size is approximately Baht 2 billion, which continues to be impacted as a consequence of the Covid-19 situation. The Bank, on a prudent qualitative classification basis, has already classified the account. The Bank has set up additional provision in the amount of approximately Baht 600 million as a pre-emptive cushion for any future risks that may arise from this situation and resulted in this account being fully provisioned for. As of the end of 2023, total allowance for expected credit losses to total NPLs ratio (coverage ratio) improved to 164.6% comparing to

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

154.4% at the end of 2022. Overall asset quality reflects improvement with the Non-Performing Loans² (NPLs) to total loans ratio declining to 3.2% as of the end of 2023, improving from 3.5% from the previous quarter, and declining from 3.3% level if comparing to the end of 2022.

Unit : Baht million	4Q23	3Q23	% QoQ	4Q22	% YoY	2023	2022	% YoY
Net Interest income	5,562	5,988	(7.1)	5,527	0.6	22,294	19,081	16.8
Non-interest income	1,393	1,456	(4.4)	2,620	(46.8)	6,469	8,457	(23.5)
Total operating income	6,955	7,444	(6.6)	8,146	(14.6)	28,763	27,539	4.4
Total other operating expenses	4,584	4,281	7.1	4,295	6.7	15,894	13,013	22.1
Expected credit losses	1,429	1,678	(14.8)	2,069	(30.9)	6,082	5,036	20.8
Profit from operating before income tax expenses	942	1,485	(36.6)	1,782	(47.1)	6,787	9,490	(28.5)
Income tax expenses	270	201	34.4	349	(22.5)	1,331	1,873	(29.0)
Net Profit (attributable to equity holders of the Bank)	670	1,281	(47.7)	1,430	(53.2)	5,443	7,602	(28.4)
Total Comprehensive income (attributable to equity holders of the Bank)	857	1,145	(25.1)	4,257³	(79.9)	5,452	10,120³	(46.1)
Basic earnings per share (Baht)	0.79	1.51	(47.7)	1.69	(53.3)	6.43	8.98	(28.4)

For 4Q23, the consolidated net profit totaled Baht 670 million, a decline of 53.2% compared to 4Q22, of which Baht 71 million was the net profit from Capital Market business. The decline in net profit was driven by the weakened non-interest income of 46.8% YoY from lower net fee and services and other operating income. Operating expenses increased largely due to loss from sale of foreclosed assets while expected credit loss amount declined 30.9% from asset quality improvement measures. Overall, resulting in the decline in net profit for 4Q23. The consolidated comprehensive income for 4Q23 totaled Baht 857 million with Capital Market business's comprehensive income at Baht 46 million.

Summary of financial performance ratios

Annualized Ratios	4Q23	3Q23	4Q22	2023	2022
Net Profit (Baht million)	670	1,281	1,430	5,443	7,602
ROAE (%)	4.4	8.5	10.3	9.2	14.0
ROE (%)	4.5	8.5	10.7	9.4	14.9
ROAA (%)	0.5	0.9	1.1	1.0	1.6
Comprehensive income (Baht million)	857	1,145	4,257	5,452	10,120
ROAE (%)	5.7	7.6	30.6 ⁴	9.2	18.6 ⁴
ROE (%)	5.7	7.6	31.8 ⁴	9.4	19.8 ⁴
ROAA (%)	0.6	0.8	3.3 ⁴	1.0	2.1 ⁴
Loan growth	(0.7)	0.3	3.5	5.3	21.4
NPLs/ Total loans (excluding interbank and POCI)	3.2	3.5	3.3	3.2	3.3
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	164.6	145.3	154.4	164.6	154.4

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

³ During 4Q22, the Bank has performed revaluation on its land and premises using the revaluation method from previous cost method. The value of land and premises have increased from the revaluation and resulted in a gain on revaluation through comprehensive income after deferred tax in the amount of Baht 2,736 million

⁴ If excluding items relating to revaluation of land and premises, the ROAE, ROE and ROAA for 4Q22 will be 10.9%, 11.4%, 1.2% respectively and for year 2022 at 13.6%, 14.5% and 1.6% respectively

