



Management Discussion and Analysis

For the second quarter and six-month ended June 30, 2024
(Unaudited financial statements)

Kiatnakin Phatra Bank Public Company Limited

Investor Relations

Email: investor_relations@kkpfg.com

Tel. +66-2495-1366

Website: www.kkpfg.com

Overall market environment

The Thai economy during 2Q24 is expected to recover more favorably than in the first quarter, mainly driven by government investment spending. This follows the enactment of the Fiscal Year 2024 Budget Act at the end of April, leading to a faster-than-expected disbursement rate in May and June. The tourism sector remains a significant driver this year, although its momentum is expected to diminish towards the end of the year due to high base effects from the previous year. As of June, there were approximately 17.5 million tourists year-to-date, an increase of 35% from the previous year. The export sector showed improvements towards the end of 2Q24, with Thai exports registering a 2.6% growth YoY during the first 5 months of 2024, expanding in both the agricultural and industrial exports. Meanwhile, the domestic economy, particularly the consumption of durable goods, is expected to slow down due to a sluggish economic recovery, high household debt levels, rising interest rates, and weak domestic demand.

In the latest meeting in June 2024, the MPC assessed that the Thai economy is likely to continue its recovery, driven by private consumption and tourism, along with the acceleration of government spending in the second quarter. Inflation is expected to gradually return to the target range by 4Q24. Given the view on the economic and inflation outlook, the MPC is expected to maintain the policy rate throughout 2024 for the following reasons (1) The economy is expected to continue growing steadily for the remainder of the year, and the MPC assesses that the current policy rate is in line with the economic potential. (2) Inflation will edge up and reach the target range as the supply-side factors improve and the effects of the government measures dissipate. (3) The MPC is concerned about the high level of household debt, and the interest rate should not be too low to prevent excessive borrowing, which could impact financial stability. (4) Although the Thai economy is growing at a lower rate compared to the past, the main cause is structural issues, and monetary policy has limited effectiveness in addressing these structural problems. Accordingly, the chance of the MPC's rate being cut this year is low. We expect the MPC to deliver a rate cut in the latter half of 2025 as the economy and inflation show clearer weakness.

The auto industry for the first five months of 2024 declined 23.8%YoY. The total number of commercial and passenger car sales fell by 27.1% YoY and 17.9% YoY, respectively. This is due to stalling income and purchasing power trends following unfavorable economic conditions, the increase in interest rates and the high level of household debt.

The capital market remained weak due to the slow pace of economic recovery and uncertainty surrounding economic stimulus policies and political situations. This contributed to deteriorating market sentiment resulting in the SET index at the end of 2Q24 closing at 1,300.96 points, declining 5.6% from 1,377.94 points at the end of 1Q24 while the average daily trading value (SET and mai) for 2Q24 decreased by 2.2% to Baht 44,708 million from Baht 45,717 million during 1Q24.

Operating results of the Bank and subsidiaries for 2Q24 and for the first half of 2024

For 2Q24, the consolidated net profit of the Bank totaled Baht 769 million, a decline of 45.4% compared to 2Q23 driven by lower net interest income of 9.3% YoY amid rising funding costs while non-interest income decreased by 18.8%, primarily due to lower loan related income attributable to slower loan expansion and persistent subdued conditions in the capital markets affecting revenue. Operating expenses remained well-controlled with cost to income ratio¹ for 2Q24 at 42.0%. Expected credit loss decreased by 5.8% YoY, reflecting ongoing efforts to enhance the asset quality of the loan portfolio. When compared to the previous quarter, expected credit loss increased due to the Bank prudently setting aside higher provisions largely for the hire purchase portfolio, partly

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

due to seasonal impact and to account for potential deteriorations stemming from fragile economic conditions and external factors affecting the auto industry. The Non-Performing Loans² (NPLs) to total loans ratio increased to 4.0% as of the end of 2Q24 from 3.8% level at end of 1Q24 with total allowance for expected credit losses to total NPLs ratio (coverage ratio) as of the end of 2Q24 at 136.5%.

