



Management Discussion and Analysis

For the third quarter and nine-month ended September 30, 2021 (Unreviewed)

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Overall Business Operations

The consolidated net profit of the Bank and subsidiaries for 3Q21 totaled Baht 1,478 million, an increase of 9.7% comparing to 3Q20 while comprehensive income totaled Baht 1,629 million also increasing by 11.8% YoY. For the nine months of 2021, net profit also increased to Baht 4,295 million, an increase of 7.0% with comprehensive income for the first nine months of 2021 at Baht 4,967 million, an increase of 27.8% 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 which has helped to lessen the impact from the current COVID-19 situation. As such, the performance of the Bank for 3Q21 continued to show satisfactory result. Non-interest income increased by 54.2% while net interest income also rose by 8.3% YoY. Overall operating expenses continued to be well-controlled resulting in cost to income ratio¹ for 3Q21 to decline to 40.8% comparing to 3Q20. The Bank remains prudent when considering the level of provisions taking into account the prolonged uncertainties and as such recorded total expected credit loss amount for 3Q21 at Baht 1,007 million, remaining at similar level comparing to the same period last year.

The Bank remains focus with its growth opportunity resulting in the Bank's loan portfolio to expand by 8.7% from the end of 2020. The focus continues to be on expanding into profitable segment with better asset quality while taking into considerations the current economic conditions. In line with the focus on quality growth, loan expansion was largely driven by hire purchase, housing and corporate lending segment. For asset quality, the Non-Performing Loans (NPLs) to total loans ratio for 3Q21 increased slightly to 3.5%² from 3.4% at the end of 2Q21 with total allowance for expected credit losses to total NPLs ratio (coverage ratio) remaining at a high level of 158.0%.

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 as of end of September 2021 at 16.82%.

For Capital market business, the market share (SET and mai excluding proprietary trading) of Kiatnakin Phatra Securities Plc. increased to 15.74% for 3Q21 and continuing to rank 1st from total of 38 brokers.

Overall market environment

The domestic economy continued contracting in July and August 2021 compared to the second quarter due to the resurgence of COVID-19 local infections and the impact from the government lockdown measures. Overall, the economy should rebound gradually as the government has partially eased some of the lockdown measures since September. However, the recovery path remained uncertain depending on COVID-19 outbreak situations. Despite the support from the government stimulus measures, private consumption contracted across all spending categories compared to the second quarter, especially for durable consumption. Private investment worsened, coinciding with deteriorating business sentiment and concerns over the uncertain economic outlook over the period ahead.

The Thai Monetary Policy Committee (MPC) voted to keep the policy rate unchanged at 0.5% during the third quarter, despite a weak inflation and growth outlook as the economy remains under pressure from the local outbreak. The Committee reiterated that targeted measures would be more effective than a reduction in the policy rate, which is already low.

Thai exports over the first eight months of 2021 vastly expanded by 15.3% YoY, in line with an improvement of trading partners' demand. However, the growth of export slightly dropped in August due to the supply chain disruptions from the COVID-19 outbreak as well as the weakening of global economy. In the tourism

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

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

sector, the number of tourist arrivals year-to-date contracted by 98.9% to register at 73,608, compared to 6,691,580 in the first 8 months of 2020, 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) the uncertain recovery path following COVID-19 situations which impact business sentiment as well as private 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.

The automotive market remained sluggish from the second quarter. Domestic sales in the first 8 months of 2021 expanding merely 2.4% YoY partly from the base effect last year, with the commercial vehicle segment rising by 6.6% YoY. Meanwhile, sales of passenger vehicles dropped 5.4% YoY. Recovery of auto sales is poised to be limited this year following the economy-wide impact on income and employment from COVID-19 and the credit tightening by financial institutions following signs of deterioration in loan quality.

In the equity market, the average daily turnover (SET and mai) for 3Q21 declined by 6.9% from Baht 99,801 million in 2Q21 to Baht 92,912 million in 3Q21. The SET index at the end of 3Q21 closed at 1,605.68 points, increased slightly from 1,587.79 points at the end of 2Q21.