Net Interest Income

Unit: Baht million	4Q23	3Q23	% QoQ	4Q22	% YoY	2023	2022	% YoY
Interest income	8,057	8,191	(1.6)	6,886	17.0	30,717	23,671	29.8
Interest on loans	3,566	3,240	10.1	2,887	23.6	12,942	8,970	44.3
Hire purchase and financial lease income	3,749	3,765	(0.4)	3,565	5.2	14,760	13,423	10.0
Interest on POCI	38	607	(93.8)	33	15.0	704	180	292.1
Interest on interbank and money market items	389	279	39.4	214	81.4	1,281	604	112.1
Interest on securities	277	272	1.8	172	60.9	937	456	105.5
Others	38	28	38.3	16	141.9	94	38	145.9
Interest expense	2,495	2,204	13.2	1,359	83.6	8,424	4,589	83.6
Interest on deposits	1,580	1,334	18.5	827	91.1	5,004	2,878	73.8
Interest on interbank and money market items	117	127	(7.5)	78	50.5	440	190	131.1
Interest on debt issued and borrowings	322	284	13.4	201	60.4	1,104	616	79.2
Fees and charges on borrowings	6	5	15.4	6	(2.5)	24	15	62.1
FIDF and DPA fees	449	438	2.4	220	103.7	1,772	820	116.1
Others	20	15	34.5	27	(24.8)	80	70	14.5
Net Interest Income	5,562	5,988	(7.1)	5,527	0.6	22,294	19,081	16.8

For 2023, net interest income amounted to Baht 22,294 million, an increase of Baht 3,212 million or increase of 16.8% from 2022 with following key detail:

- The Bank has been able to efficiently manage the rising funding costs resulting in loan spread for 2023 of 5.2%, higher than expected plan. Loan yield increased to 7.1% from 6.6% YoY consistent with the multiple increases in policy rate while cost of funds continued to rise to 1.9% amid rising interest rates environment and the resumption in the contribution fee to Financial Institution Development Fund (FIDF) to the normalized level of 0.46%. Overall, resulting in loan spread for 2023 to decline to 5.2% from 5.4% YoY
- Interest income totaled Baht 30,717 million, increase of 29.8% driven by increase in interest income on loans of 44.3% and increase in interest income from hire purchase and financial lease income of 10.0% from growth in loan portfolio together with the increase in loan yield. Additionally, the Bank recorded higher income on POCI from the distressed asset management business in the amount of Baht 704 million, a considerable increase YoY
- Interest expense totaled Baht 8,424 million, increased of 83.6% YoY driven by higher volume of deposit and borrowing in tandem with the growth of loan portfolio, the increase in funding costs amid rising market rates together with the resumption in the contribution fee to Financial Institution Development Fund (FIDF) to the normalized level of 0.46%

For 4Q23, net interest income totaled Baht 5,562 million, a slight increase of 0.6% YoY consistent with the growth in loan portfolio and the rise in interest rates but offset by the continuing increase in interest expense from higher deposit volume while interest rates and FIDF contribution fee also increased resulting in overall loan spread for 4Q23 of 5.1%.

Loan Yield, Cost of Fund and Loan Spread

%	4Q23	3Q23	2Q23	1Q23	4Q22	2023	2022
Yield on loan	7.3	7.1	7.1	6.9	6.9	7.1	6.6
Cost of fund	2.2	2.0	1.8	1.7	1.3	1.9	1.2
Loan spread	5.1	5.1	5.3	5.2	5.7	5.2	5.4

Non-Interest Income

Unit: Baht million	4Q23	3Q23	% QoQ	4Q22	% YoY	2023	2022	% YoY
Fees and services income	1,564	1,581	(1.1)	1,881	(16.9)	6,460	7,183	(10.1)
Fees and services expenses	231	244	(5.2)	235	(1.7)	983	1,018	(3.4)
Fees and services income, net	1,333	1,337	(0.3)	1,646	(19.0)	5,476	6,165	(11.2)
Gain (loss) on financial instruments measured at fair value through profit or loss, net	(38)	32	(220.0)	126	(130.3)	441	831	(47.0)
Gain (loss) on investments, net	-	(1)	(100.0)	6	(100.0)	(12)	(4)	225.9
Dividend income	18	49	(62.3)	20	(8.1)	340	507	(32.9)
Other operating income	80	39	103.4	821	(90.2)	224	958	(76.6)
Total Non-Interest Income	1,393	1,456	(4.4)	2,620	(46.8)	6,469	8,457	(23.5)

