



Management Discussion and Analysis (MD&A)

For the Quarter Ending March 31, 2024

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

Executive Summary of Management Discussion and Analysis

For the Quarter Ending March 31, 2024

The Thai economy in the first quarter of 2024 continued to face limitations in its recovery. Although it was supported by a rebound in tourism and merchandise exports, industrial production continued to shrink. Likewise, agricultural production declined due to drought. Meanwhile, domestic spending in both the public and private sectors expanded, albeit at a slower rate. Looking into the remainder of 2024, Thailand's economic recovery momentum will be stronger if tourism continues to thrive and there is additional support from accelerated budgetary disbursements and other government measures.

Amidst the challenges posed by the uncertain economic environment, KBank has devised the K-Strategy 3+1 aimed at improving the Bank's revenue structure alongside efficient resource management. The new strategic framework prioritizes reinvigorating credit performance under appropriate risk management, scaling capital-lite fee income businesses, strengthening and pioneering sales and service models, and new revenue creation for the medium and long term. Our ultimate goal is to deliver sustainable value to all stakeholders, including customers, shareholders, employees, regulators, and society.

In the first quarter of 2024, KBank and its subsidiaries reported operating profit before expected credit loss and income tax expense of Baht 29,439 million, an increase of Baht 3,052 million or 11.57 percent over the previous quarter. Despite a slight decrease in net operating income, operating expenses dropped due to seasonality and consistent expense management. As a result, cost-to-income ratio in this quarter stood at 41.30 percent, decreasing from 48.15 percent over-quarter and 42.50 percent over-year. Moreover, KBank set aside expected credit loss (ECL) of Baht 11,684 million in this quarter. This level of expected credit loss is deemed sufficient and appropriate for the present circumstances as it is able to withstand uncertainties, in alignment with our ongoing prudent approach. However, our expected credit loss decreased by Baht 1,888 million or 13.91 percent over-quarter, and Baht 1,008 million or 7.94 percent over-year. Therefore, KBank reported net profit of Baht 13,486 million, rising by Baht 4,098 million or 43.65 percent over-quarter, and Baht 2,745 million or 25.55 percent over-year.

As of March 31, 2024, KBank's coverage ratio was equal to 150.35 percent. With regard to our capital position, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 19.37 percent, with a Tier 1 capital ratio of 17.42 percent and Common Equity Tier 1 Ratio of 16.46 percent, both of which were greater than the Bank of Thailand's requirement, reflecting our robust capital position which is adequate for continuously operating business under both normal and stressed situations.

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1. Overview of Operating Environment

1.1 Global and Thai Economy in the First Quarter of 2024 and Outlook

The global economy showed signs of divergence in early 2024. While the economies of the United States and China continued to grow at a similar pace as they did at the end of 2023, emerging economies remained fragile. The situation is expected to persist for the remainder of the year. The International Monetary Fund (IMF) forecasts that global economic growth for 2024 will be around 3.2 percent, the same rate as in 2023, while the world economic outlook may see improvement compared to its previous projection, but within a limited range. Close attention should be paid to a number of uncertainties that will persist during the rest of this year, including geopolitical tensions, the fragile Chinese economy, and the continued impacts of persistently elevated financial costs. Meanwhile, the US Federal Reserve remains concerned about the stubborn inflation in the US, which may take some time to return to the targeted level. This means that the widely anticipated US interest rate cuts may be postponed.

The Thai economy remained sluggish in the first quarter of 2024 compared to the same period of last year, as economic activity in various sectors continued to see only a limited recovery at the beginning of the year. Growth was driven by a gradual increase in international tourist arrivals, contributing to further improvement in tourism-related businesses and employment. However, the country's exports and industrial production in certain categories saw a relatively slow recovery due to the global trade slowdown and structural impediments, while overall agricultural production was impacted by drought. Additionally, domestic consumption expanded at a slower pace, particularly household spending, following the end of the government's stimulus measures. Meanwhile, government expenditures were affected by the delayed approval of the 2024 fiscal budget bill.

For the rest of 2024, it is projected that Thailand's economic momentum will be stronger if tourism continues to thrive and there is additional support from accelerated budgetary disbursements and other government measures. However, the prevailing uncertainties in the global economy pose potential challenges for Thailand's economic recovery, particularly in the export and tourism sectors, and could lead to exchange rate volatility. At the same time, domestic consumption remains tepid due to several factors, including uneven recovery of income among households and businesses, as well as persistently high debt levels. Regarding the domestic interest rate trend, the Monetary Policy Committee is expected to hold its policy rate steady at 2.50 percent during the rest of 2024.

1.2 Banking Industry

Overall, the net profit of domestically registered commercial banks in the first quarter of 2024 increased compared to the fourth quarter of 2023. This improvement was primarily driven by a decrease in expected credit loss and other operating expenses across most financial institutions. However, net profit recorded slower growth over-year due to the muted recovery of income from core businesses. Net interest income saw decelerating growth in line with decreasing net interest margin (NIM) as a result of rising financial costs, especially deposit cost. Meanwhile, new loans grew at a gradual pace, derived mainly from low-yield loans. Net fees and service income showed signs of improvement, although growth was observed in only certain categories, such as bancassurance fees, payment fees and fund management fees.

At the same time, non-performing loans to total loans (NPL ratio) for the first quarter of 2024 slightly increased compared to the previous quarter.

As of the end of the first quarter of 2024, outstanding loans to customers and accrued interest receivables - net at 17 domestically registered commercial banks rose by 0.55 percent and 1.22 percent compared to the end of 2023 and the same period of last year, respectively. The increase came mainly from growth of government and business loans. Meanwhile, outstanding deposits increased by 1.12 percent compared to both the end of 2023 and over-year, led by fixed deposits.

Looking ahead, commercial banks could see an increase in income from their core businesses if the Thai economy continues to recover in the remainder of 2024. Given the uncertain economic landscape, influenced by various factors, most banks may be compelled to accelerate their efforts in addressing asset quality concerns and maintain a cautious approach towards business operation planning.

2. Risk Management and Risk Factors

2.1 Credit Risk Management

The Thai economy in the first quarter of 2024 showed signs of an uneven recovery amid lingering global economic risks, including sluggish global trade and protracted geopolitical tensions. Additionally, domestic economic challenges persisted, especially delayed government budget disbursement which impacted the liquidity of the construction sector and its partners. Certain businesses and households thus needed more time to restore their income, while household debt and funding costs remained elevated. KBank thus focused on reinvigorating credit performance through enhancement of end-to-end transformation to elevate credit capabilities for the Bank's long-term business growth. Actions taken included:

- Setting the target of credit growth, sector-wise: KBank prioritized high-growth industries and related businesses. To this end, we adopted a proactive approach in credit portfolio management to be in step with the prevailing circumstances, allowing us to closely monitor potential impacts of economic volatility on customers in each industry in a timely manner.

- Streamlining loan approval processes through development of approval credit scoring models to efficiently identify target customers: KBank has utilized alternative data based on both internal and external databases, leading to tailor-made credit approval processes in accordance with each customer's risk and persona.

- Leveraging technological capabilities, machine learning and advanced data analytics: We also created an early warning system and feedback loop to enhance efficiency in management of customers with credit quality risk and other risks, especially detection of transaction irregularities and monitoring of asset quality in risky customers. For corporate customers, KBank has enhanced its early warning system to encompass both internal and external factors to be in step with the prevailing situation. Regular reviews of each customer's risk profile have been jointly undertaken by relationship managers and credit underwriters, allowing us to proactively manage risks and prevent potential losses in a timely manner.

- Enhancing collection analytic models: We focused on boosting collection technology capabilities in order to establish appropriate assistance guidelines tailored to the risk profile of each customer group and in alignment with the Responsible Lending principles.