Update status on COVID-19

During 3Q21, with the COVID-19 local infections remaining at a high level, the Bank of Thailand has announced additional measures aimed at providing financial support to customers still impacted by the prolonged situation including 2-month debt repayment suspension and additional measures which aim to create sustainability through targeted long-term debt restructuring.

The Bank continues to focus on providing assistance to impacted customers by focusing on measures as appropriate for each customer segment and taking into account long-term restructuring plan to match with the deterioration in the current financial status of customers impacted by COVID-19 which has been the approach the Bank has employed throughout the situation. During 3Q21, the Bank has continued to receive additional requests for financial assistance both from retail and commercial lending segment customers and has been providing assistance through various measures including asset warehousing scheme, 2-month debt suspension measure by the BOT, debt restructurings and other measures as appropriate. 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 current uncertainties.

Operating results of the Bank and subsidiaries for 3Q21 and 9M21

Unit : Baht million	3Q21	2Q21	% QoQ	3Q20	% YoY	9M21	9M20	% YoY
Net Interest income	3,823	3,794	0.8	3,530	8.3	11,448	10,683	7.2
Non-interest income	1,978	1,941	1.9	1,283	54.2	5,704	4,576	24.7
Total operating income	5,802	5,735	1.2	4,813	20.5	17,152	15,259	12.4
Total other operating expenses	2,951	2,678	10.2	2,130	38.5	8,212	8,107	1.3
Expected credit losses	1,007	1,378	(26.9)	1,017	(1.0)	3,619	2,017	79.4
Profit from operating before income tax expenses	1,844	1,680	9.8	1,665	10.7	5,321	5,134	3.6
Income tax expenses	364	322	13.2	310	17.4	991	1,109	(10.6)
Net Profit (attributable to equity holders of the Bank)	1,478	1,354	9.1	1,347	9.7	4,295	4,015	7.0
Total Comprehensive income (attributable to equity holders of the Bank)	1,629	1,807	(9.8)	1,458	11.8	4,967	3,886	27.8
Realized gains on sale of equity instruments designated at fair value through other comprehensive income	590	38	1,432.6	(92)	(744.0)	528	136	288.2
Basic earnings per share (Baht)	1.75	1.60	9.4	1.59	10.1	5.07	4.74	7.0

For 3Q21, the consolidated net profit totaled Baht 1,478 million, an increase of 9.7% from 3Q20 of which Baht 533 million was the net profit from Capital Market business. The increase was mainly driven by the considerable growth in non-interest income of 54.2% with net fee and services income registering an increase of 42.2% YoY. Meanwhile, net interest income also grew by 8.3%. In terms of provisions, the Bank continued to prudently set up additional expected credit loss amount with the provisions level for 3Q21 remaining at similar level as that of 3Q20.

The consolidated comprehensive income for 3Q21 totaled Baht 1,629 million, an increase of 11.8% YoY with Capital Market business's comprehensive income at Baht 757 million. The increase was largely driven by the realized gains on sale of equity instruments designated at FVOCI which for 3Q21 totaled Baht 590 million.

For the nine months of 2021, the consolidated net profit totaled Baht 4,295 million, an increase of 7.0% comparing to the same period last year, of which Baht 1,469 million was the net profit from Capital Market business. The increase was driven by higher non-interest income from the growth in net fees and services income while net interest income also increased. Meanwhile, provisions for the first nine months of 2021 increased when comparing to the same period last year consistent with the Bank's prudent measure in setting up elevated expected credit loss amid on-going uncertainties.

Meanwhile, the consolidated comprehensive income for the first nine months of 2021 totaled Baht 4,967 million, increased of 27.8% with Capital Market business comprehensive income at Baht 2,329 million. The increase was largely contributed by the realized gains on sale of equity instruments designated at FVOCI which for the nine months of 2021 totaled Baht 528 million while revaluations on investment also increased.

