



## **Management Discussion and Analysis**

For the second quarter and six-month ended June 30, 2021

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### **Overall Business Operations**

The consolidated net profit of the Bank and subsidiaries for 2Q21 totaled Baht 1,354 million, an increase of 14.4% yoy while comprehensive income totaled Baht 1,807 million also increasing by 10.9% comparing to 2Q20. For the first half of 2021, net profit also increased to Baht 2,817 million, an increase of 5.6% with first half 2021 comprehensive income of Baht 3,338 million, an increase of 37.5% yoy.

The performance of the Bank continued to be strong as a results of the Bank on-going efforts to build and strengthen the key business areas in order to diversify its sources of revenue. As such the performance for 2Q21 continued to show satisfactory results with increase both in net interest income portion and also considerable increase in non-interest income. Net interest income rose by 5.0% while non-interest income rose by 56.9% yoy. Overall operating expenses continued to be well-controlled resulting in cost to income ratio<sup>1</sup> for 2Q21 to decline yoy to 39.2%. The Bank remains prudent when considering the level of provisions taking into account the resurgence of the new COVID-19 cases which has intensified during 2Q21 and as such recorded total expected credit loss amount for 2Q21 at Baht 1,378 million which was still at an elevated level commensurate with the increase in the current situation uncertainties.

During 2Q21, the Bank continues with its growth opportunity with the Bank's loan portfolio expanding by 6.6% from the end of 2020 with focus on expanding into profitable segment with better asset quality while taking into considerations the current economic conditions. Growth was largely driven by hire purchase, housing and corporate lending segment. For asset quality, the Non-Performing Loans (NPLs) to total loans ratio for 2Q21 increased to 3.4%<sup>2</sup> from 3.2% at the end of 1Q21 with total allowance for expected credit losses to total NPLs ratio (coverage ratio) at 160.1% for 2Q21.

The Bank current level of capital remains strong and is above the minimum requirement by the Bank of Thailand with the capital adequacy ratio of the Bank on a consolidated basis as of end of June 2021 at 18.08%.

For Capital market business, the market share (SET and mai excluding proprietary trading) of Kiatnakin Phatra Securities Plc. for 2Q21 was at 12.10%, continuing to rank 1st from total of 38 brokers.

### **Overall market environment**

Thailand economic recovery during 2Q21 remained slow due to the resurgence of COVID-19 local infections. Overall, the economy tended to slow down further from the prolonged COVID-19 outbreak and recent announcement of government's partial lockdown measures. Despite the support from the government stimulus measures, private consumption contracted across all spending categories compared to 1Q21. Private investment also slowed down coincided with worsening business sentiment and concerns over the uncertain economic outlook over the period ahead.

Meanwhile, Thai exports for the first half of 2021 vastly expanded by 15.5% yoy, in line with an improvement of trading partners' demand. In the tourism sector, the number of tourist arrivals year-to-date contracted by 99.4% yoy to register at 40,440 as travel restrictions remained in place.

In 2021, the recovery of the Thai economy is expected to be fragile and uneven across sectors and geographical areas due to (1) a severe outbreak of the current third wave which could induce the government to

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

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

enforce additional partial lockdown measures, causing negative impact on consumption and investment; (2) fragile financial health of tourism-related businesses especially in tourism-dependent areas, which, if deteriorating further, may lead to a credit event as well as an adverse effect on employment and household income; (3) a slow vaccination rollout and vaccine effectiveness which could further delay border re-opening; and (4) domestic political uncertainties that may affect investor confidence and result in the delay of government policy implementation.

As for the auto market, the domestic sales for the first six months of 2021 expanded by 13.6% yoy partly from the low base effect of last year, with the commercial vehicle segment rising by 21.0% yoy on the back of rising farm income. Meanwhile, sales of passenger vehicles edged up 0.5% yoy. Recovery of auto sales is poised to be rather limited this year following the economy-wide impact on income, employment and consumer confidence owing to the new wave of infections of the Delta variant of COVID-19 and the ongoing credit tightening by financial institutions.

In the equity market, the average daily turnover (SET and mai) for 2Q21 increased by 2.9% from Baht 96,951 million in 1Q21 to Baht 99,801 million in 2Q21. The SET index at the end of 2Q21 closed at 1,587.79 points, remaining stable from 1,587.21 points at the end of 1Q21.

#### **Update status on Coronavirus 2019 (COVID-19)**

During 2Q21, with the resurgence of COVID-19 local infections which started at the beginning of 2021 and has since intensified throughout 2Q21, the Bank of Thailand has announced additional measures aimed at providing financial support to customers including Phase 3 debt relief measures, financial rehabilitation measures to support business recovery and additionally the debt repayment suspension measure announced in July 2021 for customers directly impacted by the lockdown measures.