For business loans, we prioritized existing customers with sufficient collateral and good payment history, as well as industry leaders, to mitigate potential risks from financial fragility or lackluster income recovery. Overall, KBank emphasized portfolio management to balance credit concentration while establishing loan growth targets in alignment with the prevailing economic conditions to maximize returns under the given risk appetite. Additionally, we have integrated environmental, social and governance (ESG) considerations – especially climate change – into our credit assessment. This critical issue requires collaboration from the business sector as we transition towards a net zero society. We closely monitored and evaluated the adaptation strategies of businesses across various industries.

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, accounting for their affordability, to avoid overleveraged situations. These efforts aim to ensure that our customers still have residual income sufficient for living after monthly installments are made. Regarding unsecured loan approval, KBank established maximum credit limits and waiting periods for subsequent loan applications to control risks within the given risk appetite. Moreover, lessons learned from extending loans were applied to the development and improvement of our credit scoring models, customer screening policies and processes to ensure overall suitability. Along with this, we implemented an early warning system for behavior monitoring to enhance the efficiency of our credit risk management and monitoring processes.

As part of our asset quality management strategy, KBank considered the option of NPL sales while also setting aside expected credit loss appropriately and sufficiently. This reflected our commitment to prudent business practices amidst the prevailing economic uncertainties.

2.2 Market Risk Management

In the first quarter of 2024, the Federal Reserve (Fed) maintained its policy rate at high levels of 5.25 – 5.50 percent in an effort to bring inflation back to 2.00 percent. However, the Fed also signaled a potential policy rate cut within 2024. As inflation eased in many countries, some central banks gradually reduced their policy rates. This prompted the US Dollar to strengthen and the Thai Baht to soften to Baht 36.50 per USD. Meanwhile, the Bank of Thailand is likely to maintain the key policy rate at 2.50 percent throughout 2024.

KBank is closely monitoring the present situation 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

The Thai economy exhibited a gradual recovery in the first quarter of 2024, primarily driven by the tourism industry and a surge in household spending fueled by the Easy E-Receipt stimulus program. However, this trend had no significant impact on KBank's liquidity or deposit levels. The Bank's liquidity remained ample and sufficient to meet loan demand in line with KBank's policies and the Thai economic improvement.

KBank remains vigilant while closely monitoring economic circumstances and analyzing related developments. We have prepared and considered options appropriate for managing 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 the present economic circumstances and rapid changes in financial asset prices. We continue to emphasize proactive risk management via the supervision of the Risk Oversight Committee, Assets and Liabilities Management Sub-committee and Enterprise

Risk Management Division to maintain risk within specified limits. In addition, we are watchful for any potential impacts on our 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

KBank's operations, in accordance with its sustainable development framework, were ranked in the Sustainability Yearbook 2024 by S&P Global, with the highest scores in the top 5 percent for the banking industry. Additionally, the Bank earned the A List (Leadership Level) ranking from the Carbon Disclosure Project (CDP). In this quarter, the Sustainable Development Sub-committee and the Corporate Governance Committee approved the Climate Strategy 2024, reinforcing the action plans to achieve the net zero goal and support the business sector in transitioning to a low-carbon economy. We also organized the "Climate Pillar Townhall: One Planet, One Economy" to equip employees with knowledge and understanding of climate change, fostering awareness and readiness for the low-carbon economy, and creating sustainability for all stakeholders.

At the same time, KASIKORN ASSET MANAGEMENT CO.,LTD. announced its inaugural Alliance on Sustainability with Lombard Odier, the Bank's partner, to assist in strategy formulation and development of sustainable investment products conforming to international standards.

Moreover, the Bank promoted knowledge of sustainability within the organization and collaborated with leading educational institutions and business partners to support engagement in sustainability through various activities. Notable efforts included a pilot project for employees to trial the WATT'S UP platform for electric motorcycle rental service before its official launch. Additionally, KBank, in collaboration with INNO POWER Co., Ltd., will roll out a platform supporting the registration and sale of renewable energy certificates (RECs).

Meanwhile, KBank is determined to operate our business in line with good corporate governance principles. We emphasize transparency, accountability and business ethics, taking all stakeholders into account. In this quarter, KBank formulated a 2024 strategic plan for Corporate Governance activities, focusing on maintaining the standard of good corporate governance in a sustainable manner and promoting it as our organizational culture. To this end, we provided knowledge on corporate governance and sustainable development to directors via CG Journal and KBank Bulletin while also communicating good corporate governance and the Code of Conduct to executives and employees of KBank and companies within KASIKORNBANK FINANCIAL CONGLOMERATE via KBank's internal communication channels. We also communicated with directors, executives and employees on the silent period for securities and stock futures trading and disclosing information related to the Bank's operating results as well as the prevention of the use of inside information. Moreover, KBank arranged communications on the No Gift Policy to our customers, suppliers and companies within KASIKORNBANK FINANCIAL CONGLOMERATE.

3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK

KBank remains committed to conducting our business as a Bank of Sustainability. We focus on delivering sustainable value to all stakeholders, namely customers, shareholders, employees, regulators, and the society at large. These endeavors can be achieved through our good corporate governance, appropriate risk and cost management. In parallel, we foster K-Culture which encourages attitudes and behaviors of our personnel towards a shared goal under five Core Values, i.e., Customer at Heart, Collaboration, Agility, Innovativeness and Integrity.

Our strategic imperatives prioritize customers' demands across all segments, while our business plan aims to develop products and services that can meet the diverse needs of our customers, including retail, SME, corporate and international businesses, with the aim of becoming our customers' main operating bank and the Regional Digital Bank. To this end, KBank has established strategic priorities while defining the "K-Strategy 3+1" as the organization's new strategic framework.

Our major operations and performance in alignment with the K-Strategy 3+1 in the first quarter of 2024 were as follows:

3.2.1 K-Strategy 1: Reinvigorate Credit Performance

KBank has established lending guidelines with the aim of assisting our customers in their lives and businesses while also seeking an additional revenue stream under an appropriate risk-adjusted return. We focused on enhancing credit process efficiency via data analytics in order to offer tailor-made products to meet the demands of customers with sound debt servicing ability who are interested in borrowing. These endeavors were undertaken under efficient practical guidelines in conformity with regulatory requirements and risk-based cost management, while we aimed to support our customers in their transition to a low-carbon business. Key progress of our operations is as follows:

Key Progress	Operating Performance for the first quarter of 2024
<ul style="list-style-type: none"> • Growing quality credit product portfolio: We focused on prioritizing secured loans and targeting higher-income customers, especially by leveraging our expertise in data analysis to pinpoint customer segments with potential. • Proactive retention and anti-attribution: KBank focused on retaining high-quality customers along with expanding the potential customer base through data analytics to promptly and effectively meet customer needs. This approach has driven the new customer acquisition rate within the middle-to-high-income segment to reach the Bank's targets. 	<p>Loan to customers:</p> <ul style="list-style-type: none"> • Loans Growth: -1.07 percent YTD <p>Asset Quality:</p> <ul style="list-style-type: none"> • NPL Ratio: 3.19 percent • Credit Cost: 1.89 percent • Coverage Ratio: 150.35 percent

Key Progress	Operating Performance for the first quarter of 2024
<ul style="list-style-type: none"> Granting support and consultation to our customers on business management accounting for environmental, social and governance (ESG) priorities: We provided clients insights into production methods and responsible management practices, while empowering them to compete efficiently. 	

