



Management Discussion and Analysis

For the first quarter ended March 31, 2022

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Overall Business Operations

The Bank continued to deliver solid performance with the consolidated net profit of the Bank and subsidiaries for 1Q22 totaled Baht 2,055 million, an increase of 40.5% comparing to 1Q21 while comprehensive income totaled Baht 1,954 million also increasing by 27.6% YoY. The increase was largely driven by strong performance from the Commercial Banking Business with increase in both interest income and fee income generated from the credit business while provisioning expense declined in line with well-managed portfolio quality.

For 1Q22, net interest income rose by 12.4% YoY from continued loan expansions in high quality assets with 1Q22 loan growth of 6.6%. Non-interest income also registered an increase of 19.8% driven by increase in bancassurance fee, higher income from brokerage business with Kiatnakin Phatra Securities's market share¹ increasing to 18.74%, maintained at the number one position. Asset management business also performed well with higher fee income in line with expansions in asset under management.

Overall operating expenses continued to be well-controlled resulting in cost to income ratio² for 1Q22 to decline to 38.4%. The Bank remained prudent when considering the level of provisions taking into account the uncertainties and recorded total expected credit losses amount for 1Q22 at Baht 1,066 million, declined when comparing to 1Q21, reflecting manageable asset quality with the Non-Performing Loans (NPLs) to total loans ratio for 1Q22 lowered to 2.9%³ comparing to 3.0% at the end of 2021. Total allowance for expected credit losses to total NPLs ratio (coverage ratio) remaining at a high level of 181.2%.

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 the end of 1Q22 at 16.66%.

Overall market environment

The Thai economy for 1Q22 recovered slowly compared to 4Q21 due to the concerns from the Omicron variant. With international travel restrictions remained in place, the tourism industry still did not recover well. Private consumption and investment slightly dropped during 1Q22 following the slowdown in economic activities impacted by the Omicron outbreak. This was in line with the worsening consumer confidence index during January – March. Meanwhile, on the external front, exports continued to expand well in the first quarter of 2022 as a result of the expansion in Thailand's major trade partners' income. In 1Q22, exports expanded well by 14.9% YoY mainly from gold and oil-related products. The number of tourist arrivals increased in 1Q22 to 497,700 compared to 20,000 for the same period in 2021.

The rapid surge in oil price and global inflation results in the tightening monetary policy cycle, led by the Federal Reserve. For Thailand, 1Q22 inflation increased significantly to 4.75%. Meanwhile, the Bank of Thailand assessed that the recent inflationary pressure was mainly created by transitory supply factors and remain focus on the economic recovery. Accordingly, the Bank of Thailand is expected to keep the policy rate unchanged at 0.5% until the economy recovers meaningfully in 4Q22 or 1Q23.

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 5.1 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. 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. However, the key risks that could derail the

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 economy included the worse-than-expected Russia-Ukraine conflict, the prolonged China slowdown, and higher-than-expected inflationary pressure.

The auto industry started to recover in 2022. The total number of car sales for 1Q22 rose by 19.1% YoY, with the passenger vehicle segment and the commercial vehicle segment expanding by 16.0% and 20.6% YoY, respectively. The recovery was consistent with the expected improving economic conditions in 2022 as well as pent-up demand for car.

In the equity market, the average daily turnover (SET and mai) for 1Q22 increased by 2.6% from Baht 93,846 million in 2021 to Baht 96,240 million in 1Q22. The SET index at the end of 1Q22 closed at 1,695.24 points, slightly increasing by 2.3% from 1,657.62 points at the end of 2021.