The Bank continued to focus on providing support to customers impacted while monitoring the situation closely in order to be able to provide targeted assistance to each customer segment appropriately. During 2Q21, the Bank has received additional requests for financial assistance both from retail and commercial lending segment customers but the number of additional requests has continued to be small comparing to the same period last year. For commercial lending customers, a small number of customers are in process of participating in the asset warehousing scheme which is under the Bank of Thailand and Ministry of Finance new measure aim at supporting business recovery. The scheme provides for debt restructuring through asset warehousing with buy-back options. The Bank's customers who have shown interest in the program are mainly in the Hotel and Apartment segment which require longer recovery period. With the continuing uncertainties from the current situation, the Bank will continue to assess the situation closely especially in terms of portfolio quality and will continue to prudently set up provisions to cushion against any possible deteriorations from the COVID-19 situation.

**Operating results of the Bank and subsidiaries for 2Q21 and for the first half of 2021**

<b>Unit : Baht million</b>	<b>2Q21</b>	<b>1Q21</b>	<b>% QoQ</b>	<b>2Q20</b>	<b>% YoY</b>	<b>1H21</b>	<b>1H20</b>	<b>% YoY</b>
Net Interest income	3,794	3,830	(0.9)	3,615	5.0	7,624	7,154	6.6
Non-interest income	1,941	1,785	8.8	1,238	56.9	3,726	3,293	13.2
Total operating income	5,735	5,615	2.1	4,852	18.2	11,351	10,446	8.7
Total other operating expenses	2,678	2,583	3.7	2,622	2.1	5,261	5,977	(12.0)
Expected credit losses	1,378	1,234	11.6	744	85.2	2,612	1,000	161.2
Profit from operating before income tax expenses	1,680	1,798	(6.6)	1,486	13.0	3,477	3,469	0.2
Income tax expenses	322	305	5.5	302	6.7	627	798	(21.5)
<b>Net Profit (attributable to equity holders of the Bank)</b>	<b>1,354</b>	<b>1,463</b>	<b>(7.4)</b>	<b>1,184</b>	<b>14.4</b>	<b>2,817</b>	<b>2,668</b>	<b>5.6</b>
Total Comprehensive income (attributable to equity holders of the Bank)	<b>1,807</b>	<b>1,531</b>	<b>18.0</b>	<b>1,629</b>	<b>10.9</b>	<b>3,338</b>	<b>2,428</b>	<b>37.5</b>
Basic earnings per share (Baht)	1.60	1.73	(7.5)	1.40	14.3	3.33	3.15	5.7

**For 2Q21**, the consolidated net profit totaled Baht 1,354 million, an increase of 14.4% from 2Q20 of which Baht 460 million was the net profit from Capital Market business. The consolidated comprehensive income for 2Q21 totaled Baht 1,807 million, an increase of 10.9% yoy from improved market conditions with Capital Market business's comprehensive income at Baht 850 million. The comprehensive income included revaluation of investments. Pre-provision operating profit for 2Q21 increased 37.1% yoy driven by both the increased in net interest income of 5.0% and the considerable increased in non-interest income of 56.9%. Operating expenses remained well-controlled from continued effective cost management. Additionally, with the prolonged uncertainties and increased in outbreak from the COVID-19 situation throughout 2Q21, the Bank continued to prudently set up additional expected credit loss amount resulting in higher level of provisioning when comparing to 2Q20.

**For the first half of 2021**, the consolidated net profit totaled Baht 2,817 million, an increase of 5.6% comparing to the same period last year, of which Baht 936 million was the net profit from Capital Market business with increase driven by higher net interest income from loan expansion while non-interest income increased from net fees and services income. Meanwhile, operating expenses declined mainly due to the Bank prudent measure during the first half of 2020 of which the Bank set up additional provisions for impairment on revaluation of foreclosed assets. For provisions, after assessing the continued uncertainties from the current situation, the Bank has prudently set up higher expected credit loss comparing to the same period last year. Meanwhile, the consolidated comprehensive income for the first half of 2021 totaled Baht 3,338 million, increased of 37.5% with Capital Market business's comprehensive income at Baht 1,572 million.

**Summary of financial performance ratios**

Annualized Ratios	2Q21	1Q21	2Q20	1H21	1H20
<b>Net Profit (Baht million)</b>	<b>1,354</b>	<b>1,463</b>	<b>1,184</b>	<b>2,817</b>	<b>2,668</b>
ROAE (%)	11.3	12.4	11.1	11.9	12.2
ROE (%)	11.3	12.6	11.3	12.1	12.2
ROAA (%)	1.4	1.5	1.3	1.5	1.6
<b>Comprehensive income (Baht million)</b>	<b>1,807</b>	<b>1,531</b>	<b>1,629</b>	<b>3,338</b>	<b>2,428</b>
ROAE (%)	15.1	13.0	15.3	14.1	11.1
ROE (%)	15.0	13.2	15.6	14.4	11.1
ROAA (%)	1.8	1.6	1.8	1.8	1.4
Loan growth	4.4	2.1	0.7	6.6	5.0
NPLs/ Total loans (excluding interbank and POCI)	3.4	3.2	3.4	3.4	3.4
Allowance for expected credit loss/ Total NPLs excluding POCI (coverage ratio)	160.1	163.3	128.7	160.1	128.7