For the first half of 2024, the consolidated net profit totaled Baht 2,275 million, a decline of 34.9% compared to the same period last year. Total operating income decreased by 6.8% YoY, driven by lower net interest income of 4.5% YoY due to rising funding costs while non-interest income dropped by 13.7% as a result of lower loan related income from slower new loan growth and continued uncertainties in the capital market impacting investments. Meanwhile, expected credit loss decreased by 20.1% compared to the same period last year, reflecting the measures taken to enhance the quality of the loan quality. Overall, credit costs remain within the Bank's anticipated level.

Summary of financial performance

Unit : Baht million	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Net Interest income	5,009	5,253	(4.6)	5,521	(9.3)	10,261	10,744	(4.5)
Non-interest income	1,543	1,579	(2.3)	1,902	(18.8)	3,123	3,620	(13.7)
Total operating income	6,552	6,832	(4.1)	7,423	(11.7)	13,384	14,364	(6.8)
Total other operating expenses	3,809	4,316	(11.8)	3,791	0.5	8,125	7,030	15.6
Expected credit losses	1,769	609	190.6	1,878	(5.8)	2,378	2,975	(20.1)
Profit from operating before income tax expenses	974	1,907	(48.9)	1,754	(44.5)	2,881	4,359	(33.9)
Income tax expenses	202	400	(49.5)	342	(41.0)	602	859	(29.9)
Net Profit (attributable to equity holders of the Bank)	769	1,506	(49.0)	1,408	(45.4)	2,275	3,493	(34.9)
Total Comprehensive income (attributable to equity holders of the Bank)	753	1,676	(55.1)	1,311	(42.6)	2,429	3,450	(29.6)
Basic earnings per share (Baht)	0.91	1.78	(48.9)	1.66	(45.5)	2.69	4.13	(34.9)

Annualized Ratios	2Q24	1Q24	2Q23	1H24	1H23
Net Profit (Baht million)	769	1,506	1,408	2,275	3,493
ROAE (%)	4.9	9.7	9.4	7.4	11.9
ROE (%)	4.9	9.9	9.4	7.5	12.1
ROAA (%)	0.6	1.1	1.1	0.8	1.3
Comprehensive income (Baht million)	753	1,676	1,311	2,429	3,450
ROAE (%)	4.8	10.8	8.7	7.9	11.7
ROE (%)	4.8	11.0	8.7	8.0	11.9
ROAA (%)	0.6	1.2	1.0	0.9	1.3
Loan growth	(1.0)	(0.7)	2.8	(1.7)	5.6
NPLs/ Total loans (excluding interbank and POCI)	4.0	3.8	3.6	4.0	3.6
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	136.5	137.3	143.1	136.5	143.1

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

Net Interest Income

Unit: Baht million	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Interest income	7,722	7,881	(2.0)	7,474	3.3	15,604	14,469	7.8
Interest on loans	3,500	3,525	(0.7)	3,220	8.7	7,025	6,135	14.5
Hire purchase and financial lease income	3,508	3,634	(3.5)	3,673	(4.5)	7,142	7,245	(1.4)
Interest on POCI	27	26	2.4	32	(15.8)	53	59	(10.8)
Interest on interbank and money market items	350	372	(6.0)	331	5.5	722	613	17.7
Interest on securities	296	299	(0.8)	202	46.3	595	389	53.0
Others	42	26	64.3	15	175.5	68	28	142.2
Interest expense	2,714	2,629	3.2	1,952	39.0	5,342	3,725	43.4
Interest on deposits	1,853	1,738	6.6	1,122	65.1	3,590	2,090	71.8
Interest on interbank and money market items	115	102	12.5	101	13.6	216	195	10.9
Interest on debt issued and borrowings	283	325	(13.0)	265	6.7	608	498	22.1
Fees and charges on borrowings	4	4	3.0	7	(38.0)	8	13	(35.7)
FIDF and DPA fees	444	444	(0.2)	444	0.0	888	885	0.3
Others	16	16	2.0	14	10.7	32	44	(28.7)
Net Interest Income	5,009	5,253	(4.6)	5,521	(9.3)	10,261	10,744	(4.5)