Summary of financial performance ratios

Annualized Ratios	3Q21	2Q21	3Q20	9M21	9M20
Net Profit (Baht million)	1,478	1,354	1,347	4,295	4,015
ROAE (%)	12.2	11.3	12.2	12.0	12.0
ROE (%)	12.3	11.3	12.4	12.3	12.2
ROAA (%)	1.5	1.4	1.5	1.5	1.6
Comprehensive income (Baht million)	1,629	1,807	1,458	4,967	3,886
ROAE (%)	13.5	15.1	13.2	13.9	11.7
ROE (%)	13.6	15.0	13.4	14.2	11.8
ROAA (%)	1.6	1.8	1.6	1.7	1.5
Loan growth	2.0	4.4	3.0	8.7	8.1
NPLs/ Total loans (excluding interbank and POCI)	3.5	3.4	2.9	3.5	2.9
Allowance for expected credit loss/ Total NPLs excluding POCI (coverage ratio)	158.0	160.1	152.5	158.0	152.5

Net Interest Income

Unit: Baht million	3Q21	2Q21	% QoQ	3Q20	% YoY	9M21	9M20	% YoY
Interest income	4,749	4,744	0.1	4,705	0.9	14,308	14,483	(1.2)
Interest on loans	1,744	1,842	(5.3)	1,859	(6.2)	5,441	6,098	(10.8)
Hire purchase and financial lease income	2,802	2,692	4.1	2,617	7.1	8,122	7,562	7.4
Interest on POCI	35	48	(28.1)	31	12.9	256	181	41.7
Interest on interbank and money market items	70	69	1.3	75	(6.6)	201	255	(21.1)
Interest on securities	96	90	6.5	121	(20.7)	282	374	(24.7)
Others	2	2	14.1	2	6.5	7	13	(49.0)
Interest expense	926	950	(2.5)	1,175	(21.2)	2,861	3,799	(24.7)
Interest on deposits	598	615	(2.8)	782	(23.5)	1,867	2,448	(23.7)
Interest on interbank and money market items	26	24	10.9	22	20.9	75	111	(32.2)
Interest on debt issued and borrowings	126	139	(9.6)	200	(37.1)	399	735	(45.6)
Fees and charges on borrowings	3	2	40.5	4	(15.1)	9	7	23.3
FIDF and DPA fees	166	165	0.9	162	2.8	490	466	5.0
Others	6	5	33.6	6	(1.2)	20	32	(37.4)
Net Interest Income	3,823	3,794	0.8	3,530	8.3	11,448	10,683	7.2

For 3Q21, net interest income amounted to Baht 3,823 million, an increase of Baht 294 million or 8.3% from Baht 3,530 million in 3Q20 largely driven by the decline in interest expense. Interest income totaled Baht 4,749 million, slight increase of 0.9% YoY. While the Bank's loan portfolio has continued to grow satisfactorily expanding by 8.7% YTD but with the reductions in interest rates together with the Bank's expansions into loan segment with higher asset quality resulting in overall interest income to increase only slightly for 3Q21. Interest expense totaled Baht 926 million, a decline of 21.2% YoY from further decline in cost of funds from continuous cost management. Overall, resulting in loan spread for 3Q21 to decline to 5.2% from 5.5% YoY.

For the nine months of 2021, net interest income totaled Baht 11,448 million, an increase of 7.2%. While the loan portfolio growth has been satisfactory, this has been offset by the reductions in interest rates

resulting in slightly lower interest income of 1.2% YoY. Meanwhile, interest expenses reduced by 24.7% from further decline in cost of funds from the Bank effective cost management resulting in overall net interest income to increase by 7.2%. Loan spread for the first nine months of 2021 declined to 5.3% from 5.6% YoY.

%	3Q21	2Q21	1Q21	4Q20	3Q20	9M21	9M20
Yield on loan	6.3	6.5	6.8	6.8	7.1	6.5	7.4
Cost of fund	1.2	1.3	1.4	1.5	1.6	1.2	1.8
Loan spread	5.2	5.3	5.5	5.3	5.5	5.3	5.6

Non-Interest Income

Unit: Baht million	3Q21	2Q21	% QoQ	3Q20	% YoY	9M21	9M20	% YoY
Fees and services income	1,695	1,821	(6.9)	1,209	40.1	5,151	3,770	36.6
Fees and services expenses	238	207	15.0	185	28.5	646	585	10.4
Fees and services income, net	1,457	1,614	(9.7)	1,024	42.2	4,505	3,185	41.5
Gain (loss) on financial instruments measured at fair value through profit or loss	(616)	187	(429.5)	157	(493.5)	(259)	799	(132.4)
Gain (loss) on investments, net	-	-	n.a.	(0)	(100.0)	(6)	60	(110.1)
Dividend income	1,097	96	1,040.7	45	2,335.1	1,315	348	278.4
Other operating income	41	44	(7.5)	57	(28.5)	149	184	(19.2)
Total Non-Interest Income	1,978	1,941	1.9	1,283	54.2	5,704	4,576	24.7