**Net Interest Income**

Unit: Baht million	2Q21	1Q21	% QoQ	2Q20	% YoY	1H21	1H20	% YoY
<b>Interest income</b>	<b>4,744</b>	<b>4,815</b>	<b>(1.5)</b>	<b>4,937</b>	<b>(3.9)</b>	<b>9,559</b>	<b>9,778</b>	<b>(2.2)</b>
Interest on loans	1,842	1,854	(0.6)	2,139	(13.9)	3,697	4,239	(12.8)
Hire purchase and financial lease income	2,692	2,628	2.4	2,503	7.5	5,320	4,945	7.6
Interest on POCI	48	173	(72.1)	57	(15.7)	222	150	47.6
Interest on interbank and money market items	69	61	12.8	102	(32.1)	131	180	(27.2)
Interest on securities	90	96	(6.5)	131	(31.5)	186	254	(26.5)
Others	2	2	6.6	4	(44.0)	4	11	(61.0)
<b>Interest expense</b>	<b>950</b>	<b>985</b>	<b>(3.6)</b>	<b>1,323</b>	<b>(28.2)</b>	<b>1,935</b>	<b>2,624</b>	<b>(26.3)</b>
Interest on deposits	615	654	(5.9)	867	(29.0)	1,269	1,666	(23.8)
Interest on interbank and money market items	24	26	(7.4)	33	(27.7)	49	90	(45.1)
Interest on debt issued and borrowings	139	134	3.7	243	(42.8)	273	535	(48.8)
Fees and charges on borrowings	2	4	(40.3)	2	36.3	6	4	61.7
FIDF and DPA fees	165	159	3.7	166	(0.7)	323	305	6.1
Others	5	9	(46.1)	12	(61.1)	14	26	(46.6)
<b>Net Interest Income</b>	<b>3,794</b>	<b>3,830</b>	<b>(0.9)</b>	<b>3,615</b>	<b>5.0</b>	<b>7,624</b>	<b>7,154</b>	<b>6.6</b>

For 2Q21, net interest income amounted to Baht 3,794 million, an increase of Baht 180 million or 5.0% yoy from Baht 3,615 million in 2Q20. Interest income totaled Baht 4,744 million, declining by 3.9% yoy. While the Bank's loan portfolio has continued to grow satisfactorily expanding by 6.6% from the end of 2020 but with the reductions in interest rate during 2020 together with expansions into loan segment with higher asset quality all of which resulted in overall lower interest income for 2Q21. Interest expense totaled Baht 950

million, a decline of 28.2% yoy from further decline in cost of funds from continuous cost management. Overall, resulting in loan spread for 2Q21 to decline to 5.3% from 5.7% yoy.

**For the first half of 2021**, net interest income totaled Baht 7,624 million, an increase of 6.6%. While the loan portfolio growth has been satisfactory, this has been offset by the reductions in interest rates during 2020 resulting in overall lower interest income of 2.2% yoy. Meanwhile, interest expenses reduced by 26.3% from further decline in cost of funds from the Bank effective cost management resulting in overall net interest income to increase by 6.6%. Loan spread for the first half of 2021 declined to 5.4% from 5.7% yoy.

%	2Q21	1Q21	4Q20	3Q20	2Q20	1H21	1H20
<b>Yield on loan</b>	6.5	6.8	6.8	7.1	7.5	6.7	7.6
<b>Cost of fund</b>	1.3	1.4	1.5	1.6	1.8	1.3	1.9
<b>Loan spread</b>	5.3	5.5	5.3	5.5	5.7	5.4	5.7

### Non-Interest Income

Unit: Baht million	2Q21	1Q21	% QoQ	2Q20	% YoY	1H21	1H20	% YoY
Fees and services income	1,821	1,636	11.3	1,073	69.7	3,457	2,561	35.0
Fees and services expenses	207	202	2.2	188	9.8	409	401	2.0
<b>Fees and services income, net</b>	1,614	1,434	12.5	885	82.5	3,048	2,160	41.1
Gain on financial instruments measured at fair value through profit or loss	187	170	9.7	183	2.2	358	642	(44.3)
Gain (loss) on investments, net	-	(6)	(100.0)	(18)	(100.0)	(6)	60	(110.1)
Dividend income	96	122	(21.1)	116	(17.2)	218	302	(27.9)
Other operating income	44	64	(31.4)	71	(38.2)	108	127	(15.0)
<b>Total Non-Interest Income</b>	1,941	1,785	8.8	1,238	56.9	3,726	3,293	13.2