3.2.2 K-Strategy 2: Scale Capital-Lite Fee Income Businesses

We aim to expand our fee income businesses via core services to cater to all customer segments. They include: (1) sustainable and holistic wealth management advisory focusing on K-Wealth brand strengthening through the offering of a full suite of investment and protection products tailored to customers' needs and investment goals, together with K-Wealth Contact Center to facilitate clients in accessing our products and services with informed decisions; and (2) digital payment solutions and mobile banking services via K PLUS to maintain our number-one status in terms of user numbers, system security and service convenience. In parallel, our focus is on expanding into potential growth areas, especially products related to tourism and international business sectors, while optimizing costs on lower-fee products and services due to customer behavior change with the aim of growing fee-based income. Key progress of our operations is as follows:

Key Progress	Operating Performance for the first quarter of 2024
<p>Wealth Business</p> <p>Comprehensive Wealth Products & Offerings</p> <ul style="list-style-type: none"> Mutual fund products: <ul style="list-style-type: none"> KASIKORN ASSET MANAGEMENT CO., LTD. developed strategic partnership with J.P. Morgan Asset Management (JPMAM) in developing investment innovations that focus on enhancing its capabilities in global asset selection and allocation. The company also signed an inaugural Alliance with Lombard Odier on Sustainability to elevate sustainable investments to the next level. "Core & Satellite" portfolio allocation by recommending K-WealthPLUS Series, is continuously emphasized which designed to align long-term investment goals with short-term opportunities. This approach has received overwhelming response, resulting in significant growth of our assets under management (AUM). 	<p>Net Fees and Service Income Growth: 2.28 percent YoY</p> <p>Mutual Funds</p> <ul style="list-style-type: none"> Assets under Management (AUM): <ul style="list-style-type: none"> Ranked first in terms of AUM with 22.2 percent market share Growth: 8 percent YoY Number of new customers: 74,715 Increasing 3.7x YoY <p>Bancassurance</p> <ul style="list-style-type: none"> Ranked second in market share of bancassurance premium

Key Progress	Operating Performance for the first quarter of 2024
<ul style="list-style-type: none"> • Life insurance products: We tailored Legacy life insurance policies for clients seeking legacy planning and wealth transfer to their heirs which has seen a positive response from a diverse range of customers across different age groups. • Enhancement of sales and service efficiency with digital technology: <ul style="list-style-type: none"> - K-Health Service: Currently in the trial phase of operation, this service aids customers in tracking and following-up their delayed or unsuccessful claims, with over 900 cases already processed thus far. - Development of need-based recommendation and advisory services: To foster ongoing investment opportunities, we focused on offering our customers highlighted products upon the maturity of their mutual funds or insurance policy, • K-Wealth Brand Strengthening: <ul style="list-style-type: none"> - K-Wealth content is communicated actively through social media and K PLUS to provide our customers up-to-date information. - THE WISDOM privileges have been enhanced, particularly for affluent and high net worth customers with assets and investments with KBank totaling at least Baht 30 million. Concurrently, exclusive investment and lifestyle activities were curated specifically for our THE WISDOM clients. 	<ul style="list-style-type: none"> • Customer satisfaction rate of K-Health Service: 99 percent
<p>Payment Business</p> <ul style="list-style-type: none"> • Market share of digital payment business has grown steadily, especially in commercial payments. KBank is currently in the process of developing plans to expand their usage among the self-employed in order to increase our market share in mobile payment services. • Income from strategic actions achieved the target, especially in products with growth potential, including: <ul style="list-style-type: none"> - Foreign exchange business: We have expanded coverage of ATMs and foreign exchange booths in strategic areas - Merchant business: We launched a new SmartPay campaign. - Low-value remittance business: KBank has extended cross-border money transfer on K PLUS via SWIFT to over 150 countries with 24 currencies available. 	<p>Non-Interest Income Growth: -0.64 percent YoY</p> <p>Payment</p> <ul style="list-style-type: none"> • Digital Payment* <ul style="list-style-type: none"> - Market Share*: 28.92 percent - Growth: 1.02 percent YoY • CASA ratio: 79.39 percent

Key Progress	Operating Performance for the first quarter of 2024
<ul style="list-style-type: none"> • Cost reduction activities have achieved the set target <ul style="list-style-type: none"> - Reduction of cost for lower-fee products: Focus has been on reduced operating cost and management cost for debit card products and SMS Alert. - Optimization of IT cost and reduction of merchant E2E cost, which has lowered cost per transaction for both consumer and commercial payments. 	<p><i>*Data from the Bank of Thailand (as of January 2024)</i></p>

3.2.3 K-Strategy 3: Strengthen and Pioneer Sales and Service Models to Deliver Value-based Results

We prioritize creating a Digital-First experience, seamlessly integrating with human-assisted and cross-channel experience to enhance customer accessibility across all service channels, under appropriate cost and risk appetite. Key progress of our operations is as follows:

Key Progress	Operating Performance for the first quarter of 2024
<ul style="list-style-type: none"> • Increased Digital-First experience: Our digital sales rose to 54 percent from 49 percent at the end of 2023, with over 2 million new products sold on K PLUS. • Strengthened leading position in digital banking: <ul style="list-style-type: none"> - K PLUS for retail users: <ol style="list-style-type: none"> 1) Enhanced digital payment via international funds transfer: We have expanded international funds transfer service to over 150 countries and territories, compared to 60 at the end of 2023. 2) Introduced a new form of payment service: QR payment via KBank Credit Card was launched in March 2024. - K BIZ for business customers: This platform offers a seamless all-in-one onboarding journey for account opening and total business solutions. • Successfully migrated basic transactions to digital channels: This resulted in a 12-percent reduction of cost per transaction, compared to the first quarter of 2023. 	<ul style="list-style-type: none"> • Number of K PLUS users: 22.2 million <ul style="list-style-type: none"> - Growth: 7.7 percent YoY • Number of K BIZ users: 1.1 million <ul style="list-style-type: none"> - Growth: 23.2 percent YoY • Portion of digital transaction: 93 percent • Number One in overall brand NPS according to 2023 survey results (Branch, E-Machine, K PLUS and K-Contact Center)

3.2.4 K-Strategy +1: New Revenue Creation for Medium and Long Term

We have a policy of exploring opportunities while closely monitoring risks in new revenue streams via key business units. Our strategic initiatives include:

- **Broadening our reach to the mass market and the underbanked with limited access to KBank services:** Through KASIKORN INVESTURE CO., LTD., we invested in companies engaging in lending, payment services and asset management business. By leveraging our partners' capabilities and KBank's existing infrastructure, we have increased flexibility in providing financial services to retail customers while mitigating credit risk-related costs.
- **Taking the lead in financial services through regional business expansion:** We aim to broaden our regional business to accommodate our customers' transactions and business operations, and focus on acquiring potential local customers. Our major initiatives are in three key countries, namely the People's Republic of China, the Republic of Indonesia, and the Socialist Republic of Vietnam.
- **Going Beyond Banking and Innovation:** We have formulated strategic plans and set goals for businesses that go beyond banking and innovation in sync with ever-changing consumer behavior, technology and the competitive landscape. Our transformative initiatives encompass Tech Innovation for pioneering new financial services for a novel lifestyle; Future of Finance; Uplifting of Banking services through collaboration with our business partners to go beyond the traditional banking realm; and Sustainability in order to become an organization that focuses on sustainable growth, accounting for environmental, social and governance issues.