Operating results of the Bank and subsidiaries for 1Q22

Unit : Baht million	1Q22	4Q21	% QoQ	1Q21	% YoY
Net Interest income	4,304	4,253	1.2	3,830	12.4
Non-interest income	2,137	2,841	(24.8)	1,785	19.8
Total operating income	6,441	7,094	(9.2)	5,615	14.7
Total other operating expenses	2,793	3,036	(8.0)	2,583	8.1
Expected credit losses	1,066	1,582	(32.6)	1,234	(13.6)
Profit from operating before income tax expenses	2,582	2,476	4.3	1,798	43.7
Income tax expenses	521	450	15.7	305	70.6
Net Profit (attributable to equity holders of the Bank)	2,055	2,023	1.6	1,463	40.5
Total Comprehensive income (attributable to equity holders of the Bank)	1,954	2,102	(7.0)	1,531	27.6
Realized gain (loss) on sale of equity instruments designated at fair value through other comprehensive income	55	314	(82.3)	(101)	(155.0)
Basic earnings per share (Baht)	2.43	2.39	1.7	1.73	40.5

For 1Q22, the consolidated net profit totaled Baht 2,055 million, an increase of 40.5% from 1Q21 of which Baht 466 million was the net profit from Capital Market business. The increase was largely driven by the performance of the Commercial Banking Business. Revenue increase was contributed by both the net interest income and non-interest income. Net interest income increased by 12.4% from continued loan expansions while non-interest income increased by 19.8% YoY with higher net fees and services income contributed by increase in income from bancassurance, brokerage business and asset management business. Other income also saw an increase largely from higher gain on financial instruments measured at fair value through profit or loss. Meanwhile, provisions expense for 1Q22 declined when comparing to 1Q21 reflecting the Bank's manageable loan portfolio quality. The consolidated comprehensive income for 1Q22 totaled Baht 1,954 million, an increase of 27.6% YoY with Capital Market business's comprehensive income at Baht 471 million.

Summary of financial performance ratios

Annualized Ratios	1Q22	4Q21	1Q21
Net Profit (Baht million)	2,055	2,023	1,463
ROAE (%)	15.8	16.2	12.4
ROE (%)	16.1	16.5	12.6
ROAA (%)	1.8	1.9	1.5
Comprehensive income (Baht million)	1,954	2,102	1,531
ROAE (%)	15.0	16.8	13.0
ROE (%)	15.3	17.2	13.2
ROAA (%)	1.7	2.0	1.6
Loan growth	6.6	7.1	2.1
NPLs/ Total loans (excluding interbank and POCI)	2.9	3.0	3.2
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	181.2	175.1	163.3

Net Interest Income

Unit: Baht million	1Q22	4Q21	% QoQ	1Q21	% YoY
Interest income	5,270	5,181	1.7	4,815	9.5
Interest on loans	1,944	1,863	4.3	1,854	4.8
Hire purchase and financial lease income	3,090	3,042	1.6	2,628	17.6
Interest on POCI	65	93	(30.2)	173	(62.5)
Interest on interbank and money market items	100	88	13.1	61	63.0
Interest on securities	70	92	(24.1)	96	(27.3)
Others	2	2	(9.2)	2	(17.6)
Interest expense	967	928	4.2	985	(1.9)
Interest on deposits	620	610	1.8	654	(5.1)
Interest on interbank and money market items	28	28	2.9	26	11.2
Interest on debt issued and borrowings	121	109	10.9	134	(10.2)
Fees and charges on borrowings	4	2	84.3	4	(2.9)
FIDF and DPA fees	185	175	6.0	159	16.6
Others	8	6	52.7	9	(4.2)
Net Interest Income	4,304	4,253	1.2	3,830	12.4

For 1Q22, net interest income amounted to Baht 4,304 million, an increase of Baht 474 million or 12.4% from Baht 3,830 million during 1Q21 driven by the increase in interest income of 9.5% from continued loan expansions. Interest income from hire purchase and financial lease increased by 17.6% in line with the considerable growth of the hire purchase portfolio in recent periods. Meanwhile, interest expense declined slightly by 1.9% YoY from lower cost of funds from the Bank effective cost management resulting in overall net interest income to increase by 12.4% YoY. Loan spread for 1Q22 remained relatively stable at 5.3% comparing to 5.4% during 1Q21.