For 2Q24, net interest income amounted to Baht 5,009 million, a decrease of 9.3% YoY, primarily due to a reduction in the interest rate spread as a result of rising funding costs. Interest income totaled Baht 7,722 million, an increase of 3.3% from the same quarter last year, driven by an 8.7% increase in interest income from loans, reflecting an increase in the loan yield to 7.2%, compared to 7.1% YoY. Interest expenses amounted to Baht 2,714 million, an increase of 39.0% YoY, due to the continued rise in funding costs in line with increases in market interest rates. The cost of funds for 2Q24 increased to 2.5%, compared to 1.8% in 2Q23. Overall, this resulted in a reduction of the interest rate spread to 4.8% for 2Q24.

For the first half of 2024, net interest income amounted to Baht 10,261 million, a decrease of 4.5% YoY. Interest income increased by 7.8% driven by the rise in interest rates. Meanwhile, interest expenses also rose as a result of continued increases in funding costs. For the first half of 2024, the interest rate spread was 4.9%, down from 5.3% in the first half of 2023.

Loan Yield, Cost of Fund and Loan Spread

%	2Q24	1Q24	4Q23	3Q23	2Q23	1H24	1H23
Yield on loan	7.2	7.3	7.3	7.1	7.1	7.3	7.0
Cost of fund	2.5	2.4	2.2	2.0	1.8	2.4	1.7
Loan spread	4.8	4.9	5.1	5.1	5.3	4.9	5.3

Non-Interest Income

For 2Q24, non-interest income amounted to Baht 1,543 million, a decrease of 18.8% YoY. Net fee and services income declined by 20.0%, primarily due to a reduction in bancassurance fee following a slowdown in new loans, coupled with a decrease in brokerage income in line with the continued weakness in trading activities. Despite the challenges, Kiatnakin Phatra Securities continued to retain its number one position in terms of market

share³ with 2Q24 market share of 23.7%. Meanwhile, fee income from asset management business performed well, driven by a continuous increase in assets under management.

For the first half of 2024, non-interest income totaled Baht 3,123 million, declining by 13.7% YoY driven by lower net fees and services income which declined by 18.3% as a result of lower Bancassurance fee from slower loan growth while persistent subdued market conditions led to lower fee from brokerage business and investment banking business. Meanwhile, fee from asset management business continued to perform well.

Unit: Baht million	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Fees and services income	1,425	1,383	3.0	1,691	(15.7)	2,808	3,315	(15.3)
Fees and services expenses	254	260	(2.6)	227	11.8	514	508	1.2
Fees and services income, net	1,171	1,123	4.3	1,464	(20.0)	2,294	2,807	(18.3)
Gain on financial instruments measured at fair value through profit or loss, net	267	336	(20.7)	296	(9.9)	603	447	34.9
Gain (loss) on investments, net	(7)	30	(124.4)	(12)	(40.8)	23	(12)	(297.6)
Dividend income	57	42	37.2	105	(45.5)	99	273	(63.6)
Other operating income	55	48	14.8	49	11.7	103	105	(1.5)
Total Non-Interest Income	1,543	1,579	(2.3)	1,902	(18.8)	3,123	3,620	(13.7)

Other operating expenses

Unit: Baht million	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Employee's expenses	1,613	1,748	(7.7)	1,723	(6.4)	3,361	3,466	(3.0)
Directors' remuneration	6	10	(38.4)	10	(39.4)	16	19	(17.3)
Premises and equipment expenses	354	342	3.5	334	6.0	696	646	7.8
Taxes and duties	158	187	(15.5)	152	3.8	345	293	17.7
Loss from revaluation of foreclosed assets (reversal)	(12)	(38)	(67.2)	16	(178.1)	(50)	(603)	(91.6)
Loss from sale of foreclosed assets	1,071	1,463	(26.8)	967	10.8	2,534	2,063	22.8
(Gain) loss from sale of foreclosed properties	(1)	20	(107.3)	(11)	(86.8)	19	(35)	(153.1)
Loss from sale of repossessed cars	1,073	1,443	(25.6)	978	9.7	2,515	2,098	19.9
Other expenses	618	605	2.2	589	4.9	1,223	1,145	6.8
Total other operating expenses	3,809	4,316	(11.8)	3,791	0.5	8,125	7,030	15.6