Key progress of our business operations is as follows:

- **Investment for market expansion via KASIKORN INVESTURE, such as**
 - **NGERN HAI JAI CO., LTD.**
 - Going live system and process for new loan booking
 - Transferring Baht 22 billion in C2C and CRL portfolio of car title loan, for both transfer and non-transfer of registration book, from KASIKORN LEASING CO., LTD.
 - **KASIKORN LINE CO., LTD.**
 - Expanding new "higher quality" customers with new underwriting model to keep credit cost within budget
 - Increasing credit limit to existing customers with good credit history to broaden opportunity for new credit extension
 - **JK ASSET MANAGEMENT CO., LTD.**
 - Purchasing NPL from KBank as backlog for debt collection
 - **KASIKORN GLOBAL PAYMENT CO., LTD.**
 - Focusing on acquiring new merchants and increasing volume of services from existing customers
 - Managing key accounts and developing new tools to drive business growth continually

- Differentiating payment gateway to serve as an intermediary to build up business synergy within KASIKORN INVESTURE (KIV) group

- **Regional Customer Base Expansion** Regional Customer Base Expansion in three key countries:
 - **People’s Republic of China**
 - Corporate: The Bank offered cross-border business solutions, including transactional banking services to SINO-AEC customers.
 - SME: We focused on the online transactional lending under the ‘Better SME’ concept by launching an online lending platform in late March 2024.
 - Retail: We introduced the personal consumption loan (PCL) and personal business loan (PBL) under the ‘Better ME’ concept.
 - **The Republic of Indonesia**
 - Corporate and SME: Our focus was on offering products and services to facilitate their business operations while fostering customer confidence through personalized solutions tailored to their needs.
 - Retail: The Bank enhanced retail presence through seamless integration of mobile banking for daily transactions.
 - **The Socialist Republic of Vietnam**
 - Corporate: KBank adjusted its strategies to prioritize large local non-listed companies, particularly those in targeted industries.
 - SME and retail: We scaled digital payment solutions to small and micro merchants, while offering a diverse range of products for retail clients. K PLUS Vietnam users has thus far reached 1.36 million.

- **Beyond Banking and Innovation**
 - **Financial Innovation**
 - The number of MAKE by KBank and KhunThong users topped 2.3 million and 1.9 million accounts, respectively.
 - **Future of Finance**
 - Orbix Trade is a digital asset exchange that started operating in 2023 through acquisition and rebranding.
 - Orbix Invest received a digital asset fund management license in January 2024. The company is currently preparing for system readiness and is expected to launch its business in 2024.
 - Orbix Custodian is preparing to apply for a license to operate business as a digital asset custodian.
 - Orbix Technology is a provider of blockchain infrastructure solutions. On March 25, 2024, the company launched its blockchain infrastructure, called Quarix. The first Decentralized Application (dApp) to be built on this infrastructure is Q-money – a new e-money product, developed by KBank. Currently Q-money is undergoing testing in the Bank of Thailand’s regulatory sandbox.

- **Sustainability**
 - WATT'S UP: KBank launched the WATT'S UP e-marketplace platform for one-stop rental of EV bikes, with 117 battery swapping stations in over 60 locations currently available for service. Focus is to promote a green ecosystem through the integration of technological innovations.
 - REC Aggregation Service: The Bank, in partnership with INNOPOWER Company Limited, introduced the "GreenPass" platform to support registration and sale of renewable energy certificates (RECs) for both organizations and the general public. The platform is scheduled to launch in the second quarter of 2024.
 - Punfai: KBank collaborated with the Electricity Generating Authority of Thailand in developing the "Punfai", a P2P energy exchange platform for both household and business sectors. Its trial use, under the Energy Regulatory Commission (ERC) regulatory sandbox.

3.3 Key Enablers

- **IT Management**

KASIKORN-BUSINESS TECHNOLOGY GROUP (KBTG) prioritizes bolstering the capabilities of KASIKORNBANK FINANCIAL CONGLOMERATE in alignment with the K-Strategy with cost effectiveness, competitive advantage and resilience while making use of regional IT resources, including those of Thailand, the People's Republic of China, and the Socialist Republic of Vietnam. Our focus is on four key areas:

1. Scalable core banking & mobile banking platform to accommodate the anticipated surge in transaction volume
2. Enhancing end-to-end credit capabilities, re-architect platforms, and AI technologies for credit scoring and collection.
3. Strengthening Sales Lead/Customer Relationship Management (CRM) by modernizing cloud data platform
4. Building IT capabilities in artificial intelligence, machine learning, Web3, blockchain, and new venture capital via KASIKORN X Venture Capital (KXVC) by KASIKORN X Group.

Key progress of our operations is as follows:

- **Core Banking:** We aim to double core banking system capacity to accommodate the anticipated surge in transaction volume. This project is slated for completion in November 2024.
- **IT infrastructure:** Focus was on modernized data storage and backup system, along with established, robust infrastructure and cyber security to minimize any impact that could disrupt business operations. In terms of banking service quality, the Bank recorded zero system failures*.
- **Modern technology:**
 - Development of data analytics and AI technologies: We aim to create a new model to enhance efficiency in credit processes, wealth management and marketing. KBank has earned the Global

Certified AI Verification Technology Level, being the first company in Asia and third company in the world to achieve iBeta level 2 Compliance.

- Research and development of AI technologies: We are exploring viable use cases under collaboration with various institutions and investment in synergistic start up, such as co-research with MIT Media Lab for a new AI-powered platform, including commercializing proven technology with external partners.

**Data from the BOT: <https://www.bot.or.th/th/statistics/system-failure-disclosure.html>*

■ Data Management and Analysis

We prioritize data analytics and AI in alignment with the K-Strategy. Our ultimate goal is to implement data-driven solutions for use cases, promote brand image and attract top talent into the organization while enhancing personnel development. In parallel, we focus on leveraging our comprehensive high-quality data, which is readily available and easy-to-use thanks to our robust data and AI infrastructure that supports our data-driven initiatives. Key progress of our operations is as follows:

- **Create value-based AI and data-driven business decisions** on credit performance improvement, wealth sales & service, operation productivity improvement and customer experience enhancement. Key projects include Debt Collection Transformation, Loan Application Fraud Prevention, Digital Fraud Prevention, Credit Risk Analytics, Payment Analytic for increasing CASA & Main Operating Bank (MOB) and Applications of Generative AI for productivity improvement.
- **Provide secure, and easy-to-use data foundation by Center of Excellence and Data Governance to ensure high data quality, tools, skills and culture.** Key Projects include New Big Data Foundation on Cloud (MDP), Role-Based Access Control for Data Accessing, New Data Quality Framework and Creation of Data Community to identify and to fix data quality issues.
- **Empower AI/data usage with best-in-class technology to enable business with scale and timeliness of data.** Key projects include implementation of Microsoft 365 Copilot for BU to utilize Generative AI in their works.

■ Human Resource Management

KBank focused on human resource management that is in alignment with the K-Strategy. We aim for KBank to become a performance-driven organization, with emphasis placed on effective productivity management, and development of people skills, knowledge and capabilities to achieve targeted outcomes, fostering K-Culture which prioritizes risk management.

- **Organization Design and Workforce Realigned with K-Strategy**
 - Revamp organizational structure of Segment and Marketing Management Division: Focus was on enhancement of customer insights across different dimensions, campaign effectiveness and

marketing communications to improve KBank's product awareness. Our strategic capability readiness stood at 81 percent.

- Enhance scope of Data and Analytics Division: Notable efforts included expanding the scope of data analytics to bolster capabilities in data processing and data quality management and adopting AI technology to increase work efficiency.
- Optimize strategic workforce planning: For optimal performance, we proactively aligned talent deployment with business goals and ever-evolving market and technology trends. As evidenced, we achieved a 3.1x increase in our Human Capital ROI.
- Implement rigorous performance evaluation and monitoring: This was undertaken through the 'Cost and Productivity Management' project along with establishment of Business-IT task force to streamline collaboration and productivity.
- **Elevated Performance Evaluation and Performance-Driven Rewards**
 - Cultivate a performance-driven culture: We aligned executive leadership's mindset with the financial goals set by high-level management while also exploring new financial incentives.
- **People Development Focusing on Credit and Wealth Business, Sales Productivity and Risk Culture**
 - Enhance staff capability via comprehensive development plans: Comprehensive development plans were drawn up for implementation in the first half of this year.
 - Improve analytics proficiency: We prioritized advancing our Credit & Collection team's analytical capabilities for improved precision in NPL monitoring.
 - Elevate wealth management excellence: The focus was on enhancing the capabilities of the Wealth Advisory Management Team and Product Managers to deepen product and market insights.
 - Develop consultative selling: We integrated consultative sales techniques into the overall capabilities with the aim of fostering a superior customer experience.