%	1Q22	4Q21	3Q21	2Q21	1Q21
Yield on loan	6.4	6.4	6.3	6.5	6.8
Cost of fund	1.1	1.1	1.2	1.3	1.4
Loan spread	5.3	5.3	5.2	5.3	5.4

Non-Interest Income

Unit: Baht million	1Q22	4Q21	% QoQ	1Q21	% YoY
Fees and services income	1,851	1,822	1.6	1,636	13.1
Fees and services expenses	297	253	17.2	202	46.9
Fees and services income, net	1,554	1,569	(1.0)	1,434	8.3
Gain on financial instruments measured at fair value through profit or loss	362	101	258.2	170	112.5
Gain (loss) on investments, net	(14)	(4)	297.8	(6)	136.0
Dividend income	200	14	1,300.0	122	63.7
Other operating income	36	1,160	(96.9)	64	(43.4)
Total Non-Interest Income	2,137	2,841	(24.8)	1,785	19.8

For 1Q22, non-interest income totaled Baht 2,137 million, an increase of 19.8% from 1Q21. The increase was driven by both the net fees and services income and also from other income. Net fees and services income grew by 8.3% mainly contributed by the increase in income from the Commercial Banking Business's bancassurance fee as a results of loan expansions. For Capital Market Business, fee from brokerage business also grew with Kiatnakin Phatra Securities maintaining the number one position in terms of market share which increased to 18.74% for 1Q22 from market share of 14.04% during 2021. Fee income from asset management business also grew in line with asset under management which continued to expand during 1Q22. Additionally, the Bank's other income also increased driven by higher gain on financial instruments measured at fair value through profit or loss from the Equity and Derivatives Trading business and Financial Markets business.

Other operating expenses

Unit: Baht million	1Q22	4Q21	% QoQ	1Q21	% YoY
Employee's expenses	1,658	1,819	(8.9)	1,460	13.6
Directors' remuneration	13	9	47.8	11	18.9
Premises and equipment expenses	252	249	1.4	244	3.4
Taxes and duties	112	122	(8.1)	113	(0.9)
Loss from revaluation of foreclosed assets (reversal)	57	7	769.0	(34)	(267.4)
Loss from sale of foreclosed assets	251	256	(2.0)	395	(36.5)
(Gain) loss from sale of foreclosed properties	(23)	(233)	(90.2)	(166)	(86.2)
Loss from sale of repossessed cars	273	489	(44.1)	561	(51.2)
Other expenses	449	574	(21.7)	394	13.9
Total other operating expenses	2,793	3,036	(8.0)	2,583	8.1

For 1Q22, with the continued focus on effective cost management which resulted in the Bank's overall operating expenses to be at a well-controlled level. Other operating expenses were Baht 2,793 million, increasing by 8.1% YoY with the increase mainly due to employee's expenses relating to business growth. Loss from sale of foreclosed assets for 1Q22 totaled Baht 251 million, declining 36.5% YoY. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 273 million, with loss declining 51.2% YoY and gain on sale of foreclosed properties totaled Baht 23 million. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for 1Q22 at 38.4%, exhibiting well-controlled level.

Expected Credit Loss (ECL)

Unit: Baht million	1Q22	4Q21	% QoQ	1Q21	% YoY
Expected Credit Losses	1,066	1,582	(32.6)	1,234	(13.6)
Credit Cost (%)	1.78	2.87		2.79	

For 1Q22, expected credit losses totaled Baht 1,066 million, declining 13.6% from 1Q21 amount of Baht 1,234 million, reflecting manageable loan portfolio quality. The Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside provisions to reflect possible deteriorations from continued uncertainties. As a precautionary measure, the Bank has recorded additional Management Overlay in the amount of Baht 151 million during 1Q22.

Allowance for expected credit losses to total NPLs ratio (coverage ratio) remained at a high level of 181.2%. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 1Q22 improved to 1.78% of average loan, declining from 2.79% during 1Q21.

