



Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2021

Kiatnakin Phatra Bank Public Company Limited

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Overall Business Operations

With the aim of becoming a high performance financial institution, the Bank continues to develop and expand key business areas under the Bank's 3 business pillars in order to diversify its revenue sources and constantly enhance its opportunities to generate various types of returns which had helped lessen the impacts from the COVID-19 situation to a great extent. For the year 2021, the Bank continued to deliver solid performance with the consolidated net profit of the Bank and subsidiaries for 2021 totaled Baht 6,318 million, an increase of 23.3% comparing to 2020 while comprehensive income totaled Baht 7,069 million also increasing by 30.5% YoY. For 4Q21, net profit increased by 82.6% YoY to Baht 2,023 million with comprehensive income for 4Q21 at Baht 2,102 million, an increase of 37.4% YoY.

During 2021, the performance of the Bank continued to be strong especially for Capital Market business which has seen significant increase in performance across the Capital Market various businesses resulting in net fees and services income for 2021 to greatly expand by 40.1%. Wealth management business continued to perform well with growth in asset under advice while brokerage business maintained the number one market share¹ of 14.04%. Investment banking business delivered high fee income after completing several key transactions during 2021. Asset management business also performed well with expansions in asset under management. Additionally, net interest income also rose by 7.0% YoY from considerable loan expansions. Overall operating expenses continued to be well-controlled resulting in cost to income ratio² for 2021 to decline to 39.0%. The Bank remained prudent when considering the level of provisions taking into account the prolong uncertainties and recorded total expected credit loss amount for 2021 at Baht 5,201 million.

With the economic conditions remaining under pressure throughout 2021 arising from COVID-19 situation which also saw the Bank's credit business being impacted, the Bank focus has been on providing assistance to customers while at the same time, continuing with business developments. The Bank's loan portfolio saw a satisfactory increase of 16.5% during 2021 with continued focus on quality growth amid uncertainties. The Non-Performing Loans (NPLs) to total loans ratio for 2021 remained stable at 3.0%³ comparing to 2.9% at the end of 2020 with total allowance for expected credit losses to total NPLs ratio (coverage ratio) remaining at a high level of 175.1%.

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 December 2021 at 17.35%.

Overall market environment

The Thai economy in 2021 recovered slowly from 2020 due to the impact from the delta variant and government lockdown measures on private consumption and investment. As the international travel ban remained in place, the tourism industry did not recover well compared to 2020. As 12% of Thailand's gross domestic product (GDP) is from the tourism sector, Thailand continued to be one of the countries facing the worst impact from COVID-19. However, during 4Q21, Thai domestic economy started to recover as a result of the easing of lockdown restrictions as well as the government support through various stimulus packages. In addition, the strong expansion in Thailand's major trade partners' income resulted in considerable increase of Thailand's export revenue. For the year 2021, exports increased by 17.1% YoY. Excluding exports of gold and arms, the value of

¹ Including SET and mai but excluding proprietary trading

² Operating expenses excluding items relating to foreclosed assets (loss from revaluation of foreclosed assets and loss from sale of foreclosed assets)

³ Excluding loans classified as Purchased or originated credit-impaired financial assets (POCI)

Thai exports grew by 19.8% YoY. While the number of tourist arrivals in 2021 contracted by 93.6% YoY to 427,869 arrivals.

Thai Monetary Policy Committee (MPC) voted to keep the policy rate unchanged at 0.5% during 2021, despite a weak inflation and growth outlook during the second and third quarter of 2021 as the economy remains under pressure from the local outbreak. It reiterated that targeted measures would be more effective than a reduction in the policy rate, which is already low. However, during 4Q21, the committee assessed that the Thai economy had bottomed out in the third quarter of 2021 and entered the phase of recovery following the relaxation of containment measures and the re-opening of the country. For 2022, MPC will focus on growth and is expected to keep rates unchanged until the economy improves meaningfully in 4Q22.

In 2022, the recovery of the Thai economy is expected to be fragile and uneven across sectors and geography. The tourism industry is likely to remain weak as only 5.8 million tourist arrivals are anticipated in the second half of 2022, still much lower than the pre-crisis of around 40 million people per year. Furthermore, the new wave of the outbreak, expected to start in 1Q22, will slow down the recovery of domestic consumption and investment compared to the initial projection. However, domestic economic recovery is expected to resume given that the outbreak of COVID-19 local infections does not prolong and no national lockdown measures are imposed. Thailand's export growth in 2022 is projected to grow continuously as global demand is expected to remain in expansion.