For 2Q24, the Bank remains focused on efficiency management with operating expenses amounting to Baht 3,809 million, remaining relatively stable YoY. Compared to the previous quarter, a decline of 11.8%. If excluding expense items related to foreclosed assets, operating expenses remained at an efficient level with cost-to-income ratio for 2Q24 at 42.0%. Loss from sale of repossessed cars for 2Q24 totaled Baht 1,073 million, declining by 25.6% comparing to 1Q24 from the gradual decline in the number of repossessed cars sold.

For the first half of 2024, other operating expenses were Baht 8,125 million, increasing by 15.6% YoY with increase largely driven by expense relating to foreclosed assets. If excluding expense items related to

³ Including SET and mai but excluding proprietary trading

foreclosed assets, cost-to-income ratio for the first half of 2024 was well-controlled at 42.2%. Furthermore, during the first half of 2023, the Bank performed revision on the allowance for impairment of foreclosed properties, leading to a reversal on allowance for impairment of foreclosed properties in the amount of Baht 619 million where there is no such reversal item for the first half of 2024.

Expected Credit Loss (ECL)

Unit: Baht million	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Expected Credit Losses	1,769	609	190.6	1,878	(5.8)	2,378	2,975	(20.1)
Credit Cost (%)	2.89	2.07		2.99		2.48	2.70	

For 2Q24, the Bank maintained prudent approach in setting aside provisions based on the expected credit loss (ECL) model which reflect various considerations including the potential impact on loan quality due to the prevailing economic uncertainty. The expected credit loss for 2Q24 totaled Baht 1,769 million, a decrease of 5.8% YoY. The expected credit loss and loss from the sale of repossessed cars (credit cost) for 2Q24 was at 2.89% of average loans, declined from 2.99% level YoY. However, if comparing to 1Q24, credit cost increased from 2.07% level during 1Q24 as a result of higher expected credit loss amount set up during 2Q24. The increase is partly due to seasonality impact during festivities period and to account for any potential impacts on loan quality amid the fragile economic conditions and external factors affecting the auto industry.

For the first half of 2024, expected credit losses totaled Baht 2,378 million, a decrease of 20.1% from Baht 2,975 million in the first half of 2023. This reduction reflects several measures the Bank has taken in order to manage the quality of the loan portfolio. Provisions, including losses from the sale of repossessed cars (credit cost), declined to 2.48% of average loans in the first half of 2024, down from 2.70% in the first half of 2023.

Statements of Financial Position

Assets

Assets as of the end of June 2024 totaled Baht 529,581 million, a decline of 2.9% from the end of 2023 driven by the decline in loans to customers and accrued interest receivables and interbank and money market items.

Assets (Baht Thousand)	Consolidated		Change	
	Jun 30, 2024	Dec 31, 2023	Amount	%
Cash	930,330	1,381,596	(451,266)	(32.7)
Interbank and money market items, net	53,655,405	62,029,433	(8,374,028)	(13.5)
Financial assets measured at fair value through profit or loss	12,675,703	16,035,387	(3,359,684)	(21.0)
Derivatives assets	8,372,792	8,062,453	310,339	3.8
Investment, net	36,383,814	36,261,569	122,245	0.3
Investments in properties, net	19,859	20,038	(179)	(0.9)
Loans to customers and accrued interest receivables, net	377,671,209	384,825,621	(7,154,412)	(1.9)
Properties foreclosed, net	7,094,046	7,240,407	(146,361)	(2.0)
Land, premises and equipment, net	7,226,065	7,436,488	(210,423)	(2.8)
Right-of-use assets	227,876	245,726	(17,850)	(7.3)
Other intangible assets, net	1,715,052	1,707,800	7,252	0.4
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,667,059	1,717,031	(49,972)	(2.9)
Accounts receivable from clearing house and broker - dealers	1,208,697	1,954,980	(746,283)	(38.2)
Securities and derivative business receivables	7,332,272	5,528,970	1,803,302	32.6
Other assets, net	10,334,946	7,813,483	2,521,463	32.3
Total Assets	529,581,160	545,327,017	(15,745,857)	(2.9)