**For 2Q21**, non-interest income totaled Baht 1,941 million, a considerable increase of 56.9% yoy. The increase is mainly due to the significant increase in net fees and services income of 82.5% mainly driven by higher fee from the brokerage business in line with the improvement in market trading activity comparing to 2Q20 and also contributed by the increase in income generated from the Private Wealth Management business with Kiatnakin Phatra Securities maintaining the number 1 in terms of market share at 12.10%. Additionally, fee from asset management business totaled Baht 172 million increasing by 9.5% yoy mainly from the increased in asset under management. Fee from investment banking business totaled Baht 393 million, improving yoy from the increase in market activities from a previous slow down during 2020. Bancassurance fee totaled Baht 290 million, also increasing from Baht 204 million during 2Q20 mainly as a result of loan expansions.

**For the first half of 2021**, non-interest income totaled Baht 3,726 million, increasing 13.2% yoy driven by higher net fees and services income from the increase in income from brokerage business, Private Wealth Management business, investment banking business and Bancassurance fee all registering an increase comparing to the same period last year.

### Other operating expenses

For 2Q21, other operating expenses were Baht 2,678 million, remaining stable yoy comparing to Baht 2,622 million during 2Q20 with increases mainly coming from variable incentive expenses. Loss from sale of foreclosed assets declined yoy with loss for 2Q21 totaled Baht 331 million comparing to 2Q20 loss of Baht 498 million. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 425 million, decreasing from Baht 538 million yoy and also from gain on sale of foreclosed properties which totaled Baht 94 million for 2Q21, increasing from Baht 40 million yoy with sale activities continuing to show improvement comparing to yoy. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets stood at 39.2% improving from 42.4% during 2Q20.

For the first half of 2021, other operating expenses were Baht 5,261 million, decreased by 12.0% mainly from the items relating to foreclosed assets. As a prudent measure, during the first half of 2020, the Bank recorded additional impairment on revaluation of foreclosed assets in the amount of Baht 665 million on foreclosed properties that are deemed to require a long period of time to dispose. Additionally, loss from sale of foreclosed assets for 2Q21 also declined yoy resulting in cost-to-income ratio for the first half of 2021 to decline to 38.8% from 41.3% comparing to the same period last year.

Unit: Baht million	2Q21	1Q21	% QoQ	2Q20	% YoY	1H21	1H20	% YoY
Employee's expenses	1,545	1,460	5.8	1,342	15.2	3,005	2,763	8.7
Directors' remuneration	8	11	(26.9)	8	2.5	19	15	32.9
Premises and equipment expenses	252	244	3.1	274	(8.0)	495	577	(14.1)
Taxes and duties	103	113	(9.5)	111	(7.5)	216	251	(13.9)
Loss from revaluation of foreclosed assets (reversal)	60	(34)	(274.2)	48	24.5	25	741	(96.6)
Loss from sale of foreclosed assets	331	395	(16.1)	498	(33.5)	726	890	(18.4)
Other expenses	380	394	(3.8)	342	10.9	774	741	4.5
<b>Total other operating expenses</b>	<b>2,678</b>	<b>2,583</b>	<b>3.7</b>	<b>2,622</b>	<b>2.1</b>	<b>5,261</b>	<b>5,977</b>	<b>(12.0)</b>

### Expected Credit Loss (ECL)

Unit: Baht million	2Q21	1Q21	% QoQ	2Q20	% YoY	1H21	1H20	% YoY
Expected Credit Losses	1,378	1,234	11.6	744	85.2	2,612	1,000	161.2
Credit Cost (%)	2.72	2.79		2.21		2.74	2.32	

For 2Q21, expected credit losses totaled Baht 1,378 million, increasing when comparing to Baht 744 million for 2Q20. With the deterioration of the COVID-19 situation throughout 2Q21, the Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside higher provisions and management overlay to reflect possible deteriorations resulting from COVID-19 impacts. Total management overlay for 2Q21 amounted to Baht 824 million. Total allowance for expected credit losses to total NPLs ratio (coverage ratio) stood at 160.1% for 2Q21. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 2Q21 amounted to 2.72% of average loan.

For the first half of 2021, expected credit losses totaled Baht 2,612 million, increasing 161.2% from Baht 1,000 million yoy mainly due to the inclusion of higher management overlay amount comparing to the same period last year as a prudent measure against the possible deteriorations from the increased uncertainties. Provisions including loss from sale of repossessed cars (credit cost) for the first half of 2021 stood at 2.74% of average loan.

### **Statements of Financial Position**

Assets, as of 30 June 2021, totaled Baht 390,145 million, increased of Baht 26,734 million or 7.4% from the end of 2020 mainly from the increase in loans.