Key risks that could derail the recovery of the Thai economy in 2022 include 1) a severe outbreak of the new wave of COVID-19 which could induce the government to enforce additional national lockdown measures, causing negative impact on consumption, investment as well as the delay of border reopening 2) the faster-than-expected rise of inflation and monetary policy tightening in major advanced economy which could potentially affect global economic recovery 3) the lower-than-expected growth of China's economy from the less supportive policy on economic growth and 4) domestic political uncertainties that may affect investor confidence and result in a delay of government policy implementation.

The auto industry remained in contraction compared to last year. The total number of car sales for the year 2021 contracted by 4.2% YoY, with the passenger vehicle segment and the commercial vehicle segment contracting by 8.4% and 1.9% YoY, respectively. The underperformance of the car industry was consistent with the economy-wide economic slowdown 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 2021 increased by 36.8% from Baht 68,607 million in 2020 to Baht 93,846 million in 2021. The SET index at the end of 2021 closed at 1,657.62 points, increasing by 14.4% from 1,449.35 points at the end of 2020.

The Establishment of New Subsidiary

On 11 November 2021, KKP Capital Public Company Limited, the Bank's subsidiary has incorporated a new subsidiary under the name KKP Dime Company Limited. Kiatnakin Phatra Financial Group through KKP Capital Public Company Limited holds 100% of the total shares of KKP Dime Company Limited. KKP Dime's main objectives are to provide financial and investment services through digital channels with an aim to provide smart, convenient, low-cost, and personalized access to financial products and services by utilizing digital technologies to everyone and to promote financial inclusion.

Operating results of the Bank and subsidiaries for the year 2021 and 4Q21

Unit : Baht million	4Q21	3Q21	% QoQ	4Q20	% YoY	2021	2020	% YoY
Net Interest income	4,253	3,823	11.2	3,996	6.4	15,701	14,679	7.0
Non-interest income	2,841	1,978	43.6	1,979	43.6	8,545	6,554	30.4
Total operating income	7,094	5,802	22.3	5,974	18.7	24,246	21,233	14.2
Total other operating expenses	3,036	2,951	2.9	2,545	19.3	11,248	10,652	5.6
Expected credit losses	1,582	1,007	57.1	2,077	(23.9)	5,201	4,095	27.0
Profit from operating before income tax expenses	2,476	1,844	34.3	1,353	83.1	7,797	6,487	20.2
Income tax expenses	450	364	23.5	235	91.7	1,442	1,344	7.3
Net Profit (attributable to equity holders of the Bank)	2,023	1,478	36.9	1,108	82.6	6,318	5,123	23.3
Total Comprehensive income (attributable to equity holders of the Bank)	2,102	1,629	29.0	1,530	37.4	7,069	5,416	30.5
Realized gain (loss) on sale of equity instruments designated at fair value through other comprehensive income	314	590	(46.7)	(0)	n.a.	842	136	519.6
Basic earnings per share (Baht)	2.39	1.75	36.6	1.31	82.4	7.46	6.05	23.3

For 2021, the consolidated net profit totaled Baht 6,318 million, an increase of 23.3% from 2020 of which Baht 1,817 million was the net profit from Capital Market business. The increase was mainly driven by the considerable growth in non-interest income of 30.4% with net fees and services income significantly contributed to the increase driven by income from wealth management business, brokerage business, investment banking business and asset management business. Meanwhile, net interest income also increased by 7.0% from continued loan expansions during the year. Provisions for 2021 increased when comparing to last year consistent with the Bank's prudent measures and also to accommodate loans expansion.

The consolidated comprehensive income for 2021 totaled Baht 7,069 million, an increase of 30.5% YoY with Capital Market business's comprehensive income at Baht 2,765 million. The increase in comprehensive income was largely driven by the realized gains on sale of equity instruments designated at FVOCI which for 2021 totaled Baht 842 million while revaluations on investment also increased.

For 4Q21, the consolidated net profit totaled Baht 2,023 million, an increase of 82.6% comparing to the same period last year, of which Baht 348 million was the net profit from Capital Market business. The increase was driven by higher non-interest income of 43.6% YoY from strong performance of Capital Market business while net interest income also increased by 6.4% from loans expansion. Meanwhile, provisions for 4Q21 declined when comparing to the same period last year driven by well-controlled asset quality. Meanwhile, the consolidated comprehensive income for 4Q21 totaled Baht 2,102 million, increase of 37.4% YoY with Capital Market business comprehensive income at Baht 437 million.