Liabilities

Liabilities as of the end of June 2024, amounted to Baht 467,358 million, declining 3.5% from the end of 2023 driven by the decline in debts and borrowings of 30.0%. Deposits increased 2.9% from the end of 2023 largely from the increase in term deposits resulting in the proportion of term deposits to be at 67.6% with current and saving accounts (CASA) contributing to 32.4% of total deposits amount. Loans to deposits and borrowings ratio as of the end of 2Q24 stood at 93.7%.

Liabilities (Baht Thousand)	Consolidated		Change	
	Jun 30, 2024	Dec 31, 2023	Amount	%
Deposits	369,439,926	358,902,512	10,537,414	2.9
Current Account	1,775,643	1,124,152	651,491	58.0
Saving Account	117,932,395	127,177,454	(9,245,058)	(7.3)
Term Deposit	249,664,195	230,523,115	19,141,081	8.3
Certificate of Deposit	67,692	77,792	(10,100)	(13.0)
Interbank and money market items, net	18,145,671	23,035,081	(4,889,410)	(21.2)
Liabilities payable on demand	552,870	483,354	69,516	14.4
Financial liabilities measured at fair value through profit or loss	1,176,726	1,332,833	(156,107)	(11.7)
Derivatives liabilities	8,613,018	8,502,677	110,341	1.3
Debt issued and borrowings	48,235,883	68,899,979	(20,664,096)	(30.0)
Lease liabilities	163,727	182,008	(18,281)	(10.0)
Provisions	1,345,276	1,301,936	43,340	3.3
Deferred tax liabilities	559,749	555,218	4,531	0.8
Accounts payable to clearing house and broker - dealers	1,264,825	151,102	1,113,723	737.1
Securities and derivative business payables	6,468,366	6,894,432	(426,066)	(6.2)
Accrued interest expenses	1,314,763	1,063,220	251,543	23.7
Other accounts payable	5,375,205	7,010,932	(1,635,727)	(23.3)
Income tax payable and specific business tax payable	628,957	471,466	157,491	33.4
Other liabilities	4,072,662	5,287,417	(1,214,755)	(23.0)
Total Liabilities	467,357,624	484,074,167	(16,716,543)	(3.5)

Capital Adequacy Ratio

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

As of June 30, 2024, the Bank Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2023 after dividend payment was at 16.17% while Tier 1 ratio was at 12.70%. When including net profit up to end of 2Q24, the BIS ratio will increase to 16.71% while Tier 1 ratio will be 13.24%. The Bank Tier 1 capital are all Common Equity Tier 1 contributing to 78.52% of total capital reflecting high quality of capital.

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

Total Capital and Capital Adequacy Ratio of the Group as of the end of June 2024 are as follows:

	Bank Only			Consolidated		
	Jun 2024	Mar 2024	Jun 2023	Jun 2024 ⁴	Mar 2024	Jun 2023
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	48,116	47,883	45,604	n/a	54,307	51,710
Tier 1 capital	48,116	47,883	45,604	n/a	54,307	51,710
Total capital	61,276	61,099	58,001	n/a	67,661	64,131
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	12.70	12.55	11.64	n/a	13.52	12.88
Tier 1 capital	12.70	12.55	11.64	n/a	13.52	12.88
Total capital	16.17	16.01	14.81	n/a	16.85	15.98

⁴ Consolidated capital information for end of June 2024 will be disclosed with the audited financial statements