<b>Assets</b> (Baht '000)	<b>Consolidated</b>		<b>Change</b>	
	<b>Jun 30, 2021</b>	<b>Dec 31, 2020</b>	<b>Amount</b>	<b>%</b>
Cash	1,159,488	1,490,626	(331,138)	(22.2)
Interbank and money market items, net	29,618,455	32,770,543	(3,152,088)	(9.6)
Financial assets measured at fair value through profit or loss	20,632,058	11,289,598	9,342,460	82.8
Derivatives assets	11,911,670	10,276,081	1,635,589	15.9
Investment, net	23,553,686	23,312,942	240,744	1.0
Investments in properties, net	21,633	21,761	(128)	(0.6)
Loans to customers and accrued interest receivables, net	274,903,479	258,846,014	16,057,465	6.2
Properties foreclosed, net	2,964,918	2,937,160	27,758	0.9
Land, premises and equipment, net	3,347,513	3,284,464	63,049	1.9
Right-of-use assets	263,259	229,835	33,424	14.5
Other intangible assets, net	1,202,698	1,128,488	74,210	6.6
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,225,762	1,338,682	(112,920)	(8.4)
Accounts receivable from clearing house and broker - dealers	656,028	1,334,267	(678,239)	(50.8)
Securities and derivative business receivables	8,285,862	6,837,597	1,448,265	21.2
Other assets, net	7,332,443	5,246,923	2,085,520	39.7
<b>Total Assets</b>	<b>390,144,987</b>	<b>363,411,016</b>	<b>26,733,971</b>	<b>7.4</b>



### Liabilities

As of 30 June 2021, amounted to Baht 342,083 million, increasing 8.0% from the end of 2020. Deposits were Baht 249,259 million comprised of 42.0% of term deposits and 58.0% of current and saving accounts (CASA). Meanwhile, debts and borrowings were Baht 42,855 million, increasing by 51.2% from the end of 2020. Loan to deposits and borrowings ratio stood at 97.7%, remaining at a stable level comparing to 95.6% at the end of 2020.

<u>Liabilities</u> (Baht '000)	<u>Consolidated</u>		<u>Change</u>	
	<u>Jun 30, 2021</u>	<u>Dec 31, 2020</u>	<u>Amount</u>	<u>%</u>
Deposits	249,258,601	251,525,874	(2,267,273)	(0.9)
Current Account	1,164,184	693,044	471,139	68.0
Saving Account	143,386,044	131,339,535	12,046,509	9.2
Term Deposit	104,482,487	119,237,952	(14,755,465)	(12.4)
Certificate of Deposit	225,886	255,343	(29,457)	(11.5)
Interbank and money market items, net	18,100,321	10,263,870	7,836,451	76.3
Liabilities payable on demand	568,600	392,712	175,888	44.8
Financial liabilities measured at fair value through profit or loss	1,905,120	896,906	1,008,214	112.4
Derivatives liabilities	10,867,693	8,724,685	2,143,008	24.6
Debt issued and borrowings	42,854,527	28,343,500	14,511,027	51.2
Lease liabilities	176,596	183,697	(7,101)	(3.9)
Provisions	1,140,563	1,066,255	74,308	7.0
Deferred tax liabilities	12,065	13,556	(1,491)	(11.0)
Accounts payable to clearing house and broker - dealers	968,493	588,026	380,467	64.7
Securities and derivative business payables	7,546,189	5,539,391	2,006,798	36.2
Accrued interest expenses	370,974	467,833	(96,859)	(20.7)
Other accounts payable	3,720,736	3,923,055	(202,319)	(5.2)
Income tax payable and specific business tax payable	618,200	399,461	218,739	54.8
Other liabilities	3,973,857	4,456,474	(482,617)	(10.8)
<b>Total Liabilities</b>	<b>342,082,535</b>	<b>316,785,295</b>	<b>25,297,240</b>	<b>8.0</b>

### Capital Adequacy Ratio

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

As of June 30, 2021, the Capital Adequacy Ratio (BIS ratio) on a consolidated basis, under Basel III which included profit up to end of 2020 after dividend payment was at 18.08% while Tier-1 ratio was at 13.79%. When including profit up to end of 2Q21, the BIS ratio will increase to 18.91% while Tier-1 ratio will be 14.62%. The Bank Tier 1 capital are all Common Equity Tier 1 contributing to 76.26% of total capital reflecting high quality of capital.