Summary of financial performance ratios

Annualized Ratios	4Q21	3Q21	4Q20	2021	2020
Net Profit (Baht million)	2,023	1,478	1,108	6,318	5,123
ROAE (%)	16.2	12.2	9.7	13.0	11.3
ROE (%)	16.5	12.3	9.9	13.6	11.7
ROAA (%)	1.9	1.5	1.2	1.6	1.5
Comprehensive income (Baht million)	2,102	1,629	1,530	7,069	5,416
ROAE (%)	16.8	13.5	13.4	14.5	12.0
ROE (%)	17.2	13.6	13.6	15.2	12.3
ROAA (%)	2.0	1.6	1.7	1.8	1.6
Loan growth	7.1	2.0	3.9	16.5	12.4
NPLs/ Total loans (excluding interbank and POCI)	3.0	3.5	2.9	3.0	2.9
Allowance for expected credit loss/ Total NPLs excluding POCI (coverage ratio)	175.1	158.0	170.9	175.1	170.9

Net Interest Income

Unit: Baht million	4Q21	3Q21	% QoQ	4Q20	% YoY	2021	2020	% YoY
Interest income	5,181	4,749	9.1	5,101	1.6	19,489	19,584	(0.5)
Interest on loans	1,863	1,744	6.8	2,089	(10.8)	7,303	8,187	(10.8)
Hire purchase and financial lease income	3,042	2,802	8.6	2,550	19.3	11,164	10,112	10.4
Interest on POCI	93	35	167.7	287	(67.6)	349	468	(25.3)
Interest on interbank and money market items	88	70	26.1	70	27.1	289	324	(10.8)
Interest on securities	92	96	(3.8)	103	(10.7)	374	478	(21.6)
Others	2	2	(25.4)	2	(17.1)	8	15	(44.4)
Interest expense	928	926	0.2	1,106	(16.1)	3,788	4,905	(22.8)
Interest on deposits	610	598	1.9	737	(17.3)	2,477	3,185	(22.2)
Interest on interbank and money market items	28	26	5.4	22	24.8	103	133	(22.7)
Interest on debt issued and borrowings	109	126	(13.6)	177	(38.7)	508	912	(44.3)
Fees and charges on borrowings	2	3	(37.2)	2	(0.5)	11	9	18.3
FIDF and DPA fees	175	166	5.1	160	9.0	664	626	6.0
Others	6	6	(13.0)	7	(20.1)	26	39	(34.3)
Net Interest Income	4,253	3,823	11.2	3,996	6.4	15,701	14,679	7.0

For 2021, net interest income amounted to Baht 15,701 million, an increase of Baht 1,021 million or 7.0% from Baht 14,679 million during 2020 driven by the decline in interest expense. Interest income totaled Baht 19,489 million, slight decline of 0.5% YoY. While the Bank's loan portfolio has continued to grow satisfactorily by 16.5% for the year 2021, however, the reductions in interest rates together with the Bank's expansions into loan segment with higher asset quality resulted in overall interest income to decline slightly for 2021. Interest expense totaled Baht 3,788 million, a decline of 22.8% YoY from further decline in cost of funds from the Bank's continuous cost management. Overall, resulted in increase of net interest income. Meanwhile, loan spread for 2021 lowered slightly to 5.3% from 5.5% YoY.

For 4Q21, net interest income totaled Baht 4,253 million, an increase of 6.4%. While the loan portfolio for 4Q21 grew considerably, this has been offset by the reductions in loan yield. Meanwhile, interest expenses reduced by 16.1% from further decline in cost of funds from the Bank effective cost management resulting in overall net interest income to increase. Loan spread for 4Q21 remained stable at 5.3% comparing to 4Q20.

%	4Q21	3Q21	2Q21	1Q21	4Q20	2021	2020
Yield on loan	6.4	6.3	6.5	6.8	6.8	6.5	7.2
Cost of fund	1.1	1.2	1.3	1.4	1.5	1.2	1.7
Loan spread	5.3	5.2	5.3	5.4	5.3	5.3	5.5