For 3Q21, non-interest income totaled Baht 1,978 million, a considerable increase of 54.2% YoY. The increase was mainly due to the growth in net fees and services income of 42.2% mainly contributed by the increase in income from the Private Wealth Management business. Fee from investment banking business totaled Baht 158 million, also improving from Baht 17 million YoY from the pick-up in market activities from a previous slow down during 2020. Income from brokerage business also increased in line with higher market trading activity comparing to 3Q20 with Kiatnakin Phatra Securities maintaining the number 1 in terms of market share at 15.74%. Bancassurance fee also showed improvement as a result of loan expansions.

For the nine months of 2021, non-interest income totaled Baht 5,704 million, increasing by 24.7% YoY driven by higher net fees and services income from the Private Wealth Management business, investment banking business, brokerage business and Bancassurance fee all registering an increase comparing to the same period last year.

Other operating expenses

Unit: Baht million	3Q21	2Q21	% QoQ	3Q20	% YoY	9M21	9M20	% YoY
Employee's expenses	1,604	1,545	3.8	1,491	7.6	4,609	4,254	8.3
Directors' remuneration	8	8	(5.2)	8	(2.2)	27	23	20.5
Premises and equipment expenses	259	252	2.9	273	(5.2)	754	850	(11.3)
Taxes and duties	124	103	20.9	124	(0.4)	340	375	(9.4)
Loss from revaluation of foreclosed assets (reversal)	28	60	(53.9)	(38)	(172.0)	53	703	(92.5)
Loss from sale of foreclosed assets	522	331	57.4	(134)	(488.1)	1,248	756	65.1
Other expenses	407	380	7.3	407	0.2	1,181	1,147	3.0
Total other operating expenses	2,951	2,678	10.2	2,130	38.5	8,212	8,107	1.3

For 3Q21, other operating expenses were Baht 2,951 million, increasing YoY comparing to Baht 2,130 million during 3Q20 with increases mainly coming from items relating to foreclosed assets. If excluding items relating to foreclosed assets, the operating expenses of the Bank has been well-controlled and amounted to Baht 2,402 million, a slight increase of 4.3% comparing to Baht 2,303 million YoY due mainly to higher variable incentives on employee expenses.

Loss from sale of foreclosed assets for 3Q21 totaled Baht 522 million increasing YoY. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 613 million, increasing from Baht 120 million YoY primarily due to the increased in number of cars sold. Additionally, the financial measures that were implemented during 2020 resulted in a significant slow-down in foreclosure activities leading to lower amount of cars sold during 3Q20. Meanwhile, gain on sale of foreclosed properties totaled Baht 92 million for 3Q21, declining YoY with sale activities partly impacted by the lock down measures. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets stood at 40.8% improving from 45.4% during 3Q20.

For the nine months of 2021, other operating expenses were Baht 8,212 million, slight increase of 1.3% from the same period last year. If excluding items relating to foreclosed assets, operating expenses total Baht 6,911 million, increase of 3.9% YoY due mainly to the increase in variable incentives relating to employee expenses. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for the first nine months of 2021 improved to 39.5% from 42.6% comparing to the same period last year.

Expected Credit Loss (ECL)

Unit: Baht million	3Q21	2Q21	% QoQ	3Q20	% YoY	9M21	9M20	% YoY
Expected Credit Losses	1,007	1,378	(26.9)	1,017	(1.0)	3,619	2,017	79.4
Credit Cost (%)	2.38	2.72		1.94		2.63	2.19	

For 3Q21, expected credit losses totaled Baht 1,007 million, remaining at same level comparing to Baht 1,017 million for 3Q20. The Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside provisions to reflect possible deteriorations resulting from COVID-19 impacts and continuously review the appropriateness of such provisioning level. As of the end of 3Q21, total allowance for expected credit losses to total NPLs ratio (coverage ratio) stood at 158.0%. When excluding the release of excess loan loss reserve of Baht 94 million quarterly, provisions including loss from sale of repossessed cars (credit cost) for 3Q21 amounted to 2.38% of average loan.