Business Segment Performance

The Kiatnakin Phatra Financial Group (“the Group”) businesses are divided into two main areas: the Commercial Banking Business operated by the Bank and Capital Market Business operated by its subsidiaries which are comprised of KKP Capital, Kiatnakin Phatra Securities, 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)	June 2024	March 2024	Change (% QoQ)	December 2023	Change (% YTD)
Retail Lending	263,170	266,535	(1.3)	270,583	(2.7)
Hire Purchase	176,313	181,232	(2.7)	186,981	(5.7)
Personal loan	14,700	14,136	4.0	13,703	7.3
Micro SMEs loan	14,969	14,445	3.6	14,000	6.9
Housing loan	57,188	56,722	0.8	55,899	2.3
Commercial Lending	60,092	58,934	2.0	58,662	2.4
Real Estate Development loan	27,650	26,199	5.5	25,168	9.9
SMEs loan	32,441	32,735	(0.9)	33,494	(3.1)
Corporate Lending	58,304	58,100	0.4	57,720	1.0
Special Asset Management loan	1,336	1,388	(3.8)	1,033	29.4
Lombard loan	9,175	11,274	(18.6)	11,047	(16.9)
Total loans	392,076	396,231	(1.0)	399,045	(1.7)
Total loans (excluding POCI)⁵	391,509	395,646	(1.0)	398,455	(1.7)

As of the end of 2Q24, total loans excluding POCI totaled Baht 391,509 million, contracting by 1.7% from the end of 2023, consistent with the Bank’s direction for a slower loan growth amid prolonged economic uncertainties. Loan expansion will be focused on quality and profitable loan segments. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 263,170 million, decreasing by 2.7% from the end of 2023. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.
 - **Hire purchase loans** amounted to Baht 176,313 million, contracted 5.7% from the end of 2023. The portion of hire purchase loan to total Bank loan portfolio stood at 45.0% with the portion of new cars to used cars remaining at the same level of 38:62 from the previous quarter. The domestic new car sales for the 5 months of 2024 amounted to 260,365 units, declining by 23.8% compared to the same period last

⁵ Purchased or originated credit-impaired financial assets (POCI)

year. The penetration rate of the Bank new cars lending to the domestic new car sales for the 5 months of 2024 was at 3.0%, slight increase from 2.7% for 1Q24.

- **Other retail loans** amounted to Baht 86,856 million, with overall other retail loans expansion of 3.9% YTD with growth across all segments. The total combined other retail loans portion to total Bank loan portfolio increased to 22.2% as of the end of 2Q24.
- **Commercial Lending** business loans amounted to Baht 60,092 million, expanded by 2.4% from the end of 2023. Commercial Lending includes real estate development loans and SMEs loans, detail are as follows:
 - **Real estate development loans** totaled Baht 27,650 million, increased 9.9% from the end of 2023.
 - **SMEs loans** were Baht 32,441 million, declining by 3.1% from the end of 2023
- **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 58,304 million, slight increase of 1.0% from the end of 2023.
- **Special asset management (SAM)** is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,336 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 9,175 million, declining by 16.9% from the end of 2023.

Loan classifications and Allowance for expected credit losses (ECL)

Under TFRS 9, loans and accrued interest receivables as of the end of June 2024 are classified into stages as follows:

Unit : Baht million	June 2024		March 2024		June 2023	
	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	352,252	7,754	356,919	7,565	364,442	8,501
Stage 2 : Under-Performing financial assets	28,160	5,241	27,553	4,683	24,701	4,265
Stage 3 : Non-Performing financial assets	17,442 ⁷	8,105 ⁷	17,310	8,252	16,040	6,984
Purchased or originated credit-impaired financial assets	895	107	903	113	981	68
Total	398,749	21,207	402,685	20,613	406,164	19,819

The Bank prudently set up provisions for expected credit losses under TFRS 9 framework taking into consideration the various uncertainties. 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 2Q24, allowance for

⁶ Including ECL for loans and loan commitments and financial guarantees

⁷ Effective 2Q24, the staging and provisioning for loans under restructuring process will be classified in accordance with the relevant financial reporting standards

expected credit losses totaled Baht 21,207 million. The total allowance for expected credit losses to total NPLs ratio (coverage ratio) stood at 136.5%, comparing to 137.3% during 1Q24.