Non-Interest Income

Unit: Baht million	4Q21	3Q21	% QoQ	4Q20	% YoY	2021	2020	% YoY
Fees and services income	1,822	1,695	7.5	1,337	36.3	6,974	5,107	36.5
Fees and services expenses	253	238	6.6	186	36.4	900	771	16.7
Fees and services income, net	1,569	1,457	7.7	1,152	36.2	6,074	4,336	40.1
Gain (loss) on financial instruments measured at fair value through profit or loss	101	(616)	(116.4)	280	(63.9)	(158)	1,079	(114.6)
Gain (loss) on investments, net	(4)	-	n.a.	(11)	(65.9)	(10)	50	(119.5)
Dividend income	14	1,097	(98.7)	42	(65.8)	1,329	389	241.6
Other operating income	1,160	41	2,747.8	516	124.9	1,309	700	87.0
Total Non-Interest Income	2,841	1,978	43.6	1,979	43.6	8,545	6,554	30.4

For 2021, non-interest income totaled Baht 8,545 million, a significant increase of 30.4% from 2020. The increase was mainly due to the strong performance from the Capital Market Business with net fees and services income growth of 40.1% mainly contributed by the increase in income from the wealth management business with growth in asset under advice as a result of continuous development of new products and services offerings. Investment banking business also recorded a good year with significant rise in income after completing several key transactions during 2021. Fee from brokerage business also grew in line with higher market trading activity of 37.0% comparing to trading activity for 2020 with Kiatnakin Phatra Securities maintaining the number one in terms of market share of 14.04% for 2021. Fee income from asset management business also grew in line with asset under management which expanded well during 2021. Bancassurance fee also showed improvement as a result of loan portfolio expansions. Additionally, the Bank's other operating income also increased driven by the sale of loans which the Bank has already written-off.

For 4Q21, non-interest income totaled Baht 2,841 million, growth of 43.6% YoY driven by higher net fees and services income from the wealth management business, investment banking business, brokerage business, asset management business and bancassurance fee all registering an increase comparing to the same period last year. Higher other operating income for 4Q21 was mainly due to the sale of loans which the Bank has already written-off.

Other operating expenses

Unit: Baht million	4Q21	3Q21	% QoQ	4Q20	% YoY	2021	2020	% YoY
Employee's expenses	1,819	1,604	13.4	1,410	29.0	6,428	5,664	13.5
Directors' remuneration	9	8	16.1	10	(11.5)	36	33	10.5
Premises and equipment expenses	249	259	(3.9)	290	(14.1)	1,003	1,140	(12.0)
Taxes and duties	122	124	(1.4)	118	3.2	462	493	(6.4)
Loss from revaluation of foreclosed assets	7	28	(76.0)	146	(95.5)	60	849	(93.0)
Loss from sale of foreclosed assets	256	522	(51.0)	138	85.2	1,504	894	68.2
Other expenses	574	407	41.0	432	32.9	1,755	1,579	11.1
Total other operating expenses	3,036	2,951	2.9	2,545	19.3	11,248	10,652	5.6

For 2021, the Bank continued to focus on cost management resulting in overall operating expenses to be at a well-controlled level. Other operating expenses were Baht 11,248 million, increasing slightly by 5.6% YoY comparing to Baht 10,652 million during 2020. If excluding items relating to foreclosed assets, the increase in operating expenses is mainly due to variable employee's expenses relating to business growth. Loss from sale of foreclosed assets for 2021 totaled Baht 1,504 million increasing YoY. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 2,089 million, increasing from Baht 1,309 million during 2020 primarily due to the higher number of cars sold during 2021. This is driven by a low base from last year when the financial assistance measures that were implemented resulted in a significant slow-down in foreclosure activities leading to lower number of cars sold during the second half of 2020. Meanwhile, gain on sale of foreclosed properties totaled Baht 585 million for 2021, increasing YoY despite sale activities being partly impacted by the lock down measures. Loss on revaluation of foreclosed assets declined due to the prudent measure during 2020 in which 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 whereas there was no such item recorded for this year. Overall, resulting in cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets to improve to 39.0%, declining from 41.2% during 2020.

For 4Q21, other operating expenses were Baht 3,036 million, increasing 19.3% from the same period last year mainly due to the increase in variable employee's expenses relating to business growth. Loss on sale of foreclosed assets for 4Q21 comprised of loss from sale of repossessed cars of Baht 489 million, with gain on sale of foreclosed properties of Baht 233 million. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for 4Q21 remained at satisfactory level of 37.9% comparing to 37.4% YoY.