Statements of Financial Position

Assets

As of the end of March 2022, totaled Baht 462,388 million, increased of Baht 26,265 million or 6.0% from the end of 2021 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	
	Mar 31, 2022	Dec 31, 2021	Amount	%
Cash	1,122,563	1,242,065	(119,502)	(9.6)
Interbank and money market items, net	60,260,979	55,238,234	5,022,745	9.1
Financial assets measured at fair value through profit or loss	21,214,049	22,364,824	(1,150,775)	(5.1)
Derivatives assets	5,764,893	7,481,509	(1,716,616)	(22.9)
Investment, net	17,469,114	16,840,213	628,901	3.7
Investments in properties, net	21,436	21,502	(66)	(0.3)
Loans to customers and accrued interest receivables, net	319,178,567	299,147,566	20,031,001	6.7
Properties foreclosed, net	3,832,498	3,981,941	(149,443)	(3.8)
Land, premises and equipment, net	3,548,021	3,500,887	47,134	1.3
Right-of-use assets	324,020	321,019	3,001	0.9
Other intangible assets, net	1,218,427	1,211,574	6,853	0.6
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,858,580	1,743,966	114,614	6.6
Accounts receivable from clearing house and broker - dealers	948,396	979,499	(31,103)	(3.2)
Securities and derivative business receivables	13,763,447	10,996,362	2,767,085	25.2
Other assets, net	8,796,748	7,986,005	810,743	10.2
Total Assets	462,387,773	436,123,201	26,264,572	6.0

Liabilities

As of the end of March 2022, amounted to Baht 409,292 million, increasing 6.3% from the end of 2021. Deposits were Baht 299,459 million comprised of 41.8% of term deposits and 58.2% of current and saving accounts (CASA). Meanwhile, debts and borrowings were Baht 50,101 million, increasing by 14.4% from the end of 2021. Loan to deposits and borrowings ratio as of end of 1Q22 stood at 95.1%.

Liabilities (Baht Thousand)	Consolidated		Change	
	Mar 31, 2022	Dec 31, 2021	Amount	%
Deposits	299,458,751	288,381,946	11,076,805	3.8
Current Account	1,151,647	860,726	290,921	33.8
Saving Account	173,180,837	169,457,001	3,723,836	2.2
Term Deposit	124,996,742	117,896,190	7,100,552	6.0
Certificate of Deposit	129,525	168,029	(38,504)	(22.9)
Interbank and money market items, net	21,368,471	16,664,329	4,704,142	28.2
Liabilities payable on demand	1,002,228	668,531	333,697	49.9
Financial liabilities measured at fair value through profit or loss	2,672,481	1,699,750	972,731	57.2
Derivatives liabilities	6,948,067	9,036,326	(2,088,259)	(23.1)
Debt issued and borrowings	50,100,517	43,804,907	6,295,610	14.4
Lease liabilities	241,956	240,002	1,954	0.8
Provisions	1,139,687	1,098,744	40,943	3.7
Deferred tax liabilities	9,261	10,111	(850)	(8.4)
Accounts payable to clearing house and broker - dealers	3,794,800	1,661,003	2,133,797	128.5
Securities and derivative business payables	9,243,069	8,898,093	344,976	3.9
Accrued interest expenses	677,399	346,922	330,477	95.3
Other accounts payable	7,555,188	6,250,144	1,305,044	20.9
Income tax payable and specific business tax payable	1,846,420	1,278,686	567,734	44.4
Other liabilities	3,234,164	4,921,552	(1,687,388)	(34.3)
Total Liabilities	409,292,459	384,961,046	24,331,413	6.3

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 March 31, 2022, the consolidated Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2Q21 after interim dividend payment was at 16.66% while Tier 1 ratio was at 13.03%. When including net profit up to end of 1Q22, the BIS ratio will increase to 18.26% while Tier 1 ratio will be 14.63%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 78.20% 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 the end of March 2022 are as follows:

	Bank Only			Consolidated		
	Mar 2022	Dec 2021	Mar 2021	Mar 2022	Dec 2021	Mar 2021
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	39,052	39,231	37,964	42,438	42,676	41,373
Tier 1 capital	39,052	39,231	37,964	42,438	42,676	41,373
Total capital	50,904	50,975	49,200	54,266	54,380	52,560
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	12.21	12.63	12.93	13.03	13.62	13.99
Tier 1 capital	12.21	12.63	12.93	13.03	13.62	13.99
Total capital	15.91	16.41	16.75	16.66	17.35	17.77