For 2023, with the prevailing unfavorable market conditions, non-interest income for 2023 totaled Baht 6,469 million, a decline of 23.5% YoY driven by lower net fees and services income of 11.2% largely from decrease in fee income from brokerage business from uncertainties in market conditions leading to the considerable decline in market activities during 2023 with the average daily turnover lowered by 30.5% YoY. Meanwhile, Kiatnakin Phatra Securities continues to maintain the number one position in terms of market share⁵ of 20.8% for 2023. Bancassurance fee also softened from slower new loans. Meanwhile, fee income from investment banking business was at a good level despite unfavorable market conditions. As for other operating income, the decline YoY was due to the weakened economic conditions resulting in the Bank making a significantly lower volume of loan sale during 2023. Gain on financial instruments measured at fair value through profit or loss (FVTPL) also declined YoY from market conditions.

For 4Q23, non-interest income totaled Baht 1,393 million, declining by 46.8% YoY driven mainly from lower other operating income largely from the weakened economic conditions which resulted in the Bank making a significantly lower volume of loan sale during 2023 and also from the decline in gain on financial instruments measured at fair value through profit or loss (FVTPL). Meanwhile, fee and services income also weakened by 19.0% YoY driven by the decline in fee from brokerage business impacted by uncertain market conditions and lower bancassurance fee from slower new loans.

⁵ Including SET and mai but excluding proprietary trading

Other operating expenses

Unit: Baht million	4Q23	3Q23	% QoQ	4Q22	% YoY	2023	2022	% YoY
Employee's expenses	1,900	1,735	9.5	1,795	5.8	7,101	6,954	2.1
Directors' remuneration	13	10	30.8	13	2.0	43	46	(7.1)
Premises and equipment expenses	340	337	0.9	317	7.4	1,323	1,113	18.9
Taxes and duties	154	179	(13.9)	152	1.7	626	509	23.0
Loss from revaluation of foreclosed assets (reversal)	83	(40)	(306.0)	19	328.5	(560)	39	(1,537.2)
Loss from sale of foreclosed assets	1,399	1,344	4.1	644	117.1	4,806	1,540	212.0
(Gain) loss from sale of foreclosed properties	(10)	(19)	(47.9)	(97)	(89.6)	(65)	(303)	(78.7)
Loss from sale of repossessed cars	1,409	1,364	3.4	742	90.0	4,871	1,844	164.2
Other expenses	694	714	(2.8)	1,355	(48.8)	2,554	2,810	(9.1)
Total other operating expenses	4,584	4,281	7.1	4,295	6.7	15,894	13,013	22.1

For 2023, other operating expenses were Baht 15,894 million, increasing by 22.1% comparing to 2022 driven by items as follow:

- If excluding expense items related to foreclosed assets, operating expenses remained at an efficient level with cost-to-income ratio for 2023 at 40.4%
- Loss from sale of foreclosed assets for 2023 totaled Baht 4,806 million increasing from Baht 1,540 million YoY, led by higher loss from sale of repossessed cars totaling Baht 4,871 million, which continued to be at an elevated level. The increase in loss from sale of repossessed cars was due to the higher number of repossessed cars sold from the expanded loan portfolio size and also due to the Bank's continuing proactive measures in managing the outstanding repossessed cars
- Effective 1Q23, the Bank has revised the allowance for impairment of foreclosed properties to be in accordance with the BOT's latest notification issued during the end of 2022 with regards to the foreclosed properties. The revised treatment resulted in a reversal of allowance for impairment of foreclosed properties in the amount of Baht 619 million recorded during 1Q23

For 4Q23, other operating expenses were Baht 4,584 million, increasing by 6.7% YoY, driven by:

- Loss from sale of foreclosed assets for 4Q23 totaled Baht 1,399 million increasing from Baht 644 million YoY driven by the increase in loss from sale of repossessed cars
- Other expenses totaled Baht 694 million, a decline of 48.8% YoY due to the absence of one-time expense which the Bank provisioned for during 4Q22
- Excluding expense items related to foreclosed assets, cost-to-income ratio for 4Q23 increased to 44.5% driven by lower revenue during 4Q23

Expected Credit Loss (ECL)

Unit: Baht million	4Q23	3Q23	% QoQ	4Q22	% YoY	2023	2022	% YoY
Expected Credit Losses	1,429	1,678	(14.8)	2,069	(30.9)	6,082	5,036	20.8
Credit Cost (%)	3.12	3.32		3.12		3.01	2.10	

For 2023, the Bank remains prudent when setting aside provisions to reflect prevailing uncertainties resulting in 2023 expected credit loss amount to remain at an elevated level of Baht 6,082 million, increasing by 20.8% comparing to 2022. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 2023 increased to 3.01% of average loan, from 2.10% during 2022.

The increase in expected credit loss and loss from sale of repossessed cars (credit cost) was driven primarily by the expanded loan portfolio size and the impact to loan quality amid an uneven economic recovery. Furthermore, external factors relating to the auto industry also impact the performance of hire purchase business. The Bank continues to proactively pursue several measures to manage the quality of the loan portfolio and outstanding repossessed cars focusing on loan approval criteria, collection process, management of car repossessions in order to maximize efficiency. From the Bank on-going efforts, the Bank continues to see signs of improvement with an improving trend in expected credit loss level. The expected credit loss amount for 2023 also reflects additional provisions for Management Overlay which the Bank has set up as a pre-emptive cushion for possible risks that may arise in the future as a result of deterioration in asset quality of one specific loan customer as detailed in earlier section.

As of the end of 2023, allowance for expected credit losses to total NPLs ratio (coverage ratio) increased to 164.6%, improving from 154.4% at the end of 2022.

For 4Q23, expected credit losses totaled Baht 1,429 million, decline of 30.9% YoY from Baht 2,069 million during 4Q22 as a result of measures undertaken to improve asset quality. Provisions including loss from sale of repossessed cars (credit cost) for 4Q23 lowered to 3.12% of average loan from 3.32% during the previous quarter and remaining stable if comparing to same quarter last year. The expected credit loss amount for 4Q23 also reflects additional provisions for Management Overlay which the Bank has set up as a pre-emptive cushion for possible risks that may arise in the future as a result of deterioration in asset quality of one specific loan customer.

Statements of Financial Position

Assets

As of the end of December 2023, totaled Baht 545,327 million, an increase of 7.4% from the end of 2022 driven by the increase in loans to customers and accrued interest receivables and interbank and money market items.

Assets (Baht Thousand)	Consolidated		Change	
	Dec 31, 2023	Dec 31, 2022	Amount	%
Cash	1,381,596	1,000,242	381,354	38.1
Interbank and money market items, net	62,029,433	45,732,349	16,297,084	35.6
Financial assets measured at fair value through profit or loss	16,035,387	18,702,990	(2,667,603)	(14.3)
Derivatives assets	8,062,453	10,538,015	(2,475,562)	(23.5)
Investment, net	36,261,569	31,847,691	4,413,878	13.9
Investments in properties, net	20,038	20,221	(183)	(0.9)
Loans to customers and accrued interest receivables, net	384,825,621	364,870,521	19,955,100	5.5
Properties foreclosed, net	7,240,407	5,787,730	1,452,677	25.1
Land, premises and equipment, net	7,436,488	7,412,008	24,480	0.3
Right-of-use assets	245,726	282,138	(36,412)	(12.9)
Other intangible assets, net	1,707,800	1,388,321	319,479	23.0
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,717,031	1,431,900	285,131	19.9
Accounts receivable from clearing house and broker - dealers	1,954,980	1,275,894	679,086	53.2
Securities and derivative business receivables	5,528,970	7,976,075	(2,447,105)	(30.7)
Other assets, net	7,813,483	6,304,888	1,508,595	23.9
Total Assets	545,327,017	507,637,018	37,689,999	7.4