For the nine months of 2021, expected credit losses totaled Baht 3,619 million, increasing 79.4% from Baht 2,017 million from the same period last year. The elevated provisioning level reflects the Bank's prudent measure against the possible deteriorations from the continued uncertainties. Additionally, the increase in provisions is to partly accommodate the growth in loan portfolio. Provisions including loss from sale of repossessed cars (credit cost) for the first nine months of 2021 stood at 2.63% of average loan.

Statements of Financial Position

Assets, as of 30 September 2021, totaled Baht 411,008 million, increased of Baht 47,597 million or 13.1% from the end of 2020 mainly from the increase in loans to customers and accrued interest receivables.

Assets (Baht Thousand)	Consolidated		Change	
	Sept 30, 2021	Dec 31, 2020	Amount	%
Cash	1,132,915	1,490,626	(357,711)	(24.0)
Interbank and money market items, net	36,241,554	32,770,543	3,471,011	10.6
Financial assets measured at fair value through profit or loss	21,106,628	11,289,598	9,817,030	87.0
Derivatives assets	16,653,493	10,276,081	6,377,412	62.1
Investment, net	22,185,243	23,312,942	(1,127,699)	(4.8)
Investments in properties, net	21,570	21,761	(191)	(0.9)
Loans to customers and accrued interest receivables, net	279,890,811	258,846,014	21,044,797	8.1
Properties foreclosed, net	4,242,288	2,937,160	1,305,128	44.4
Land, premises and equipment, net	3,299,313	3,284,464	14,849	0.5
Right-of-use assets	276,584	229,835	46,749	20.3
Other intangible assets, net	1,175,133	1,128,488	46,645	4.1
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,348,026	1,338,682	9,344	0.7
Accounts receivable from clearing house and broker - dealers	1,485,438	1,334,267	151,171	11.3
Securities and derivative business receivables	10,403,120	6,837,597	3,565,523	52.1
Other assets, net	8,480,194	5,246,923	3,233,271	61.6
Total Assets	411,008,345	363,411,016	47,597,329	13.1

Liabilities

As of 30 September 2021, amounted to Baht 361,950 million, increasing 14.3% from the end of 2020. Deposits were Baht 260,757 million comprised of 42.5% of term deposits and 57.5% of current and saving accounts (CASA), increasing when comparing to the ratio of CASA at 52.5% at the end of 2020. Meanwhile, debts and borrowings were Baht 42,435 million, increasing by 49.7% from the end of 2020. Loan to deposits and borrowings ratio as of end of 3Q21 stood at 96.0%, remaining stable comparing to 95.6% at the end of 2020.

<u>Liabilities</u> (Baht Thousand)	Consolidated		Change	
	Sept 30, 2021	Dec 31, 2020	Amount	%
Deposits	260,757,100	251,525,874	9,231,226	3.7
Current Account	1,101,287	693,044	408,242	58.9
Saving Account	148,833,730	131,339,535	17,494,195	13.3
Term Deposit	110,628,905	119,237,952	(8,609,047)	(7.2)
Certificate of Deposit	193,179	255,343	(62,164)	(24.3)
Interbank and money market items, net	18,070,576	10,263,870	7,806,706	76.1
Liabilities payable on demand	613,832	392,712	221,120	56.3
Financial liabilities measured at fair value through profit or loss	1,879,395	896,906	982,489	109.5
Derivatives liabilities	16,910,239	8,724,685	8,185,554	93.8
Debt issued and borrowings	42,435,159	28,343,500	14,091,659	49.7
Lease liabilities	192,935	183,697	9,238	5.0
Provisions	1,127,917	1,066,255	61,662	5.8
Deferred tax liabilities	10,979	13,556	(2,577)	(19.0)
Accounts payable to clearing house and broker - dealers	238,903	588,026	(349,123)	(59.4)
Securities and derivative business payables	10,251,286	5,539,391	4,711,895	85.1
Accrued interest expenses	614,231	467,833	146,398	31.3
Other accounts payable	4,107,258	3,923,055	184,203	4.7
Income tax payable and specific business tax payable	458,572	399,461	59,111	14.8
Other liabilities	4,281,841	4,456,474	(174,633)	(3.9)
Total Liabilities	361,950,223	316,785,295	45,164,928	14.3