4. Operating Performance and Financial Position Analysis

4.1 Operating Performance

In the first quarter of 2024, KBank and its subsidiaries reported operating profit before expected credit loss and income tax expense of Baht 29,439 million, an increase of Baht 3,052 million or 11.57 percent over the previous quarter. Net operating income fell slightly by Baht 743 million or 1.46 percent due to decreased profit from investment in financial instruments in line with market conditions. Meanwhile, operating expenses dropped by Baht 3,795 million or 15.48 percent, derived partly from decreased marketing expenses due to seasonality and consistent expense management. As a result, cost to income ratio in the first quarter of 2024 stood at 41.30 percent, decreasing from 48.15 percent in the previous quarter. Moreover, KBank set aside expected credit loss (ECL) of Baht 11,684 million, a decrease of Baht 1,888 million or 13.91 percent, in alignment with our consistently prudent approach. Therefore, our net profit in this quarter amounted to Baht 13,486 million, rising by Baht 4,098 million or 43.65 percent over-quarter.

Operating Performance for the First Quarter of 2024

(Unit: Million Baht)

	Q1-2024	Q4-2023	Change		Q1-2023	Change	
			Increase	Percent		Increase	Percent
			(Decrease)			(Decrease)	
Net Interest Income	38,528	38,849	(321)	(0.82)	34,875	3,653	10.47
Non-Interest Income	11,624	12,046	(422)	(3.51)	11,699	(75)	(0.64)
Total Operating Income – net	50,152	50,895	(743)	(1.46)	46,574	3,578	7.68
Total Other Operating Expenses	20,713	24,508	(3,795)	(15.48)	19,793	920	4.65
Expected Credit Loss	11,684	13,572	(1,888)	(13.91)	12,692	(1,008)	(7.94)
Net Profit (attributable to equity holders of KBank)	13,486	9,388	4,098	43.65	10,741	2,745	25.55
Basic Earnings per Share (Baht 1)	5.53	3.96	1.57	39.65	4.38	1.15	26.26

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

When compared to the same period of last year, KBank and its subsidiaries reported operating profit before expected credit loss and income tax expense amounting to Baht 29,439 million, an over-year increase of Baht 2,658 million or 9.93 percent, which was derived from an increase of Baht 3,578 million in net operating income or 7.68 percent, as a result of net interest income which rose by Baht 3,653 million or 10.47 percent in line with interest rate trend. Net interest margin (NIM) stood at 3.76 percent. In addition, net fees and service income rose by Baht 185 million or 2.28 percent due mainly to an increase in fees from fund management, fees from acceptance, aval and guarantee and fees from card business.

Operating expenses totaled Baht 20,713 million, an increase of Baht 920 million or 4.65 percent over-year, in line with income and employee expenses. Cost to income ratio therefore stood at 41.30 percent,

decreasing from 42.50 percent during the same period of 2023. Meanwhile, KBank continued to adopt a prudent approach in setting aside expected credit loss which totaled Baht 11,684 million, decreasing by Baht 1,008 million or 7.94 percent over-year. This level of expected credit loss is deemed suitable and sufficient, reflecting the current situation and its ability to withstand uncertainties that may impact the country's economic recovery. KBank thus reported net profit of Baht 13,486 million, an increase of Baht 2,745 million or 25.55 percent, compared to the same period of last year.

Major financial ratios that reflected operating performance of KBank and our subsidiaries in the first quarter of 2024 compared to the previous quarter and the same period of last year included:

(Unit: Percent)

Financial Ratio	Q1-2024	Q4-2023	Increase (Decrease)	Q1-2023	Increase (Decrease)
Return on Assets (ROA) ²⁾	1.25	0.88	0.37	1.01	0.24
Return on Equity (ROE) ³⁾	9.99	7.32	2.67	8.43	1.56
Net Interest Margin (NIM) ²⁾	3.76	3.83	(0.07)	3.46	0.30
Cost to Income Ratio	41.30	48.15	(6.85)	42.50	(1.20)

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	Mar. 31, 2024	Dec. 31, 2023	Increase (Decrease)	Mar. 31, 2023	Increase (Decrease)
Significant increase in credit risk loans ⁴⁾					
to total loans ⁵⁾	6.25	6.26	(0.01)	6.25	0.00
Significant increase in credit risk loans and credit impaired loans ⁶⁾ to total loans ⁵⁾	9.37	9.37	0.00	9.32	0.05
NPLs gross ⁷⁾ to total loans ⁸⁾	3.19	3.19	0.00	3.04	0.15
Total allowance to NPL gross (Coverage ratio) ⁹⁾	150.35	152.23	(1.88)	156.68	(6.33)
Loans ¹⁰⁾ to Deposits Ratio	91.17	92.25	(1.08)	90.85	0.32
Capital Adequacy Ratio ¹¹⁾	19.37	19.41	(0.04)	18.90	0.47
Tier 1 Capital Ratio ¹¹⁾	17.42	17.44	(0.02)	16.92	0.50

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 first quarter of 2024 was Baht 38,528 million, decreasing by Baht 321 million or 0.82 percent over-quarter. The decrease was derived mainly from an increase of Baht 277 million or 6.46 percent in interest expenses from deposits in line with average interest rate and a decrease of Baht 342 million or 4.48 percent in interest income from investment in line with average yield even though interest income from loans to customers increased by Baht 487 million or 1.37 percent in line with market conditions.

When compared to the same quarter of the previous year, net interest income increased by Baht 3,653 million or 10.47 percent, which came mainly from an increase of Baht 3,547 million or 10.94 percent in interest income from loans to customers, in line with an increase in average yield and the number of days. Moreover, interest income from investments rose by Baht 1,405 million or 23.85 percent, due partly to rising average yield. However, interest expenses from deposits rose by Baht 1,782 million or 64.09 percent in line with an increase in average interest rate, and interest expenses from interbank and money market items increased by Baht 595 million or 93.71 percent in line with increasing average yield and average transaction volume.

(Unit: Million Baht)

	Q1-2024	Q4-2023	Change		Q1-2023	Change	
			Increase (Decrease)	Percent		Increase (Decrease)	Percent
Interest Income	48,641	48,716	(75)	(0.15)	42,441	6,200	14.61
Interbank and money market items	3,386	3,550	(164)	(4.61)	2,293	1,093	47.65
Investments	7,295	7,637	(342)	(4.48)	5,890	1,405	23.85
Loans to customers	35,976	35,489	487	1.37	32,429	3,547	10.94
Hire purchase and finance leases	1,984	2,040	(56)	(2.71)	1,829	155	8.51
Interest expenses	10,113	9,867	246	2.49	7,566	2,547	33.67
Deposits from customers	4,562	4,285	277	6.46	2,780	1,782	64.09
Interbank and money market items	1,230	1,241	(11)	(0.87)	635	595	93.71
Contributions to Financial Institutions Development							
Fund and Deposit Protection Agency	3,099	3,072	27	0.87	3,120	(21)	(0.66)
Debts issued and borrowings	1,199	1,245	(46)	(3.65)	1,009	190	18.91
Others	23	24	(1)	(5.73)	22	1	1.46
Total Interest Income – net	38,528	38,849	(321)	(0.82)	34,875	3,653	10.47
Yield on Earning Assets (percent)	4.74	4.80		(0.06)	4.21		0.53
Cost of Fund (percent)	1.35	1.32		0.03	1.01		0.34
Net Interest Margin (NIM) (percent)	3.76	3.83		(0.07)	3.46		0.30

□ Non-Interest Income

KBank's consolidated non-interest income in the first quarter of 2024 totaled Baht 11,624 million, decreasing by Baht 422 million or 3.51 percent over-quarter. The decrease came mainly from financial instruments measured at fair value through profit or loss which decreased by Baht 918 million or 22.22 percent in line with market conditions and net premiums earned – net which dropped by Baht 537 million or 45.33 percent in line with life insurance business condition. However, net fees and service income increased by Baht 749 million or 9.92 percent, which was derived mainly from fees from electronic payment services, fees from fund management and fees from acceptance, aval and guarantee.