Expected Credit Loss (ECL)

Unit: Baht million	4Q21	3Q21	% QoQ	4Q20	% YoY	2021	2020	% YoY
Expected Credit Losses	1,582	1,007	57.1	2,077	(23.9)	5,201	4,095	27.0
Credit Cost (%)	2.87	2.38		3.63		2.65	2.55	

For 2021, expected credit losses totaled Baht 5,201 million, increasing 27.0% from to Baht 4,095 million during 2020 with increase partly to accommodate the growth in loan portfolio. The Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside provisions to reflect possible deteriorations from uncertainties including impacts from the prolong COVID-19 situation and also potential impacts from the financial

assistance provided to customers resulting in expected credit losses to remain at an elevated level. The amount also reflected additional provisions for Management Overlay. Allowance for expected credit losses to total NPLs ratio (coverage ratio) remained at a high level of 175.1%. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 2021 amounted to 2.65% of average loan.

For 4Q21, expected credit losses totaled Baht 1,582 million, declining by 23.9% from Baht 2,077 million for the same period last year reflecting manageable asset quality. During 4Q21, the Bank has released a portion of the existing Management Overlay and recorded the amount as expected credit losses based on a qualitative classification. Also, as a precautionary measure, during 4Q21, the Bank has recorded additional Management Overlay in the amount of Baht 928 million for expected losses which may be incurred from the financial support measures.

Statements of Financial Position

Assets

As of the end of December 2021, totaled Baht 436,123 million, increased of Baht 72,712 million or 20.0% from the end of 2020 mainly from the increase in loans to customers and accrued interest receivables and also from the increase in interbank and money market.

Assets (Baht Thousand)	Consolidated		Change	
	Dec 31, 2021	Dec 31, 2020	Amount	%
Cash	1,242,065	1,490,626	(248,561)	(16.7)
Interbank and money market items, net	55,238,234	32,770,543	22,467,691	68.6
Financial assets measured at fair value through profit or loss	22,364,824	11,289,598	11,075,226	98.1
Derivatives assets	7,481,509	10,276,081	(2,794,572)	(27.2)
Investment, net	16,840,213	23,312,942	(6,472,729)	(27.8)
Investments in properties, net	21,502	21,761	(259)	(1.2)
Loans to customers and accrued interest receivables, net	299,147,566	258,846,014	40,301,552	15.6
Properties foreclosed, net	3,981,941	2,937,160	1,044,781	35.6
Land, premises and equipment, net	3,500,887	3,284,464	216,423	6.6
Right-of-use assets	321,019	229,835	91,184	39.7
Other intangible assets, net	1,211,574	1,128,488	83,086	7.4
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,743,966	1,338,682	405,284	30.3
Accounts receivable from clearing house and broker - dealers	979,499	1,334,267	(354,768)	(26.6)
Securities and derivative business receivables	10,996,362	6,837,597	4,158,765	60.8
Other assets, net	7,986,005	5,246,923	2,739,082	52.2
Total Assets	436,123,201	363,411,016	72,712,185	20.0

Liabilities

As of the end of December 2021, amounted to Baht 384,961 million, increasing 21.5% from the end of 2020. Deposits were Baht 288,382 million comprised of 40.9% of term deposits and 59.1% 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 43,805 million, increasing by 54.6% from the end of 2020. Loan to deposits and borrowings ratio as of end of 2021 stood at 93.9% declining from 95.6% YoY.

<u>Liabilities</u> (Baht Thousand)	Consolidated		Change	
	Dec 31, 2021	Dec 31, 2020	Amount	%
Deposits	288,381,946	251,525,874	36,856,072	14.7
Current Account	860,726	693,044	167,681	24.2
Saving Account	169,457,001	131,339,535	38,117,466	29.0
Term Deposit	117,896,190	119,237,952	(1,341,761)	(1.1)
Certificate of Deposit	168,029	255,343	(87,314)	(34.2)
Interbank and money market items, net	16,664,329	10,263,870	6,400,459	62.4
Liabilities payable on demand	668,531	392,712	275,819	70.2
Financial liabilities measured at fair value through profit or loss	1,699,750	896,906	802,844	89.5
Derivatives liabilities	9,036,326	8,724,685	311,641	3.6
Debt issued and borrowings	43,804,907	28,343,500	15,461,407	54.6
Lease liabilities	240,002	183,697	56,305	30.7
Provisions	1,098,744	1,066,255	32,489	3.0
Deferred tax liabilities	10,111	13,556	(3,445)	(25.4)
Accounts payable to clearing house and broker - dealers	1,661,003	588,026	1,072,977	182.5
Securities and derivative business payables	8,898,093	5,539,391	3,358,702	60.6
Accrued interest expenses	346,922	467,833	(120,911)	(25.8)
Other accounts payable	6,250,144	3,923,055	2,327,089	59.3
Income tax payable and specific business tax payable	1,278,686	399,461	879,225	220.1
Other liabilities	4,921,552	4,456,474	465,078	10.4
Total Liabilities	384,961,046	316,785,295	68,175,751	21.5