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 September 30, 2021, the Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2Q21 after interim dividend payment was at 16.82% while Tier 1 ratio was at 13.00%. When including profit up to end of 3Q21, the BIS ratio will increase to 17.29% while Tier 1 ratio will be 13.47%. The Bank Tier 1 capital are all Common Equity Tier 1 contributing to 77.28% 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 September 2021 are as follows:

	Bank Only			Consolidated ³	
	Sept 2021	Jun 2021	Sept 2020	Jun 2021	Sept 2020
Capital Requirement (Unit: Baht million)					
Common Equity Tier 1	39,723	38,299	38,020	41,956	40,916
Tier 1 capital	39,723	38,299	38,020	41,956	40,916
Total capital	51,400	51,396	50,396	55,014	53,240
Capital Adequacy Ratio (Unit: %)					
Common Equity Tier 1	13.00	12.80	13.70	13.79	14.64
Tier 1 capital	13.00	12.80	13.70	13.79	14.64
Total capital	16.82	17.18	18.16	18.08	19.05

³ Consolidated capital information for end of September 2021 will be disclosed with the reviewed 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 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	September 30, 2021		December 31, 2020		Change (%)
	Amount (Baht million)	Ratio (%)	Amount (Baht million)	Ratio (%)	
Retail Lending	191,702	65.7	168,187	62.7	14.0
Hire Purchase	143,909	49.3	127,009	47.3	13.3
Personal loan	7,704	2.6	8,130	3.0	(5.2)
Micro SMEs loan	7,868	2.7	7,635	2.8	3.1
Housing loan	32,220	11.0	25,413	9.5	26.8
Commercial Lending	52,754	18.1	58,149	21.7	(9.3)
Real Estate Development loan	23,810	8.2	27,991	10.4	(14.9)
SMEs loan	28,945	9.9	30,158	11.2	(4.0)
Corporate Lending	37,643	12.9	33,091	12.3	13.8
Special Asset Management loan	1,128	0.4	1,138	0.4	(0.9)
Lombard loan	8,526	2.9	7,874	2.9	8.3
Total loans	291,753	100.0	268,440	100.0	8.7
Total loans (excluding POCI)	291,067		267,735		8.7

Total loans excluding POCI amounted to Baht 291,067 million, expanding by 8.7% 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 amounted to Baht 191,702 million, increasing by 14.0% 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 143,909 million, expanded by 13.3% from the end of 2020. New hire purchase business volume booked during the first 9 months of 2021 totaled Baht 49,500 million, increasing by 35% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 49.3% with the portion of new cars to used cars at 40:60. Domestic new car sales for the first 8 months of 2021 totaled 467,809 units, increasing slightly by 2.4% 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 8 months of 2021 increased to 5.6% from 4.2% at the end of 2020 mainly due to the Bank expansion into new business segments with higher asset quality.

Other retail loans amounted to Baht 47,793 million, expanded by 16.1% mainly from the increase in housing loans while personal loans segment contracted from the end of 2020. Total combined other retail loans portion to total Bank loan portfolio increased to 16.4% as of the end of 3Q21.

Commercial Lending business loans amounted to Baht 52,754 million, contracted by 9.3% 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 23,810 million, declining by 14.9% from the end of 2020. The decline was mainly due to repayment while new lending volume slowed down in line with the sluggish economic conditions.

SMEs loans were Baht 28,945 million, declining by 4.0% 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 37,643 million, expanded by 13.8% from the end of 2020 in line with the Bank focus on expanding in high quality loan segment.