When compared to the same period of last year, non-interest income slightly decreased by Baht 75 million or 0.64 percent due mainly to a decrease of Baht 459 million or 12.49 percent in financial instruments measured at fair value through profit or loss in line with market conditions and a decrease of Baht 299 million, or 21.05 percent in net premiums earned – net in line with life insurance business condition. However, net fees and service income increased by Baht 185 million or 2.28 percent due to an increase in fees from fund management, fees from acceptance, aval and guarantee and fees from card business while brokerage fees decreased.

(Unit: Million Baht)

	Q1-2024	Q4-2023	Change		Q1-2023	Change	
			Increase	Percent		Increase	Percent
			(Decrease)			(Decrease)	
Non-Interest Income							
Fees and Service Income	12,956	12,038	918	7.62	12,529	427	3.41
Fees and Service Expenses	4,657	4,488	169	3.75	4,415	242	5.48
Fees and Service Income - net	8,299	7,550	749	9.92	8,114	185	2.28
Gain (Loss) on Financial Instrument Measured at Fair							
Value through Profit or Loss	3,212	4,130	(918)	(22.22)	3,671	(459)	(12.49)
Gain (Loss) on Investments	(57)	(453)	396	87.23	(152)	95	62.07
Share of Profit (Loss) from Investments using Equity							
Method	197	42	155	368.73	-	197	100.00
Dividend Income	976	621	355	57.14	977	(1)	(0.10)
Net Premiums Earned	16,042	17,984	(1,942)	(10.80)	18,422	(2,380)	(12.92)
Other Operating Income	719	1,341	(622)	(46.35)	512	207	40.57
Less Underwriting Expenses	17,764	19,169	(1,405)	(7.33)	19,845	(2,081)	(10.49)
Total Non-Interest Income	11,624	12,046	(422)	(3.51)	11,699	(75)	(0.64)

□ Other Operating Expenses

KBank's consolidated other operating expenses for the first quarter of 2024 were Baht 20,713 million, an over-quarter decrease of Baht 3,795 million or 15.48 percent due largely to a decline in IT-related expenses, marketing expenses, expenses for activities jointly conducted with business partners and seasonal advertising expenses

When compared to the same period of last year, other operating expenses increased by Baht 920 million or 4.65 percent, which were due mainly to increased marketing expenses in line with rising income and employee expenses.

(Unit: Million Baht)

	Q1-2024	Q4-2023	Change		Q1-2023	Change	
			Increase (Decrease)	Percent		Increase (Decrease)	Percent
Employee Expenses	10,433	10,785	(352)	(3.26)	10,124	309	3.05
Directors' Remuneration	24	24	-	2.69	23	1	5.12
Premises and Equipment Expenses	2,870	2,769	101	3.65	2,732	138	5.06
Taxes and Duties	1,763	1,760	3	0.17	1,621	142	8.75
Others	5,623	9,170	(3,547)	(38.69)	5,293	330	6.22
Total Other Operating Expenses	20,713	24,508	(3,795)	(15.48)	19,793	920	4.65
Cost to Income Ratio (percent)	41.30	48.15		(6.85)	42.50		(1.20)

□ Classified Loans and Expected Credit Loss

● Classified Loans

KBank and its subsidiaries classified loans into three levels per TFRS 9. The classified loans in stage 2 include the loans with significantly increasing credit risk since initial recognition but without credit impaired. As of March 31, 2024 and December 31, 2023, loans with significantly increasing credit risk (underperforming loans) to total loans ratio was equal to 6.25 percent and 6.26 percent, respectively whereas loans with significantly increasing credit risk (underperforming loans) and credit impaired loans (non-performing loans) to total loans ratio was equal to 9.37 percent in the two quarters.

(Unit: Million Baht)

	Mar. 31, 2024		Dec. 31, 2023	
	Loans and accrued interest receivables ¹⁾	Allowance for expected credit loss	Loans and accrued interest receivables ¹⁾	Allowance for expected credit loss
Stage 1 Performing	2,205,158	41,853	2,227,973	45,546
Stage 2 Underperforming	183,218	43,949	185,331	43,822
Stage 3 Non-performing	91,584	44,256	92,064	44,508
Total	2,479,960	130,058	2,505,368	133,876

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

- **Modified Loans**

KBank and its subsidiaries engaged in modification contracts with customers. In the first quarter of 2024, there were loans before modification amounting to Baht 2,943 million and incurred losses amounting to Baht 46 million.

- **Expected Credit Loss**

KBank and its subsidiaries set aside expected credit loss of Baht 11,684 million for the first quarter of 2024, a decrease of Baht 1,888 million or 13.91 percent over-quarter, and a decrease of Baht 1,008 million or 7.94 percent over-year. However, KBank maintained its prudent approach in setting aside expected credit loss at appropriate level for the present circumstances and potential developments that could impact the country's economic recovery.

Meanwhile, our expected credit loss to average loans for the first quarter of 2024 stood at 1.89 percent, decreasing from 2.20 percent in the previous quarter and 2.05 percent for the same period of last year. Our coverage ratio as of March 31, 2024 was equal to 150.35 percent.

Expected Credit Loss

(Unit: Million Baht)

	Q1-2024	Q4-2023	Change		Q1-2023	Change	
			Increase	Percent		Increase	Percent
			(Decrease)			(Decrease)	
Expected Credit Loss	11,684	13,572	(1,888)	(13.91)	12,692	(1,008)	(7.94)
Expected Credit Loss to Average Loan (percent)	1.89	2.20		(0.31)	2.05		(0.16)

Allowance for Expected Credit Loss

As of March 31, 2024, our consolidated allowance for expected credit loss totaled Baht 130,058 million.

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

Non-Performing Loans

As of March 31, 2024, financial conglomerate's NPLs stood at Baht 93,273 million or 3.19 percent of the total outstanding credit, including that of financial institutions. KBank's NPLs totaled Baht 87,057 million or 3.16 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)