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	March 31, 2022		December 31, 2021		Change (%)
	Amount (Baht million)	Ratio (%)	Amount (Baht million)	Ratio (%)	
Retail Lending	218,950	65.8	206,751	66.2	5.9
Hire Purchase	163,867	49.2	155,359	49.7	5.5
Personal loan	7,993	2.4	7,717	2.5	3.6
Micro SMEs loan	8,393	2.5	7,971	2.6	5.3
Housing loan	38,697	11.6	35,704	11.4	8.4
Commercial Lending	54,843	16.5	52,728	16.9	4.0
Real Estate Development loan	23,377	7.0	22,927	7.3	2.0
SMEs loan	31,466	9.5	29,800	9.5	5.6
Corporate Lending	48,711	14.6	43,167	13.8	12.8
Special Asset Management loan	1,129	0.3	1,135	0.4	(0.6)
Lombard loan	9,327	2.8	8,701	2.8	7.2
Total loans	332,960	100.0	312,483	100.0	6.6
Total loans (excluding POCI)	332,273		311,789		6.6

The Bank continued to focus on growth in quality and profitable segment resulting in total loans excluding POCI as of the end of 1Q22 to amount to Baht 332,273 million, expanding by 6.6% from the end of 2021 with expansion across all segments but largely driven by hire purchase, housing and corporate lending segment. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 218,950 million, increasing by 5.9% from the end of 2021. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.
 - **Hire purchase loans** amounted to Baht 163,867 million, expanded by 5.5% from the end of 2021. New hire purchase business volume booked during 1Q22 totaled Baht 20,300 million, increasing by 34% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 49.2% with the portion of new cars to used cars at 40:60. The domestic new car sales for 1Q22 totaled 231,189 units, increasing by 19.1% YoY. The penetration rate of the Bank new cars lending to the domestic new car sales for 1Q22 was at 5.4%, comparing to 4.8% from the same period last year, with increase continued to come from the Bank’s expansion into new business segments with higher asset quality.

- **Other retail loans** amounted to Baht 55,083 million, with overall other retail loans expansion of 7.2% mainly from the increase in housing loans of 8.4% consistent with the focus on quality growth. Total combined other retail loans portion to total Bank loan portfolio increased to 16.5% as of the end of 1Q22.
- **Commercial Lending** business loans amounted to Baht 54,843 million, expanded by 4.0% from the end of 2021. The Bank continues to provide assistance to customers in this segment who are still impacted by the COVID-19 situation, 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 23,377 million, increasing by 2.0% YTD.
 - **SMEs loans** were Baht 31,466 million, also expanding by 5.6% from the end of 2021. 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 48,711 million, expanded by 12.8% from the end of 2021.
- **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 9,327 million, expanded by 7.2% from the end of 2021.

Loan classifications and Allowance for expected credit losses (ECL)

Under TFRS 9, loans and accrued interest receivables as of the end of March 2022 are classified into stages as follows:

Unit : Baht million	31 March 2022		31 December 2021		31 March 2021	
	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	305,992	8,602	287,141	8,267	252,565	6,204
Stage 2 : Under-Performing financial assets	18,696	3,211	17,019	2,858	14,897	2,852
Stage 3 : Non-Performing financial assets	10,677	4,304	10,638	4,336	9,505	3,732
Purchased or originated credit-impaired financial assets	873	26	855	26	790	23
Total	336,238	16,142	315,653	15,488	277,757	12,812

The Bank continued to prudently set up provisions for expected credit losses under TFRS 9 taking into consideration the continuing uncertainties. As of the end of March 2022, allowance for expected credit losses totaled Baht 17,180 million, with expected credit losses under TFRS 9 amounted to Baht 16,142 million and remaining excess loan loss reserve totaled Baht 1,038 million at the end of 1Q22 which the Bank had gradually

⁴ Including ECL for loans and loan commitments and financial guarantees

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 the end of 1Q22 remaining at a high level of 181.2%.