Liabilities

As of the end of December 2023, amounted to Baht 484,074 million, increasing 7.7% from the end of 2022. Deposits were Baht 358,903 million, increased of 8.3% from the end of 2022 driven primarily by the increase in term deposits while current and saving accounts declined resulting in the proportion of current and saving accounts (CASA) of 35.7% with term deposits contributing to 64.3% of total deposits amount. Debts and borrowings were Baht 68,900 million, increasing by 12.3% from the end of 2022. Loans to deposits and borrowings ratio as of the end of 2023 stood at 93.1%, declining from 96.4% at the end of 2022.

<u>Liabilities</u> (Baht Thousand)	<u>Consolidated</u>		<u>Change</u>	
	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>	<u>Amount</u>	<u>%</u>
Deposits	358,902,512	331,464,000	27,438,512	8.3
Current Account	1,124,152	1,928,539	(804,387)	(41.7)
Saving Account	127,177,454	194,127,586	(66,950,132)	(34.5)
Term Deposit	230,523,115	135,303,583	95,219,532	70.4
Certificate of Deposit	77,792	104,292	(26,500)	(25.4)
Interbank and money market items, net	23,035,081	20,175,120	2,859,961	14.2
Liabilities payable on demand	483,354	339,834	143,520	42.2
Financial liabilities measured at fair value through profit or loss	1,332,833	3,556,542	(2,223,709)	(62.5)
Derivatives liabilities	8,502,677	9,328,151	(825,474)	(8.8)
Debt issued and borrowings	68,899,979	61,354,232	7,545,747	12.3
Lease liabilities	182,008	210,623	(28,615)	(13.6)
Provisions	1,301,936	1,207,623	94,313	7.8
Deferred tax liabilities	555,218	529,924	25,294	4.8
Accounts payable to clearing house and broker - dealers	151,102	164,038	(12,936)	(7.9)
Securities and derivative business payables	6,894,432	8,179,754	(1,285,322)	(15.7)
Accrued interest expenses	1,063,220	505,437	557,783	110.4
Other accounts payable	7,010,932	6,778,086	232,846	3.4
Income tax payable and specific business tax payable	471,466	623,071	(151,605)	(24.3)
Other liabilities	5,287,417	5,109,137	178,280	3.5
Total Liabilities	484,074,167	449,525,572	34,548,595	7.7

Capital Adequacy Ratio

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

As of December 31, 2023, the consolidated Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2Q23 after interim dividend payment was at 16.61% while Tier 1 ratio was at 13.30%. When including net profit up to end of 4Q23, the BIS ratio will increase to 17.03% while Tier 1 ratio will be 13.73%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 80.10% of total capital reflecting high quality of capital.

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

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

	Bank Only			Consolidated		
	Dec 2023	Sept 2023	Dec 2022	Dec 2023	Sept 2023	Dec 2022
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	47,655	47,161	43,115	54,047	53,614	49,906
Tier 1 capital	47,655	47,161	43,115	54,047	53,614	49,906
Total capital	60,947	61,447	55,525	67,471	68,043	62,299
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	12.30	11.93	11.73	13.30	12.94	13.32
Tier 1 capital	12.30	11.93	11.73	13.30	12.94	13.32
Total capital	15.73	15.54	15.11	16.61	16.43	16.63

Business Segment Performance

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

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

Loans to Customers

Type of loans (Baht million)	December 2023	September 2023	Change (% QoQ)	December 2022	Change (% YTD)
Retail Lending	270,583	271,923	(0.5)	255,644	5.8
Hire Purchase	186,981	191,293	(2.3)	185,342	0.9
Personal loan	13,703	13,020	5.2	10,128	35.3
Micro SMEs loan	14,000	13,056	7.2	10,757	30.2
Housing loan	55,899	54,554	2.5	49,418	13.1
Commercial Lending	58,662	61,542	(4.7)	59,507	(1.4)
Real Estate Development loan	25,168	28,358	(11.2)	25,130	0.2
SMEs loan	33,494	33,184	0.9	34,377	(2.6)
Corporate Lending	57,720	56,534	2.1	51,817	11.4
Special Asset Management loan	1,033	1,037	(0.4)	1,102	(6.3)
Lombard loan	11,047	10,727	3.0	11,129	(0.7)
Total loans	399,045	401,763	(0.7)	379,200	5.2
Total loans (excluding POCI)	398,455	401,169	(0.7)	378,531	5.3