NPLs distribution by loan type

(Baht million)	June 2024		March 2024		December 2023	
	Amount	% of loans	Amount	% of loans	Amount	% of loans
Retail Lending	7,886	3.0	7,769	2.9	7,579	2.8
Hire Purchase	5,241	3.0	5,053	2.8	5,053	2.7
Personal loan	116	0.8	96	0.7	93	0.7
Micro SMEs loan	1,720	11.5	1,793	12.4	1,619	11.6
Housing loan	809	1.4	827	1.5	814	1.5
Commercial Lending	4,242	7.1	3,846	6.5	3,942	6.7
Real Estate Development loan	2,205	8.0	2,146	8.2	2,167	8.6
SMEs loan	2,037	6.3	1,700	5.2	1,775	5.3
Corporate Lending	2,979	5.1	2,971	5.1	676	1.2
Special Asset Management loan	1,000	74.9	1,018	73.4	1,023	99.0
Lombard loan	-	0.0	-	0.0	-	0.0
Total NPLs	16,108	4.1	15,604	3.9	13,220	3.3
Total NPLs (excluding POCI)	15,540	4.0	15,019	3.8	12,630	3.2

As of the end of 2Q24, the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 15,540 million or 4.0% of total loans, increasing from 3.8% at the end of 1Q24. The increase was driven mainly from the Bank's prudent qualitative classification for loans in the SME segment under commercial lending which were subsequently impacted by the slow economic recovery.

Capital Market business comprises of brokerage business, investment banking business, investment business, asset management business and digital financial and investment services. 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 2Q24, the market share⁸ of KKPS was 23.66%, ranking 1st from total 37 brokers. KKPS generated brokerage revenue totaling Baht 310 million comprising of equity brokerage revenue of Baht 245 million, derivatives brokerage revenue of Baht 49 million and other brokerage revenue of Baht 16 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 244 million⁹.

⁸ Including SET and mai but excluding proprietary trading

⁹ Including selling agent fee receive from subsidiary company

- **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 2Q24, the revenue from investment business was Baht 76 million, contributed to financial advisory fee amounting Baht 63 million and underwriting fee amounting Baht 13 million.

- **Investment Business**

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

In 2Q24, DI focusing on long-term investment with value based investment philosophy recorded gain on investment including other comprehensive income totaling Baht 93 million. Meanwhile, EDT had gain on investment totaling Baht 108 million¹⁰. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 309 million.

- **Asset Management Business**

Kiatnakin Phatra Asset Management Company Limited (“KKPAM”), under mutual fund and private fund management licenses, offers fund management services to individuals and corporate customers. KKPAM’s mutual fund AUM as of 30 June 2024 was Baht 182,104 million with total 153 funds under management consisting of 151 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 3.40%. In 2Q24, KKPAM’s fee income from mutual fund business totaled Baht 283 million. As of 30 June 2024, asset under management from private fund was Baht 23,760 million. KKPAM’s fee income from private fund business totaled Baht 26 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 operates agency business providing local mutual fund, foreign and local securities brokerage services, bond investment services, gold investment services and foreign currency deposit account (Dime! FCD) of Kiatnakin Phatra Bank to individual clients who are domiciled in Thailand focusing on the mass segment.