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

Total Capital and Capital Adequacy Ratio of the Bank as of end of June 2021 are as follows:

	Bank Only			Consolidated		
	June 2021	March 2021	June 2020	June 2021	March 2021	June 2020
<b>Capital Requirement</b> (Unit: Baht million)						
Common Equity Tier 1	38,299	37,964	34,831	41,956	41,373	37,163
Tier 1 capital	38,299	37,964	34,831	41,956	41,373	37,163
Total capital	51,396	49,200	46,086	55,014	52,560	48,352
<b>Capital Adequacy Ratio</b> (Unit: %)						
Common Equity Tier 1	12.80	12.93	12.58	13.79	13.99	13.36
Tier 1 capital	12.80	12.93	12.58	13.79	13.99	13.36
Total capital	17.18	16.75	16.64	18.08	17.77	17.38

### **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 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	June 30, 2021		December 31, 2020		Change (%)
	Amount (Baht million)	Ratio (%)	Amount (Baht million)	Ratio (%)	
<b>Retail Lending</b>	<b>184,142</b>	<b>64.4</b>	<b>168,187</b>	<b>62.7</b>	<b>9.5</b>
Hire Purchase	138,978	48.6	127,009	47.3	9.4
Personal loan	7,855	2.7	8,130	3.0	(3.4)
Micro SMEs loan	7,749	2.7	7,635	2.8	1.5
Housing loan	29,559	10.3	25,413	9.5	16.3
<b>Commercial Lending</b>	<b>55,756</b>	<b>19.5</b>	<b>58,149</b>	<b>21.7</b>	<b>(4.1)</b>
Real Estate Development loan	25,503	8.9	27,991	10.4	(8.9)
SMEs loan	30,253	10.6	30,158	11.2	0.3
Corporate Lending	36,965	12.9	33,091	12.3	11.7
Special Asset Management loan	1,129	0.4	1,138	0.4	(0.8)
Lombard loan	8,126	2.8	7,874	2.9	3.2
<b>Total loans</b>	<b>286,119</b>	<b>100.0</b>	<b>268,440</b>	<b>100.0</b>	<b>6.6</b>
<b>Total loans (excluding POCI)</b>	<b>285,431</b>		<b>267,735</b>		<b>6.6</b>

Total loans excluding POCI amounted to Baht 285,431 million, expanding by 6.6% from the end of 2020 with increase mainly driven by hire purchase, housing and corporate lending segment. The Bank continues with prudent measures in growing the loan portfolio while closely monitoring portfolio quality taking into careful considerations uncertainties from the current situation.

**Retail Lending** totaled Baht 184,142 million, increasing by 9.5% from the end of 2020. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.

**Hire purchase loans** amounted to Baht 138,978 million, expanded by 9.4% from the end of 2020. New hire purchase business volume booked during the first half of 2021 totaled Baht 33,140 million, increasing by 47.7% yoy. The portion of hire purchase loan to total Bank loan portfolio stood at 48.6% with the portion of new cars to used cars at 39:61. Domestic new car sales for the first half of 2021 totaled 373,191 units, increasing by 13.6% comparing to sales for the same period last year. The penetration rate of the Bank new cars lending to the domestic new car sales for the first five months of 2021 increased to 5.3% from 4.2% at the end of 2020 mainly due to the Bank expansion into new business segments with higher asset quality.

The Bank's loan portfolio in other retail loans amounted to Baht 45,163 million, expanded by 9.7% from the end of 2020 with total combined other retail loans portion to total Bank loan portfolio at 15.8% as of the end of 1Q21.

**Commercial Lending** business loans amounted to Baht 55,756 million, contracted by 4.1% from the end of 2020. Commercial Lending includes real estate development loans and SMEs loans, detail are as follows:

Real estate development loans (RE) totaled Baht 25,503 million, declining by 8.9% from the end of 2020.

SMEs loans were Baht 30,253 million, expanded slightly by 0.3% from the end of 2020. SMEs loan comprises of several business sectors including Apartment & Hotel, Logistics, Commercial & Industrial and Construction Machinery & Materials.

**Corporate Lending** provides lending services to listed companies and large corporates or financing for investment banking transactions of Capital Market Business. Current outstanding loans totaled Baht 36,965 million, expanded by 11.7% from the end of 2020.

**Special asset management (SAM)** is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,129 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 8,126 million, expanded by 3.2% from the end of 2020.

### Loan classifications and Allowance for expected credit losses (ECL)

Under TFRS 9, loans and accrued interest receivables as of the end of June 2021 are classified into stages as follows:

Unit : Baht million	30 June 2021		31 March 2021		30 June 2020	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>3</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>3</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>3</sup>
Stage 1 : Performing financial assets	264,278	7,497	252,565	6,204	232,992	4,216
Stage 2 : Under-Performing financial assets	14,531	2,420	14,897	2,852	10,135	1,731
Stage 3 : Non-Performing financial assets	10,578	4,188	9,505	3,732	8,736	3,198
Purchased or originated credit-impaired financial assets	804	23	790	23	844	7
<b>Total</b>	<b>290,191</b>	<b>14,128</b>	<b>277,757</b>	<b>12,812</b>	<b>252,707</b>	<b>9,152</b>

As of the end of June 2021, allowance for expected credit losses totaled Baht 15,449 million, with expected credit losses under TFRS 9 amounted to Baht 14,128 million and remaining excess loan loss reserve totaled Baht 1,321 million at the end of 2Q21 which the Bank had gradually released using a straight line method since 1Q20. With the continuing uncertainties from the economic slowdown and prolonged impact from the COVID-19 situation which has since intensified throughout 2Q21, the Bank continues to prudently set up

<sup>3</sup> Including ECL for loans and loan commitments and financial guarantees

provisions for expected credit losses, including additional management overlay amounts at an elevated level with total allowance for expected credit losses to total NPLs ratio (coverage ratio) as of end of June 2021 at 160.1%.