As of the end of 2023, total loans excluding POCI totaled Baht 398,455 million, expanding by 5.3% from the end of 2022, a slower growth YoY consistent with the Bank’s direction for a slower loan growth amid an uneven economic recovery. Loan expansion will be focused on quality and profitable loan segments. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 270,583 million, increasing by 5.8% from the end of 2022. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.
 - **Hire purchase loans** amounted to Baht 186,981 million, contracted 2.3% from the previous quarter, if comparing to end of 2022, expanded slightly by 0.9%, a slower growth YoY. New hire purchase business volume booked during 2023 totaled Baht 66,300 million, declining by 20% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 46.9% with the portion of new cars to used cars at 38:62. The domestic new car sales for 2023 totaled 775,780 units, declining by 8.7% comparing to 2022.

The penetration rate of the Bank new cars lending to the domestic new car sales for 2023 was at 3.9%, declining from 5.3% YoY.

- **Other retail loans** amounted to Baht 83,602 million, with overall other retail loans expansion of 18.9% for the year 2023 with growth across all segments. Total combined other retail loans portion to total Bank loan portfolio increased to 21.0% as of the end of 2023.
- **Commercial Lending** business loans amounted to Baht 58,662 million, contracted by 1.4% from the end of 2022. Commercial Lending includes real estate development loans and SMEs loans, detail are as follows:
 - **Real estate development loans** totaled Baht 25,168 million, slight increase of 0.2% from the end of 2022.
 - **SMEs loans** were Baht 33,494 million, declining by 2.6% from the end of 2022. SMEs loan comprises of several business sectors including Apartment & Hotel, Logistics, Commercial & Industrial and Construction Machinery & Materials.
- **Corporate Lending** provides lending services to listed companies and large corporates or financing for investment banking transactions of Capital Market Business. Current outstanding loans totaled Baht 57,720 million, expanded by 11.4% from the end of 2022.
- **Special asset management (SAM)** is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,033 million. Assets under SAM were subjected to change in classification from TFRS 9 for financial assets classified as Purchased or originated credit impaired from previous classification of Investments in loans.
- **Lombard Loan**, a multi-purpose credit facility for Wealth Management clients using financial assets as collateral. Current outstanding loans totaled Baht 11,047 million, slight decline of 0.7% from the end of 2022.

Loan classifications and Allowance for expected credit losses (ECL)

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

Unit : Baht million	December 2023		September 2023		December 2022	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁶	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁶	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁶
Stage 1 : Performing financial assets	360,354	7,761	364,818	8,325	346,217	8,504
Stage 2 : Under-Performing financial assets	29,544	5,908	25,818	4,603	22,757	3,808
Stage 3 : Non-Performing financial assets	14,710	7,047	16,122	7,304	13,947	5,958
Purchased or originated credit-impaired financial assets	884	71	870	73	919	56
Total	405,493	20,787	407,628	20,305	383,839	18,327

The Bank prudently set up provisions for expected credit losses under TFRS 9 framework taking into consideration the various uncertainties. As of the end of 2023, allowance for expected credit losses totaled Baht 20,787 million. The Bank has fully released the remaining excess loan loss reserve of Baht 283 million at the end

⁶ Including ECL for loans and loan commitments and financial guarantees

of 2023. The Bank consistently monitors the asset quality of all loan segments and set aside prudent provisioning level as well as continuously reviews the appropriateness of such provisioning level, taking into considerations signs of any possible deterioration in asset quality. As of the end of 2023, the total allowance for expected credit losses to total NPLs ratio (coverage ratio) increased to 164.6% from 154.4% at the end of 2022.