¹⁰ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 100 million

Profit and Loss Transaction

For the three-month period ended June 30, (Baht Thousand)	Consolidated		Change	
	2024	2023	Amount	%
Interest income	7,722,419	7,473,691	248,728	3.3
Interest expenses	2,713,845	1,952,470	761,375	39.0
Interest income, net	5,008,574	5,521,221	(512,647)	(9.3)
Fees and services income	1,425,017	1,690,521	(265,504)	(15.7)
Fees and services expenses	253,585	226,898	26,687	11.8
Fees and services income, net	1,171,432	1,463,623	(292,191)	(20.0)
Gain (loss) on financial instruments measured at fair value through profit or loss, net	266,781	296,035	(29,254)	(9.9)
Gain (loss) on investments, net	(7,348)	(12,411)	5,063	(40.8)
Dividend income	57,441	105,321	(47,880)	(45.5)
Other operating income	55,086	49,294	5,792	11.7
Total operating income	6,551,966	7,423,083	(871,117)	(11.7)
Other operating expenses				
Employee's expenses	1,613,143	1,722,640	(109,497)	(6.4)
Directors' remuneration	6,140	10,130	(3,990)	(39.4)
Premises and equipment expenses	354,264	334,171	20,093	6.0
Taxes and duties	158,095	152,311	5,784	3.8
Loss from revaluation of foreclosed assets (reversal)	(12,429)	15,924	(28,353)	(178.1)
Loss from sale of foreclosed assets	1,071,260	966,520	104,740	10.8
Other expenses	618,104	589,230	28,874	4.9
Total other operating expenses	3,808,577	3,790,926	17,651	0.5
Expected credit losses	1,769,346	1,878,360	(109,014)	(5.8)
Profit from operating before income tax expenses	974,043	1,753,797	(779,754)	(44.5)
Income tax expenses	202,008	342,350	(140,342)	(41.0)
Net profit	772,035	1,411,447	(639,412)	(45.3)
Net profit attributable to:				
Equity holders of the Bank	768,788	1,408,291	(639,503)	(45.4)
Non-controlling interests	3,247	3,156	91	2.9
Total comprehensive income attributable to:				
Equity holders of the Bank	752,955	1,311,427	(558,472)	(42.6)
Non-controlling interests	3,250	3,159	91	2.9
Basic earnings per share (Baht)	0.91	1.66	(0.76)	(45.5)

Profit and Loss Transaction

For the six-month period ended June 30, (Baht Thousand)	Consolidated		Change	
	2024	2023	Amount	%
Interest income	15,603,663	14,469,197	1,134,466	7.8
Interest expenses	5,342,461	3,724,822	1,617,639	43.4
Interest income, net	10,261,202	10,744,375	(483,173)	(4.5)
Fees and services income	2,808,350	3,314,743	(506,393)	(15.3)
Fees and services expenses	513,856	507,967	5,889	1.2
Fees and services income, net	2,294,494	2,806,776	(512,282)	(18.3)
Gain (loss) on financial instruments measured at fair value through profit or loss, net	603,222	447,001	156,221	34.9
Gain (loss) on investments, net	22,772	(11,523)	34,295	(297.6)
Dividend income	99,301	272,833	(173,532)	(63.6)
Other operating income	103,058	104,670	(1,612)	(1.5)
Total operating income	13,384,049	14,364,132	(980,083)	(6.8)
Other operating expenses				
Employee's expenses	3,360,835	3,465,787	(104,952)	(3.0)
Directors' remuneration	16,107	19,467	(3,360)	(17.3)
Premises and equipment expenses	696,449	645,759	50,690	7.8
Taxes and duties	345,209	293,261	51,948	17.7
Loss from revaluation of foreclosed assets (reversal)	(50,341)	(602,603)	552,262	(91.6)
Loss from sale of foreclosed assets	2,534,039	2,062,853	471,186	22.8
Other expenses	1,222,704	1,145,343	77,361	6.8
Total other operating expenses	8,125,002	7,029,867	1,095,135	15.6
Expected credit losses	2,378,126	2,975,262	(597,136)	(20.1)
Profit from operating before income tax expenses	2,880,921	4,359,003	(1,478,082)	(33.9)
Income tax expenses	602,142	859,384	(257,242)	(29.9)
Net profit	2,278,779	3,499,619	(1,220,840)	(34.9)
Net profit attributable to:				
Equity holders of the Bank	2,274,811	3,493,155	(1,218,344)	(34.9)
Non-controlling interests	3,968	6,464	(2,496)	(38.6)
Total comprehensive income attributable to:				
Equity holders of the Bank	2,429,370	3,450,437	(1,021,067)	(29.6)
Non-controlling interests	3,995	6,468	(2,473)	(38.2)
Basic earnings per share (Baht)	2.69	4.13	(1.44)	(34.9)