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 December 31, 2021, the consolidated Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2Q21 after interim dividend payment was at 17.35% while Tier 1 ratio was at 13.62%. When including net profit up to end of 4Q21, the BIS ratio will increase to 18.38% while Tier 1 ratio will be 14.64%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 78.48% 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 end of December 2021 are as follows:

	Bank Only			Consolidated		
	Dec 2021	Sept 2021	Dec 2020	Dec 2021	Sept 2021	Dec 2020
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	39,231	39,723	38,241	42,676	43,338	41,319
Tier 1 capital	39,231	39,723	38,241	42,676	43,338	41,319
Total capital	50,975	51,400	49,961	54,380	54,976	52,714
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	12.63	13.00	13.38	13.62	14.04	14.33
Tier 1 capital	12.63	13.00	13.38	13.62	14.04	14.33
Total capital	16.41	16.82	17.39	17.35	17.81	18.28

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	December 31, 2021		December 31, 2020		Change (%)
	Amount (Baht million)	Ratio (%)	Amount (Baht million)	Ratio (%)	
Retail Lending	206,751	66.2	168,187	62.7	22.9
Hire Purchase	155,359	49.7	127,009	47.3	22.3
Personal loan	7,717	2.5	8,130	3.0	(5.1)
Micro SMEs loan	7,971	2.6	7,635	2.8	4.4
Housing loan	35,704	11.4	25,413	9.5	40.5
Commercial Lending	52,728	16.9	58,149	21.7	(9.3)
Real Estate Development loan	22,927	7.3	27,991	10.4	(18.1)
SMEs loan	29,800	9.5	30,158	11.2	(1.2)
Corporate Lending	43,167	13.8	33,091	12.3	30.4
Special Asset Management loan	1,135	0.4	1,138	0.4	(0.2)
Lombard loan	8,701	2.8	7,874	2.9	10.5
Total loans	312,483	100.0	268,440	100.0	16.4
Total loans (excluding POCI)	311,789		267,735		16.5

Total loans excluding POCI amounted to Baht 311,789 million, expanding by 16.5% from the end of 2020. The focus continued 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 for 2021 was largely driven by hire purchase, housing and corporate lending segment. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 206,751 million, increasing by 22.9% 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 155,359 million, expanded by 22.3% from the end of 2020. New hire purchase business volume booked for the year 2021 totaled Baht 72,600 million, increasing by 42% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 49.7% with the portion of new cars to used cars at 40:60. The domestic new car sales for 2021 totaled 759,119 units, declining by 4.2% YoY. The penetration rate of the Bank new cars lending to the domestic new car sales for 2021 increased to 5.7% from 4.2% at the end of 2020 with considerable increase when comparing to year 2019 penetration rate of 2.2% with increase mainly due to the Bank expansion into new business segments with higher asset quality.

- **Other retail loans** amounted to Baht 51,392 million, with overall segment expansion by 24.8% mainly from the increase in housing loans of 40.5% consistent with the focus on quality growth while personal loans segment contracted slightly by 5.1% YoY. Total combined other retail loans portion to total Bank loan portfolio increased to 16.4% as of the end of 2021.
- **Commercial Lending** business loans amounted to Baht 52,728 million, contracted by 9.3% from the end of 2020. The Bank continued to provide assistance to customers in this segment focusing on long term recovery of customers. Commercial Lending includes real estate development loans and SMEs loans, detail are as follows:
 - **Real estate development loans (RE)** totaled Baht 22,927 million, declining by 18.1% YoY. The decline was mainly due to repayment while new lending volume slowed down in line with the uncertainties in economic conditions.
 - **SMEs loans** were Baht 29,800 million, declining slightly by 1.2% 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 43,167 million, expanded by 30.4% YoY 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 1,135 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 8,701 million, expanded by 10.5% YoY.

Update status on COVID-19

Throughout 2021, the COVID-19 local infections continued to persist with new waves occurring throughout the year. The Bank of Thailand has announced various measures aimed at providing financial support to customers still impacted by the prolong situation with recent measures aiming 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 4Q21, the Bank has continued to receive additional requests for financial assistance but the increase in new requests has not been significant. 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.