Special asset management (SAM) is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,128 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 8,526 million, expanded by 8.3% 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 September 2021 are classified into stages as follows:

Unit : Baht million	30 September 2021		31 June 2021		30 September 2020	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴
Stage 1 : Performing financial assets	266,731	7,429	264,278	7,497	242,350	5,088
Stage 2 : Under-Performing financial assets	16,997	2,674	14,531	2,420	10,897	1,839
Stage 3 : Non-Performing financial assets	11,098	4,517	10,578	4,188	7,883	2,913
Purchased or originated credit-impaired financial assets	824	21	804	23	866	8
Total	295,650	14,641	290,191	14,128	261,996	9,848

With the continuing uncertainties from the economic slowdown and prolonged impact from the COVID-19 situation, the Bank continues to prudently set up provisions for expected credit losses. As of the end of September 2021, allowance for expected credit losses totaled Baht 15,868 million, with expected credit losses under TFRS 9 amounted to Baht 14,641 million and remaining excess loan loss reserve totaled Baht 1,227 million at the end of 3Q21 which the Bank had gradually released using a straight line method since 1Q20 at the quarterly amount of Baht 94 million. Total allowance for expected credit losses to total NPLs ratio (coverage ratio) as of end of September 2021 stood at 158.0%.

⁴ Including ECL for loans and loan commitments and financial guarantees

NPLs distribution by loan type (consolidated)

Type of loans	September 30, 2021			December 31, 2020		
	Amount (Baht million)	Ratio (%)	% of loans	Amount (Baht million)	Ratio (%)	% of loans
Retail Lending	4,830	45.0	2.5	2,699	31.9	1.6
Hire Purchase	3,042	28.3	2.1	1,421	16.8	1.1
Personal loan	122	1.1	1.6	104	1.2	1.3
Micro SMEs loan	1,219	11.4	15.5	826	9.8	10.8
Housing loan	447	4.2	1.4	348	4.1	1.4
Commercial Lending	4,776	44.5	9.1	4,619	54.6	7.9
Real Estate Development loan	3,081	28.7	12.9	3,091	36.6	11.0
SMEs loan	1,694	15.8	5.9	1,528	18.1	5.1
Corporate Lending	0	0.0	0.0	0.0	0.0	0.0
Special Asset Management loan	1,128	10.5	100.0	1,138	13.5	100.0
Lombard loan	0	0.0	0.0	0.0	0.0	0.0
Total NPLs	10,733	100.0	3.7	8,456	100.0	3.2
Total NPLs (excluding POCl)	10,047		3.5	7,751		2.9

The Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCl as of the end of 3Q21 totaled Baht 10,047 million or 3.5% of total loans, increasing slightly from 3.4% at the end of 2Q21. The increase was mainly from the retail lending segment. The Bank closely monitors the asset quality of all loan segments 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 3Q21, the market share⁵ of KKPS was 15.74%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 488 million comprising of equity brokerage revenue of Baht 424 million, derivatives brokerage revenue of Baht 46 million and other brokerage revenue of Baht 18 million. Additional, KKPS also had brokerage revenue from selling agent fees of Baht 333 million⁶.

⁵ Including SET and mai but excluding proprietary trading

⁶ Including selling agent fee which receive from subsidiary company

- **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 3Q21, revenue from the investment banking business was Baht 158 million, contributed to financial advisory fee amounting Baht 98 million, underwriting fee amounting Baht 55 million and brokerage revenue of Baht 5 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 3Q21, DI focusing on long-term investment with value based investment philosophy recorded gain on investment including gain on re-measuring securities totaling Baht 236 million⁷. Meanwhile, EDT had gain on investment totaling Baht 339 million⁸. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 595 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 September 2021 was Baht 81,660 million with total 70 funds under management consisting of 67 mutual funds and 3 property funds. KKPAM’s market share in terms of mutual fund was 1.55%. In 3Q21, KKPAM’s fee income from mutual fund business totaled Baht 158 million.

As of 30 September 2021, asset under management from private fund was Baht 18,857 million. KKPAM’s fee income from private fund business totaled Baht 31 million.