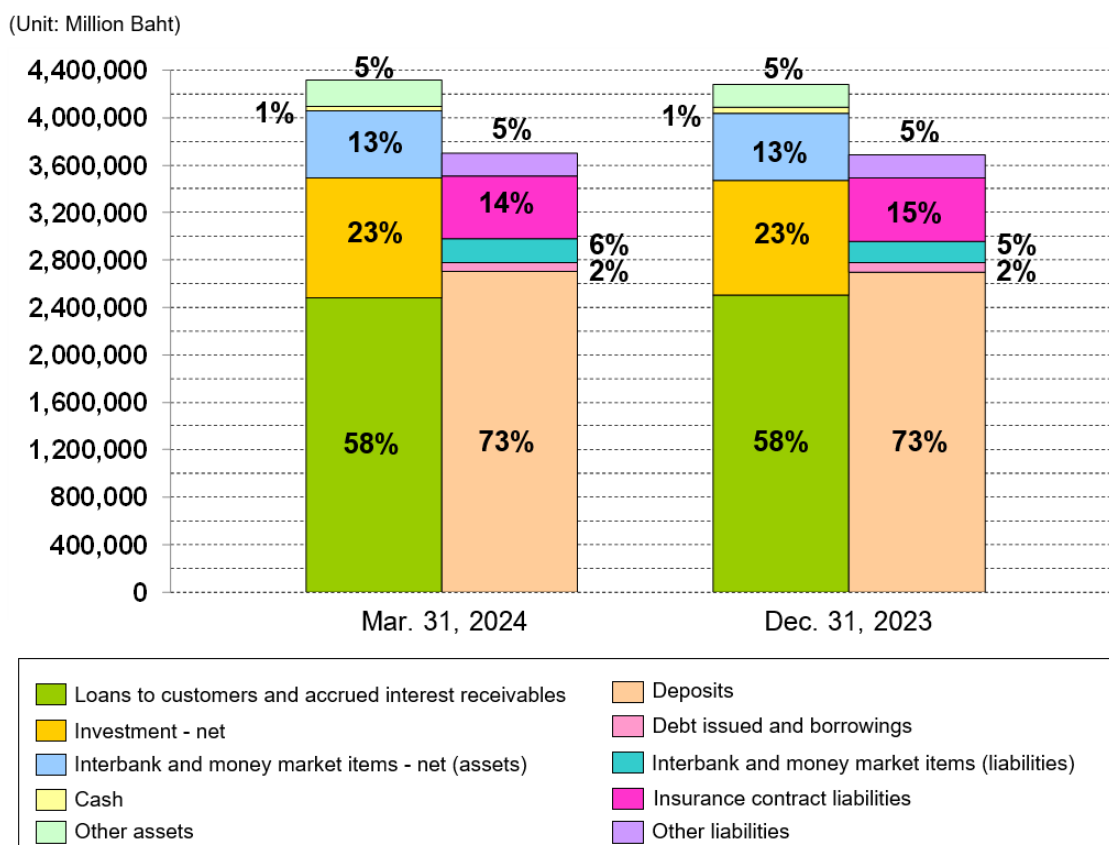
For the Quarter Ending	Mar. 31, 2024	Dec. 31, 2023
Financial conglomerate NPLs	93,273	94,241
Percent of total outstanding credit, including that of financial institutions	3.19	3.19
KBank NPLs	87,057	88,327
Percent of total outstanding credit, including that of financial institutions	3.16	3.16

Properties Foreclosed

As of March 31, 2024, our financial conglomerate properties foreclosed had a net value of Baht 55,277 million, thus being 1.28 percent of total assets.

4.2 Financial Position

Assets and Liabilities Structure



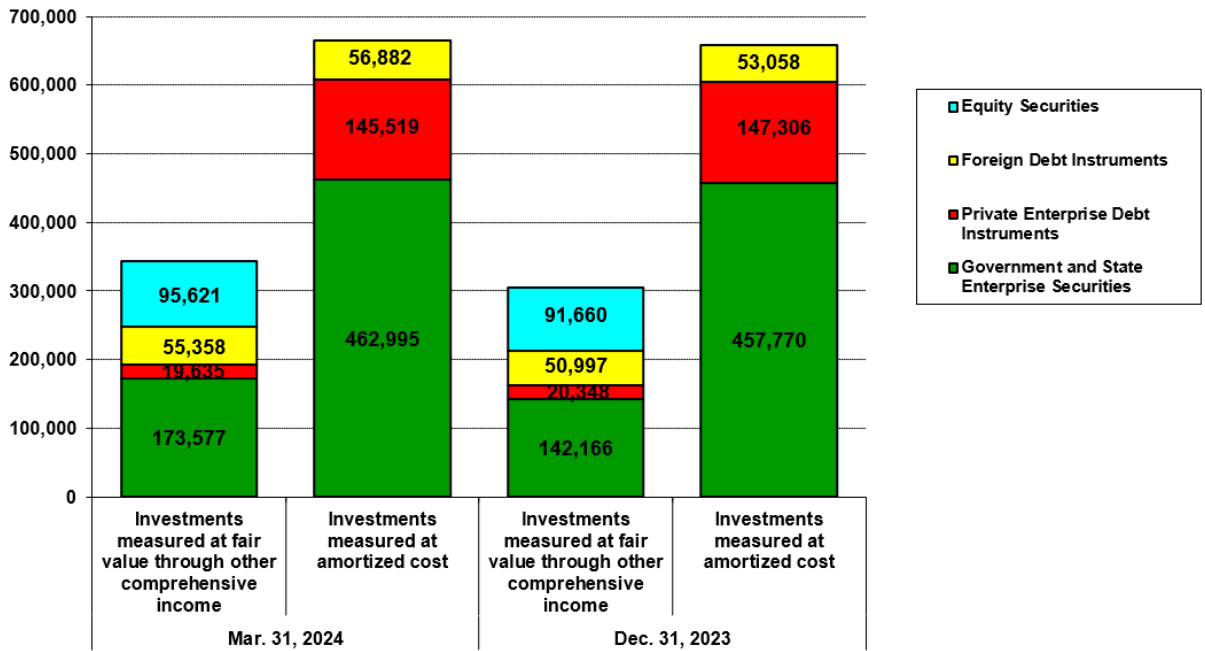
□ Assets

At the end of the first quarter of 2024, KBank's consolidated assets totaled Baht 4,318,809 million, increasing by Baht 35,253 million or 0.82 percent from the end of 2023. The rise was due mainly to an increase in net investment. Meanwhile, loans to customers decreased. Key details are as follows:

- Net investment at the end of the first quarter of 2024 totaled Baht 1,009,587 million, increasing by Baht 46,282 million or 4.80 percent from the end of 2023, due mainly to rising investment in financial instruments in line with interest rates forecast.
- Loans to customers at the end of the first quarter of 2024 totaled Baht 2,463,771 million, decreasing by Baht 26,627 million or 1.07 percent from the end of 2023 in line with market conditions. However, new loans continued to grow among customer groups in line with KBank's strategic directions.

Investments in Securities

(Unit: Million Baht)



□ Liabilities and Equity

Our consolidated liabilities at the end of the first quarter of 2024 amounted to Baht 3,703,156 million, which increased by Baht 16,435 million or 0.45 percent from the end of 2023. Significant changes in our consolidated liabilities included:

- Interbank and money market items at the end of the first quarter of 2024 equaled Baht 198,719 million, increasing by Baht 19,512 million or 10.89 percent from the end of 2023, mainly as a result of KBank's liquidity management.
- Equity (attributable to KBank) at the end of the first quarter of 2024 amounted to Baht 548,220 million, an increase of Baht 15,935 million or 2.99 percent from the end of 2023, derived mainly from KBank's net operating profit in the first quarter of 2024 which totaled Baht 13,486 million.

□ Relationship between Sources and Uses of Funds

As of March 31, 2024, the funding structure as shown in the consolidated financial statement comprised Baht 3,703,156 million in liabilities and Baht 615,653 million in equity, of which Baht 548,220 million was equity (attributable to equity holders of the Bank), resulting in a debt-to-equity ratio of 6.75. As of March 31, 2024, the main source of funds on the liabilities side was deposits, which equaled Baht 2,702,266 million or 62.57 percent of the total source of funds. Meanwhile, interbank and money market items as well as debt issued and borrowings accounted for 4.60 percent and 1.83 percent of the total source of funds, respectively.

As of March 31, 2024, KBank and subsidiaries' major use of funds was loans to customers which amounted to Baht 2,463,771 million, resulting in loan-to-deposit ratio of 91.17 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 March 31, 2024, KBank's consolidated outstanding loans stood at Baht 2,463,771 million, decreasing by Baht 26,627 million, or 1.07 percent, compared to Baht 2,490,398 million as of December 31, 2023.

Loans Classified by Business

(Unit: Million Baht)

	Mar. 31, 2024		Dec. 31, 2023	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,626,951	674,281	1,653,392	683,960

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.

KBank has a policy of prudent credit extension, accounting for the uneven Thai economic recovery amid the highly competitive market. We focused on improvement of loan products and services, along with adoption of data analytics and technology to deliver products tailored to the needs of the target customers with sound debt servicing ability. We prioritized stringent risk management, ensuring that we could efficiently provide support and assistance to our loan customers in a timely manner.