Loan classifications and Allowance for expected credit losses (ECL)

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

Unit : Baht million	31 December 2021		30 September 2021		31 December 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	287,141	8,267	266,731	7,429	247,489	5,595
Stage 2 : Under-Performing financial assets	17,019	2,858	16,997	2,674	15,426	3,026
Stage 3 : Non-Performing financial assets	10,638	4,336	11,098	4,517	8,256	3,080
Purchased or originated credit-impaired financial assets	855	26	824	21	780	23
Total	315,653	15,488	295,650	14,641	271,951	11,725

The Bank continued to prudently set up provisions for expected credit losses under TFRS 9 taking into consideration the continuing uncertainties from the economic slowdown and persistent impact from the COVID-19 situation. As of the end of December 2021, allowance for expected credit losses totaled Baht 16,620 million, with expected credit losses under TFRS 9 amounted to Baht 15,488 million and remaining excess loan loss reserve totaled Baht 1,132 million at the end of 2021 which the Bank had gradually released using a straight line method since 1Q20 at the quarterly amount of Baht 94 million. The Bank consistently monitors the asset quality of all loan segments and has continuously set aside prudent provisioning level for possible deterioration in asset quality with total allowance for expected credit losses to total NPLs ratio (coverage ratio) as of end of 2021 remaining at a high level of 175.1%.

NPLs distribution by loan type (consolidated)

Type of loans	December 31, 2021			December 31, 2020		
	Amount (Baht million)	Ratio (%)	% of loans	Amount (Baht million)	Ratio (%)	% of loans
Retail Lending	4,383	43.0	2.1	2,699	31.9	1.6
Hire Purchase	2,716	26.6	1.7	1,421	16.8	1.1
Personal loan	88	0.9	1.1	104	1.2	1.3
Micro SMEs loan	1,140	11.2	14.3	826	9.8	10.8
Housing loan	439	4.3	1.2	348	4.1	1.4
Commercial Lending	4,672	45.8	8.9	4,619	54.6	7.9
Real Estate Development loan	3,038	29.8	13.2	3,091	36.6	11.0
SMEs loan	1,635	16.0	5.5	1,528	18.1	5.1
Corporate Lending	0	0.0	0.0	0.0	0.0	0.0
Special Asset Management loan	1,135	11.1	100.0	1,138	13.5	100.0
Lombard loan	0	0.0	0.0	0.0	0.0	0.0
Total NPLs	10,191	100.0	3.3	8,456	100.0	3.2
Total NPLs (excluding POCI)	9,498		3.0	7,751		2.9

⁴ Including ECL for loans and loan commitments and financial guarantees

The overall asset quality has been at a manageable level with the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI as of the end of 2021 totaled Baht 9,498 million or 3.0% of total loans, decreasing from 3.5% at the end of 3Q21, with decline in both the retail and commercial lending segment. The decline is the result of the Bank continuous effort on asset quality management including debt restructuring, write offs, through various assistance measures and together with the Bank focus on loan expansion into high quality segment. When comparing to the end of 2020, NPL increased slightly from 2.9%.

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

- **Equity and Derivatives Brokerage Business**

Kiatnakin Phatra Securities Public Company Limited (“KKPS”) operates Agency Business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high net worth individuals under 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 2021, the market share⁵ of KKPS was 14.04%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 1,885 million comprising of equity brokerage revenue of Baht 1,636 million, derivatives brokerage revenue of Baht 172 million and other brokerage revenue of Baht 77 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 1,161 million⁶.

- **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 2021, the revenue for the investment banking business was Baht 898 million, contributed to financial advisory fee amounting Baht 261 million, underwriting fee amounting Baht 566 million, revenue from tender offer agent of Baht 15 million and brokerage revenue of Baht 56 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 2021, DI focusing on long-term investment with value based investment philosophy recorded gain on investment including gain on re-measuring securities totaling Baht 966 million⁷. Meanwhile, EDT had gain on investment totaling Baht 781 million⁸. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 1,816 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 31 December 2021 was Baht 100,264 million with total 79 funds under management consisting of 77 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 1.87%. In 2021,

⁵ Including SET and mai but excluding proprietary trading

⁶ Including selling agent fee received from subsidiary company

⁷ Additionally, DI also had foreign exchange gain Baht 142 million. Total DI gain was Baht 1,108 million

⁸ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 744 million

KKPAM's fee income from mutual fund business totaled Baht 629 million. As of 31 December 2021, asset under management from private fund was Baht 19,185 million with KKPAM's fee income from private fund business totaled Baht 151 million.