#### NPLs distribution by loan type (consolidated)

Type of loans	June 30, 2021			December 31, 2020		
	Amount (Baht million)	Ratio (%)	% of loans	Amount (Baht million)	Ratio (%)	% of loans
<b>Retail Lending</b>	<b>4,394</b>	<b>42.5</b>	<b>2.4</b>	<b>2,699</b>	<b>31.9</b>	<b>1.6</b>
Hire Purchase	2,747	26.6	2.0	1,421	16.8	1.1
Personal loan	137	1.3	1.7	104	1.2	1.3
Micro SMEs loan	1,091	10.6	14.1	826	9.8	10.8
Housing loan	419	4.1	1.4	348	4.1	1.4
<b>Commercial Lending</b>	<b>4,816</b>	<b>46.6</b>	<b>8.6</b>	<b>4,619</b>	<b>54.6</b>	<b>7.9</b>
Real Estate Development loan	3,199	30.9	12.5	3,091	36.6	11.0
SMEs loan	1,617	15.6	5.3	1,528	18.1	5.1
<b>Corporate Lending</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Special Asset Management loan</b>	<b>1,129</b>	<b>10.9</b>	<b>100.0</b>	<b>1,138</b>	<b>13.5</b>	<b>100.0</b>
<b>Lombard loan</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total NPLs</b>	<b>10,339</b>	<b>100.0</b>	<b>3.6</b>	<b>8,456</b>	<b>100.0</b>	<b>3.2</b>
<b>Total NPLs (excluding POCI)</b>	<b>9,652</b>		<b>3.4</b>	<b>7,751</b>		<b>2.9</b>

The Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI as of the end of 2Q21 totaled Baht 9,652 million or 3.4% of total loans, increasing from 2.9% at the end of 2020. The increase is mainly from the retail lending segment. The Bank closely monitors the asset quality of all loan segments taking into account updates from the current situations and has continuously set aside prudent provisioning level for possible deterioration in asset quality as a result of the prolonged uncertainties of COVID-19.

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

- **Equity and Derivatives Brokerage Business**

Kiatnakin Phatra Securities Plc. (“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 Private Wealth Management. For high net worth clients, other wealth management products are provided such as local and foreign mutual funds and structured products. For 2Q21, the market share<sup>4</sup> of KKPS was 12.10%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 439 million comprising of equity brokerage revenue of Baht 391 million, derivatives brokerage revenue of Baht 42 million

<sup>4</sup> Including SET and mai but excluding proprietary trading

and other brokerage revenue of Baht 6 million. Additional, KKPS also had brokerage revenue from selling agent fees of Baht 220 million<sup>5</sup>.

▪ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 2Q21, the revenue from investment banking business was Baht 393 million, contributed to financial advisory fee amounting Baht 54 million, underwriting fee amounting Baht 300 million and brokerage revenue of Baht 39 million.

▪ **Investment Business**

Investment Business is managed by 2 departments: 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 2Q21, DI focusing on long-term investment with value based investment philosophy recorded gain on investment including gain on re-measuring securities totaling Baht 446 million<sup>6</sup>. Meanwhile, EDT had gain on investment totaling Baht 167 million<sup>7</sup>. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 626 million.

▪ **Asset Management Business**

Kiatnakin Phatra Asset Management Co., Ltd. (“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 2021 was Baht 81,310 million with total 65 funds under management consisting of 62 mutual funds and 3 property funds. KKPAM’s market share in terms of mutual fund was 1.54%. In 2Q21, PASSET’s fee income from mutual fund business totaled Baht 144 million.

As of 30 June 2021, asset under management from private fund was Baht 14,392 million. KKPAM’s fee income from private fund business totaled Baht 28 million.

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<sup>5</sup> Including selling agent fee which receive from subsidiary company

<sup>6</sup> Additional, DI also had foreign exchange gain Baht 8 million. Total DI gain was Baht 454 million