NPLs distribution by loan type

Type of loans (Baht million)	December 2023		September 2023		December 2022	
	Amount	% of loans	Amount	% of loans	Amount	% of loans
Retail Lending	7,579	2.8	8,140	3.0	6,675	2.6
Hire Purchase	5,053	2.7	5,716	3.0	4,702	2.5
Personal loan	93	0.7	105	0.8	80	0.8
Micro SMEs loan	1,619	11.6	1,693	13.0	1,352	12.6
Housing loan	814	1.5	626	1.1	541	1.1
Commercial Lending	3,942	6.7	4,884	7.9	5,124	8.6
Real Estate Development loan	2,167	8.6	3,080	10.9	3,082	12.3
SMEs loan	1,775	5.3	1,804	5.4	2,042	5.9
Corporate Lending	676	1.2	713	1.3	130	0.3
Special Asset Management loan	1,023	99.0	1,027	99.0	1,102	100.0
Lombard loan	-	0.0	-	0.0	-	0.0
Total NPLs	13,220	3.3	14,764	3.7	13,031	3.4
Total NPLs (excluding POCI)	12,630	3.2	14,170	3.5	12,362	3.3

As of the end of 2023, the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 12,630 million or 3.2% of total loans, declining from 3Q23 level of 3.5%. The decline in Stage 3 loans was driven mainly by the decline in stage 3 loans of hire purchase segment from proactive measures to improve portfolio quality and from the commercial lending segment where during 4Q23, the Bank was able to successfully resolve a significant non-performing loan account which has been outstanding at the Bank for the past several years leading to a considerably reduced stage 3 loans in the commercial lending segment. The Bank continues to proactively manage the loan portfolio quality through debt restructuring, write off and through various assistance measures as appropriate for each customer segment.

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

- **Equity and Derivatives Brokerage Business**

Kiatnakin Phatra Securities Public Company Limited (“KKPS”) operates Agency Business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high net worth individuals under Wealth Management. For high net worth clients, other wealth management products are provided such as local and foreign mutual funds and structured products. For 2023, the market share⁷ of KKPS was 20.79%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 1,492 million comprising of

⁷ Including SET and mai but excluding proprietary trading

equity brokerage revenue of Baht 1,214 million, derivatives brokerage revenue of Baht 201 million and other brokerage revenue of Baht 77 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 837 million⁸.

■ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 2023, the revenue from investment banking business was Baht 634 million, contributed to financial advisory fee amounting Baht 490 million, underwriting fee amounting Baht 101 million, revenue from tender offer agent of Baht 43 million and other revenue of Baht 0.2 million.

■ **Investment Business**

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

In 2023, DI recorded gain on investment including other comprehensive income totaling Baht 75 million. Meanwhile, EDT had gain on investment totaling Baht 840 million⁹. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 1,246 million.

■ **Asset Management Business**

Kiatnakin Phatra Asset Management Company Limited (“KKPAM”), under mutual fund and private fund management licenses, offers fund management services to individuals and corporate customers. KKPAM’s mutual fund asset under management as of December 31, 2023 was Baht 139,439 million with total 130 funds under management consisting of 128 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 2.71%. In 2023, KKPAM’s fee income from mutual fund business totaled Baht 801 million.

As of December 31, 2023, asset under management from private fund was Baht 20,585 million with fee income from private fund business totaled Baht 108 million.