Profit and Loss Transaction

For the year ended December 31, (Baht Thousand)	Consolidated		Change	
	2021	2020	Amount	%
Interest income	19,489,069	19,584,141	(95,072)	(0.5)
Interest expenses	3,788,433	4,904,954	(1,116,521)	(22.8)
Interest income, net	15,700,636	14,679,187	1,021,449	7.0
Fees and services income	6,973,605	5,107,313	1,866,292	36.5
Fees and services expenses	899,548	771,057	128,491	16.7
Fees and services income, net	6,074,057	4,336,256	1,737,801	40.1
Gain (loss) on financial instruments measured at fair value through profit or loss, net	(157,758)	1,078,933	(1,236,691)	(114.6)
Gain (loss) on investments, net	(9,640)	49,555	(59,195)	(119.5)
Dividend income	1,329,401	389,160	940,241	241.6
Other operating income	1,309,321	700,323	608,998	87.0
Total operating income	24,246,017	21,233,414	3,012,603	14.2
Other operating expenses				
Employee's expenses	6,428,423	5,664,254	764,169	13.5
Directors' remuneration	36,298	32,838	3,460	10.5
Premises and equipment expenses	1,003,044	1,139,782	(136,738)	(12.0)
Taxes and duties	461,927	493,384	(31,457)	(6.4)
Loss from revaluation of foreclosed assets (reversal)	59,592	848,563	(788,971)	(93.0)
Loss from sale of foreclosed assets	1,503,667	893,858	609,809	68.2
Other expenses	1,755,308	1,579,257	176,051	11.1
Total other operating expenses	11,248,259	10,651,936	596,323	5.6
Expected credit loss	5,200,829	4,094,627	1,106,202	27.0
Profit from operating before income tax expenses	7,796,929	6,486,851	1,310,078	20.2
Income tax expenses	1,441,616	1,343,722	97,894	7.3
Net profit	6,355,313	5,143,129	1,212,184	23.6
Net profit attributable to:				
Equity holders of the Bank	6,318,052	5,123,266	1,194,786	23.3
Non-controlling interests	37,261	19,863	17,398	87.6
Total comprehensive income attributable to:				
Equity holders of the Bank	7,069,132	5,415,610	1,653,522	30.5
Non-controlling interests	37,462	19,992	17,470	87.4
Basic earnings per share (Baht)	7.46	6.05	1.41	23.3

Profit and Loss Transaction

For the three-month period ended December 31, (Baht Thousand)	Consolidated		Change	
	2021	2020	Amount	%
Interest income	5,180,727	5,101,421	79,306	1.6
Interest expenses	927,932	1,105,666	(177,734)	(16.1)
Interest income, net	4,252,795	3,995,755	257,040	6.4
Fees and services income	1,822,214	1,337,362	484,852	36.3
Fees and services expenses	253,297	185,684	67,613	36.4
Fees and services income, net	1,568,917	1,151,678	417,239	36.2
Gain on financial instruments measured at fair value through profit or loss, net	101,114	279,849	(178,735)	(63.9)
Loss on investments, net	(3,589)	(10,521)	6,932	(65.9)
Dividend income	14,252	41,630	(27,378)	(65.8)
Other operating income	1,160,294	515,922	644,372	124.9
Total operating income	7,093,783	5,974,313	1,119,470	18.7
Other operating expenses				
Employee's expenses	1,819,431	1,410,183	409,248	29.0
Directors' remuneration	9,046	10,227	(1,181)	(11.5)
Premises and equipment expenses	248,746	289,590	(40,844)	(14.1)
Taxes and duties	122,207	118,414	3,793	3.2
Loss from revaluation of foreclosed assets	6,609	146,057	(139,448)	(95.5)
Loss from sale of foreclosed assets	255,806	138,110	117,696	85.2
Other expenses	574,076	431,927	142,149	32.9
Total other operating expenses	3,035,921	2,544,508	491,413	19.3
Expected credit losses	1,581,730	2,077,256	(495,526)	(23.9)
Profit from operating before income tax expenses	2,476,132	1,352,549	1,123,583	83.1
Income tax expenses	450,141	234,867	215,274	91.7
Net profit	2,025,991	1,117,682	908,309	81.3
Net profit attributable to:				
Equity holders of the Bank	2,023,347	1,108,079	915,268	82.6
Non-controlling interests	2,644	9,603	(6,959)	(72.5)
Total comprehensive income attributable to:				
Equity holders of the Bank	2,101,843	1,530,017	571,826	37.4
Non-controlling interests	2,656	9,754	(7,098)	(72.8)
Basic earnings per share (Baht)	2.39	1.31	1.08	82.4