Corporate Business Loans

As of the end of the first quarter of 2024, our corporate business loans (Corporate and SME customers) had decreased by Baht 26,441 million or 1.60 percent from the previous quarter. The decrease was attributed mainly to a slowdown in new loans, reflecting limited business opportunities in line with economic conditions. Notably, declines were observed in real estate, petroleum and petrochemical products, consumer products, automobiles and parts. Meanwhile, SME business loans continued to fall due to our proactive debt management approach. 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 first quarter of 2024 had decreased by Baht 9,678 million or 1.41 percent compared to the previous quarter. The decrease came mainly from credit card loans, which decelerated due to seasonality amid active loan repayment after the purchase of tax-saving mutual funds towards the end of 2023. For personal loan, KBank adopted a prudent credit extension policy, while closely monitoring credit quality. KBank offered a modest approved credit limit to new customers having insufficient data, but would increase loan amounts in line with risk level of customers who showed discipline in debt repayment in accordance with the established conditions. 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. In the first quarter, new home loan increased from the preceding quarter as KBank streamlined work processes for enhanced sales efficiency through close customer engagement to gather valuable feedback, and adopted risk-adjusted pricing strategies to 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	
		Mar. 31, 2024	Dec. 31, 2023	Increase (Decrease)	Percent
Total Deposits	100.00	2,702,266	2,699,562	2,704	0.10
Current accounts	5.73	154,729	165,512	(10,783)	(6.51)
Savings accounts	73.66	1,990,647	1,986,993	3,654	0.18
Fixed-term deposit accounts	20.61	556,890	547,057	9,833	1.80

In the first quarter of 2024, the Thai policy rate was stable at 2.50 percent, with expectations of a downward trend this year. Meanwhile, liquidity of Thai commercial banks remained ample to accommodate loan growth. As a result, the overall competitive landscape in the deposit market ranged from low to moderate. KBank's deposits from current accounts and savings accounts (CASA) dropped slightly compared to the end of 2023 in line with seasonal spending at the beginning of the year. Meanwhile, our fixed-term deposits saw an increase.

KBank prioritized liquidity management with our focus on maintaining deposit costs at suitable and competitive levels. We thus offered a special 8-month fixed deposit product offering attractive interest rates to customers with a deposit of at least Baht 200,000. Additionally, the Bank has streamlined the process of opening

deposit accounts for foreign customers in a paperless format, conducted through tablet devices. This service is currently offered at the Bank's pilot branches and will be rolled out nationwide within the second quarter of 2024.

4.4 Treasury Operations

In the first quarter of 2024, the US Federal Reserve maintained its policy rate at 5.25-5.50 percent as US inflation gradually declined but remained above the target level. Meanwhile, the Bank of Thailand kept its policy rate steady at 2.50 percent to preserve financial stability and ensure the capability of its monetary policy to respond to potential uncertainties.

The decision of the US Federal Reserve and the Bank of Thailand to maintain their policy rates and the expected implementation of easing monetary policy in response to falling inflation had a positive impact on bond prices. However, the shift in the interest rate direction could lead to volatility and pressure in the US Dollar-denominated bond market and the Thai bond market.

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. In this quarter, the Bank therefore aligned the investment strategy of the bond portfolio to be consistent with interest rate movements by maintaining average maturity of bonds in our portfolio in the long range and at an appropriate level for our prudent approach to limit the potential impacts of interest rate volatility.

During the first quarter of 2024, average overnight interbank lending rates remained stable from the end of 2023 at 2.46 percent per annum.

KBank established guidelines for liquidity management under an acceptable risk appetite and effective cost management, which remained consistent with our approach in the previous quarter. Focus was on fund mobilization mainly through deposits, especially current accounts and savings accounts (CASA) funded by customers' main 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	1Q24	4Q23	Change	
				Increase (Decrease)	Percent
Interest Income¹⁾					
Interbank and money market items ²⁾	61.20	3,438	3,366	72	2.14
Investments	38.80	2,180	2,314	(134)	(5.79)
Total	100.00	5,618	5,680	(62)	(1.09)

Note: ¹⁾ Managerial figures

²⁾ Including loans

Total interest income in the first quarter of 2024 stood at Baht 5,618 million, slightly decreasing by Baht 62 million, or 1.09 percent from the previous quarter, attributed mainly to maturity of long-term high-yield bonds.

4.5 Capital Requirements

As of the end of the first quarter of 2024, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 540,035 million, consisting of Baht 485,648 million in Tier-1 capital (Baht 458,751 million in Common Equity Tier-1 capital) and Baht 54,387 million in Tier-2 capital. The capital adequacy ratio was 19.37, which was above the Bank of Thailand's minimum requirement and buffer requirement of 12.00 percent. Meanwhile, Tier-1 capital ratio was 17.42 percent (Common Equity Tier-1 ratio was equal to 16.46 percent), all of which were above the BOT's minimum requirement and buffer requirement of 9.50 percent and 8.00 percent, respectively. The details are shown as follows:

Capital Adequacy Ratio¹⁾

- KASIKORNBANK FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Tier 1 Capital Ratio	9.50	17.42	17.44	17.65	17.04	16.92
<i>Common Equity Tier 1 Ratio</i>	8.00	16.46	16.47	16.67	16.06	15.94
Tier 2 Capital Ratio	-	1.95	1.97	1.97	1.97	1.98
Capital Adequacy Ratio	12.00	19.37	19.41	19.62	19.01	18.90

- The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Tier 1 Capital Ratio	9.50	16.70	16.66	16.95	16.12	16.06
<i>Common Equity Tier 1 Ratio</i>	8.00	15.68	15.63	15.90	15.08	15.02
Tier 2 Capital Ratio	-	2.05	2.06	2.07	2.06	2.07
Capital Adequacy Ratio	12.00	18.75	18.72	19.02	18.18	18.13

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 of the BOT 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 2.50 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 of total risk weight assets.

4.6 Credit Ratings

At the end of March 2024, the Bank's credit ratings given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of December 2023.

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

KASIKORNBANK's Credit Ratings	
Credit Ratings Agency	Mar. 31, 2024
Moody's Investors Service ¹⁾	
<u>Foreign Currency</u>	
Outlook	Stable
Long-term - Senior Unsecured Notes	Baa1
- Deposit	Baa1
- Counterparty Risk	Baa1
- Subordinated Debt	Ba1
- Non-Cumulative Preferred Stock	Ba2
Short-term - Debt/Deposit	P-2
- Counterparty Risk	P-2
Baseline Credit Assessment	baa2
<u>Domestic Currency</u>	
Outlook	Stable
Long-term - Deposit	Baa1
- Counterparty Risk	Baa1
Short-term - Debt / Deposit	P-2
- Counterparty Risk	P-2
Standard & Poor's ¹⁾	
<u>Global Scale Ratings</u>	
Outlook	Stable
Long-term Counterparty Credit Rating	BBB
Long-term Certificate of Deposit	BBB
Short-term Counterparty Credit Rating	A-2

Credit Ratings Agency		Mar. 31, 2024
Short-term Certificate of Deposit		A-2
Senior Unsecured Notes (Foreign Currency)		BBB
Fitch Ratings ¹⁾		
<u>International Credit Ratings (Foreign Currency)</u>		
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
<u>National Credit Ratings</u>		
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 report are forward- looking statements in respect of the financial position or the performance of KASIKORNBANK PUBLIC COMPANY LIMITED ("KBank"). KBank has prepared such forward- looking statements based on several assumptions, and has relied on financial and other information available from public sources as of the date such statements were made. Statements containing words such as "expect", "believe", "estimate", etc. and other similar expressions, are considered as forward-looking statements which involve uncertainties and are subject to changes at any time due to future events, including but not limited to, changes in global/national economic, political and regulatory environment. Accordingly, the readers or the recipients of information shall carefully review this report and make their own independent decision as well as thoroughly evaluate such fact or information which may have changed prior to making any investment 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 on the right side. The shape is smooth and organic in form.

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