■ **Digital Financial and Investment Services**

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

⁸ Including selling agent fee received from subsidiary company

⁹ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 829 million

Profit and Loss Transaction

For the year ended December 31, (Baht Thousand)	Consolidated		Change	
	2023	2022	Amount	%
Interest income	30,717,442	23,670,516	7,046,926	29.8
Interest expenses	8,423,616	4,589,167	3,834,449	83.6
Interest income, net	22,293,826	19,081,349	3,212,477	16.8
Fees and services income	6,459,728	7,183,322	(723,594)	(10.1)
Fees and services expenses	983,248	1,017,863	(34,615)	(3.4)
Fees and services income, net	5,476,480	6,165,459	(688,979)	(11.2)
Gain (loss) on financial instruments measured at fair value through profit or loss, net	440,647	830,946	(390,299)	(47.0)
Gain (loss) on investments, net	(12,080)	(3,707)	(8,373)	225.9
Dividend income	339,743	506,671	(166,928)	(32.9)
Other operating income	224,164	957,973	(733,809)	(76.6)
Total operating income	28,762,780	27,538,691	1,224,089	4.4
Other operating expenses				
Employee's expenses	7,101,128	6,954,170	146,958	2.1
Directors' remuneration	43,085	46,358	(3,273)	(7.1)
Premises and equipment expenses	1,323,212	1,113,326	209,886	18.9
Taxes and duties	626,475	509,307	117,168	23.0
Loss from revaluation of foreclosed assets (reversal)	(560,154)	38,976	(599,130)	(1,537.2)
Loss from sale of foreclosed assets	4,806,376	1,540,378	3,265,998	212.0
Other expenses	2,554,113	2,810,136	(256,023)	(9.1)
Total other operating expenses	15,894,235	13,012,651	2,881,584	22.1
Expected credit losses	6,081,910	5,036,211	1,045,699	20.8
Profit from operating before income tax expenses	6,786,635	9,489,829	(2,703,194)	(28.5)
Income tax expenses	1,330,686	1,873,389	(542,703)	(29.0)
Net profit	5,455,949	7,616,440	(2,160,491)	(28.4)
Net profit attributable to:				
Equity holders of the Bank	5,443,403	7,602,096	(2,158,693)	(28.4)
Non-controlling interests	12,546	14,344	(1,798)	(12.5)
Total comprehensive income attributable to:				
Equity holders of the Bank	5,451,740	10,120,390	(4,668,650)	(46.1)
Non-controlling interests	12,547	202,233	(189,686)	(93.8)
Basic earnings per share (Baht)	6.43	8.98	(2.55)	(28.4)

Profit and Loss Transaction

For the three-month period ended December 31, (Baht Thousand)	Consolidated		Change	
	2023	2022	Amount	%
Interest income	8,057,099	6,886,076	1,171,023	17.0
Interest expenses	2,495,154	1,359,352	1,135,802	83.6
Interest income, net	5,561,945	5,526,724	35,221	0.6
Fees and services income	1,563,910	1,881,300	(317,390)	(16.9)
Fees and services expenses	231,248	235,258	(4,010)	(1.7)
Fees and services income, net	1,332,662	1,646,042	(313,380)	(19.0)
Gain (loss) on financial instruments measured at fair value through profit or loss, net	(38,191)	126,204	(164,395)	(130.3)
Gain (loss) on investments, net	-	6,149	(6,149)	(100.0)
Dividend income	18,313	19,929	(1,616)	(8.1)
Other operating income	80,108	821,281	(741,173)	(90.2)
Total operating income	6,954,837	8,146,329	(1,191,492)	(14.6)
Other operating expenses				
Employee's expenses	1,899,919	1,794,974	104,945	5.8
Directors' remuneration	13,383	13,122	261	2.0
Premises and equipment expenses	340,165	316,629	23,536	7.4
Taxes and duties	154,180	151,634	2,546	1.7
Loss from revaluation of foreclosed assets	82,506	19,256	63,250	328.5
Loss from sale of foreclosed assets	1,399,281	644,447	754,834	117.1
Other expenses	694,290	1,355,190	(660,900)	(48.8)
Total other operating expenses	4,583,724	4,295,252	288,472	6.7
Expected credit losses	1,428,830	2,068,803	(639,973)	(30.9)
Profit from operating before income tax expenses	942,283	1,782,274	(839,991)	(47.1)
Income tax expenses	270,205	348,632	(78,427)	(22.5)
Net profit	672,078	1,433,642	(761,564)	(53.1)
Net profit attributable to:				
Equity holders of the Bank	669,740	1,430,050	(760,310)	(53.2)
Non-controlling interests	2,338	3,592	(1,254)	(34.9)
Total comprehensive income attributable to:				
Equity holders of the Bank	856,781	4,256,741	(3,399,960)	(79.9)
Non-controlling interests	2,321	191,466	(189,145)	(98.8)
Basic earnings per share (Baht)	0.79	1.69	(0.90)	(53.3)