⁷ Additional, DI also had foreign exchange gain Baht 66 million. Total DI gain was Baht 302 million

⁸ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 328 million

Profit and Loss Transaction

For the three-month period ended September 30, (Baht Thousand)	Consolidated		Change	
	2021	2020	Amount	%
Interest income	4,749,325	4,705,032	44,293	0.9
Interest expenses	925,980	1,175,195	(249,215)	(21.2)
Interest income, net	3,823,345	3,529,837	293,508	8.3
Fees and services income	1,694,506	1,209,173	485,333	40.1
Fees and services expenses	237,572	184,836	52,736	28.5
Fees and services income, net	1,456,934	1,024,337	432,597	42.2
Gain (loss) on financial instruments measured at fair value through profit or loss, net	(616,389)	156,661	(773,050)	(493.5)
Gain (loss) on investments, net	0	(73)	73	(100.0)
Dividend income	1,097,055	45,052	1,052,003	2,335.1
Other operating income	40,743	56,997	(16,254)	(28.5)
Total operating income	5,801,688	4,812,811	988,877	20.5
Other operating expenses				
Employee's expenses	1,604,339	1,490,791	113,548	7.6
Directors' remuneration	7,790	7,966	(176)	(2.2)
Premises and equipment expenses	258,899	273,185	(14,286)	(5.2)
Taxes and duties	123,904	124,445	(541)	(0.4)
Loss from revaluation of foreclosed assets	27,527	(38,213)	65,740	(172.0)
Loss from sale of foreclosed assets	521,571	(134,374)	655,945	(488.1)
Other expenses	407,181	406,567	614	0.2
Total other operating expenses	2,951,211	2,130,367	820,844	38.5
Expected credit loss	1,006,870	1,017,317	(10,447)	(1.0)
Profit from operating before income tax expenses	1,843,607	1,665,127	178,480	10.7
Income tax expenses	364,378	310,459	53,919	17.4
Net profit	1,479,229	1,354,668	124,561	9.2
Net profit attributable to:				
Equity holders of the Bank	1,477,765	1,346,930	130,835	9.7
Non-controlling interests	1,464	7,738	(6,274)	(81.1)
Total comprehensive income attributable to:				
Equity holders of the Bank	1,629,477	1,457,623	171,854	11.8
Non-controlling interests	1,513	7,775	(6,262)	(80.5)
Basic earnings per share (Baht)	1.75	1.59	0.16	10.1

Profit and Loss Transaction

For the nine-month period ended September 30, (Baht Thousand)	Consolidated		Change	
	2021	2020	Amount	%
Interest income	14,308,342	14,482,720	(174,378)	(1.2)
Interest expenses	2,860,501	3,799,288	(938,787)	(24.7)
Interest income, net	11,447,841	10,683,432	764,409	7.2
Fees and services income	5,151,391	3,769,951	1,381,440	36.6
Fees and services expenses	646,251	585,373	60,878	10.4
Fees and services income, net	4,505,140	3,184,578	1,320,562	41.5
Gain (loss) on financial instruments measured at fair value through profit or loss, net	(258,872)	799,084	(1,057,956)	(132.4)
Gain (loss) on investments, net	(6,051)	60,076	(66,127)	(110.1)
Dividend income	1,315,149	347,530	967,619	278.4
Other operating income	149,027	184,401	(35,374)	(19.2)
Total operating income	17,152,234	15,259,101	1,893,133	12.4
Other operating expenses				
Employee's expenses	4,608,992	4,254,071	354,921	8.3
Directors' remuneration	27,252	22,611	4,641	20.5
Premises and equipment expenses	754,298	850,192	(95,894)	(11.3)
Taxes and duties	339,720	374,970	(35,250)	(9.4)
Loss from revaluation of foreclosed assets	52,983	702,506	(649,523)	(92.5)
Loss from sale of foreclosed assets	1,247,861	755,748	492,113	65.1
Other expenses	1,181,232	1,147,330	33,902	3.0
Total other operating expenses	8,212,338	8,107,428	104,910	1.3
Expected credit loss	3,619,099	2,017,371	1,601,728	79.4
Profit from operating before income tax expenses	5,320,797	5,134,302	186,495	3.6
Income tax expenses	991,475	1,108,855	(117,380)	(10.6)
Net profit	4,329,322	4,025,447	303,875	7.5
Net profit attributable to:				
Equity holders of the Bank	4,294,705	4,015,187	279,518	7.0
Non-controlling interests	34,617	10,260	24,357	237.4
Total comprehensive income attributable to:				
Equity holders of the Bank	4,967,289	3,885,593	1,081,696	27.8
Non-controlling interests	34,806	10,238	24,568	240.0
Basic earnings per share (Baht)	5.07	4.74	0.33	7.0