<sup>7</sup> Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 159 million

**Profit and Loss Transaction**

For the three-month period ended June 30, (Baht'000)	Consolidated		Change	
	2021	2020	Amount	%
Interest income	4,743,906	4,937,426	(193,520)	(3.9)
Interest expenses	949,766	1,322,858	(373,092)	(28.2)
<b>Interest income, net</b>	<b>3,794,140</b>	<b>3,614,568</b>	<b>179,572</b>	<b>5.0</b>
Fees and services income	1,820,654	1,072,815	747,839	69.7
Fees and services expenses	206,577	188,151	18,426	9.8
<b>Fees and services income, net</b>	<b>1,614,077</b>	<b>884,664</b>	<b>729,413</b>	<b>82.5</b>
Gain on financial instruments measured at fair value through profit or loss	187,060	183,042	4,018	2.2
Gain (loss) on investments, net	-	(17,547)	17,547	(100.0)
Dividend income	96,176	116,152	(19,976)	(17.2)
Other operating income	44,041	71,275	(27,234)	(38.2)
<b>Total operating income</b>	<b>5,735,494</b>	<b>4,852,154</b>	<b>883,340</b>	<b>18.2</b>
<b>Other operating expenses</b>				
Employee's expenses	1,544,939	1,341,539	203,400	15.2
Directors' remuneration	8,217	8,018	199	2.5
Premises and equipment expenses	251,524	273,517	(21,993)	(8.0)
Taxes and duties	102,501	110,847	(8,346)	(7.5)
Loss from revaluation of foreclosed assets	59,760	47,999	11,761	24.5
Loss from sale of foreclosed assets	331,360	498,273	(166,913)	(33.5)
Other expenses	379,597	342,145	37,452	10.9
<b>Total other operating expenses</b>	<b>2,677,898</b>	<b>2,622,338</b>	<b>55,560</b>	<b>2.1</b>
Expected credit loss	1,377,921	743,894	634,027	85.2
<b>Profit from operating before income tax expenses</b>	<b>1,679,675</b>	<b>1,485,922</b>	<b>193,753</b>	<b>13.0</b>
Income tax expenses	321,869	301,554	20,315	6.7
<b>Net profit</b>	<b>1,357,806</b>	<b>1,184,368</b>	<b>173,438</b>	<b>14.6</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	1,354,265	1,184,192	170,073	14.4
Non-controlling interests	3,541	176	3,365	1,911.9
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	1,806,597	1,629,097	177,500	10.9
Non-controlling interests	3,627	252	3,375	1,339.3
<b>Basic earnings per share (Baht)</b>	<b>1.60</b>	<b>1.40</b>	<b>0.20</b>	<b>14.3</b>

**Profit and Loss Transaction**

For the six-month period ended June 30, (Baht'000)	Consolidated		Change	
	2021	2020	Amount	%
Interest income	9,559,017	9,777,688	(218,671)	(2.2)
Interest expenses	1,934,521	2,624,093	(689,572)	(26.3)
<b>Interest income, net</b>	<b>7,624,496</b>	<b>7,153,595</b>	<b>470,901</b>	<b>6.6</b>
Fees and services income	3,456,885	2,560,778	896,107	35.0
Fees and services expenses	408,679	400,537	8,142	2.0
<b>Fees and services income, net</b>	<b>3,048,206</b>	<b>2,160,241</b>	<b>887,965</b>	<b>41.1</b>
Gain on financial instruments measured at fair value through profit or loss	357,517	642,423	(284,906)	(44.3)
Gain (loss) on investments, net	(6,051)	60,149	(66,200)	(110.1)
Dividend income	218,094	302,478	(84,384)	(27.9)
Other operating income	108,284	127,404	(19,120)	(15.0)
<b>Total operating income</b>	<b>11,350,546</b>	<b>10,446,290</b>	<b>904,256</b>	<b>8.7</b>
<b>Other operating expenses</b>				
Employee's expenses	3,004,653	2,763,280	241,373	8.7
Directors' remuneration	19,462	14,645	4,817	32.9
Premises and equipment expenses	495,399	577,007	(81,608)	(14.1)
Taxes and duties	215,816	250,525	(34,709)	(13.9)
Loss from revaluation of foreclosed assets	25,456	740,719	(715,263)	(96.6)
Loss from sale of foreclosed assets	726,290	890,122	(163,832)	(18.4)
Other expenses	774,051	740,763	33,288	4.5
<b>Total other operating expenses</b>	<b>5,261,127</b>	<b>5,977,061</b>	<b>(715,934)</b>	<b>(12.0)</b>
Expected credit loss	2,612,229	1,000,054	1,612,175	161.2
<b>Profit from operating before income tax expenses</b>	<b>3,477,190</b>	<b>3,469,175</b>	<b>8,015</b>	<b>0.2</b>
Income tax expenses	627,097	798,396	(171,299)	(21.5)
<b>Net profit</b>	<b>2,850,093</b>	<b>2,670,779</b>	<b>179,314</b>	<b>6.7</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	2,816,940	2,668,257	148,683	5.6
Non-controlling interests	33,153	2,522	30,631	1,214.6
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	3,337,812	2,427,970	909,842	37.5
Non-controlling interests	33,293	2,463	30,830	1,251.7
<b>Basic earnings per share (Baht)</b>	<b>3.33</b>	<b>3.15</b>	<b>0.18</b>	<b>5.7</b>