NPLs distribution by loan type (consolidated)

Type of loans	March 31, 2022			December 31, 2021		
	Amount (Baht million)	Ratio (%)	% of loans	Amount (Baht million)	Ratio (%)	% of loans
Retail Lending	4,302	42.3	2.0	4,383	43.0	2.1
Hire Purchase	2,542	25.0	1.6	2,716	26.6	1.7
Personal loan	89	0.9	1.1	88	0.9	1.1
Micro SMEs loan	1,225	12.0	14.6	1,140	11.2	14.3
Housing loan	447	4.4	1.2	439	4.3	1.2
Commercial Lending	4,740	46.6	8.6	4,672	45.8	8.9
Real Estate Development loan	3,113	30.6	13.3	3,038	29.8	13.2
SMEs loan	1,627	16.0	5.2	1,635	16.0	5.5
Corporate Lending	0	0.0	0.0	0	0.0	0.0
Special Asset Management loan	1,129	11.1	100.0	1,135	11.1	100.0
Lombard loan	0	0.0	0.0	0	0.0	0.0
Total NPLs	10,171	100.0	3.1	10,191	100.0	3.3
Total NPLs (excluding POCl)	9,483		2.9	9,498		3.0

The overall asset quality has been at a manageable level with the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCl as of the end of 1Q22 totaled Baht 9,483 million or 2.9% of total loans, decreasing from 3.0% at the end of 2021, with decline coming from the retail segment. The Bank continued to proactively manage the loan portfolio quality through debt restructuring, write offs, through various assistance measures and together with the Bank focus on loan expansion into high quality segment.

For customers impacted by the COVID-19 situation, the Bank continues to provide assistance 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. 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.

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 1Q22, the market share⁵ of KKPS was 18.74%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 598 million comprising of equity brokerage revenue of Baht 514 million, derivatives brokerage revenue of Baht 61 million and other brokerage revenue of Baht 23 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 202 million⁶.

■ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 1Q22, the revenue from investment banking business was Baht 55 million, contributed to financial advisory fee amounting Baht 30 million, underwriting fee amounting Baht 20 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 1Q22, DI focusing on long-term investment with value based investment philosophy recorded loss on investment including loss on re-measuring securities totaling Baht 63 million⁷. Meanwhile, EDT had gain on investment totaling Baht 380 million⁸. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 335 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 March 2022 was Baht 108,951 million with total 88 funds under management consisting of 86 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 2.09%. In 1Q22, KKPAM’s fee income from mutual fund business totaled Baht 223 million. As of 31 March 2022, asset under management from private fund was Baht 21,819 million. KKPAM’s fee income from private fund business totaled Baht 30 million.

⁵ Including SET and mai but excluding proprietary trading

⁶ Including selling agent fee which were received from subsidiary company

⁷ Additionally, DI also had foreign exchange gain of Baht 6 million. Total DI loss was Baht 57 million

⁸ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 371 million

Profit and Loss Transaction

For the three-month period ended March 31, (Baht Thousand)	Consolidated		Change	
	2022	2021	Amount	%
Interest income	5,270,467	4,815,111	455,356	9.5
Interest expenses	966,519	984,755	(18,236)	(1.9)
Interest income, net	4,303,948	3,830,356	473,592	12.4
Fees and services income	1,850,536	1,636,231	214,305	13.1
Fees and services expenses	296,833	202,102	94,731	46.9
Fees and services income, net	1,553,703	1,434,129	119,574	8.3
Gain on financial instruments measured at fair value through profit or loss, net	362,147	170,457	191,690	112.5
Gain (loss) on investments, net	(14,278)	(6,051)	(8,227)	136.0
Dividend income	199,535	121,918	77,617	63.7
Other operating income	36,330	64,243	(27,913)	(43.4)
Total operating income	6,441,385	5,615,052	826,333	14.7
Other operating expenses				
Employee's expenses	1,657,930	1,459,714	198,216	13.6
Directors' remuneration	13,366	11,245	2,121	18.9
Premises and equipment expenses	252,205	243,875	8,330	3.4
Taxes and duties	112,278	113,315	(1,037)	(0.9)
Loss from revaluation of foreclosed assets (reversal)	57,429	(34,304)	91,733	(267.4)
Loss from sale of foreclosed assets	250,589	394,930	(144,341)	(36.5)
Other expenses	449,329	394,454	54,875	13.9
Total other operating expenses	2,793,126	2,583,229	209,897	8.1
Expected credit losses	1,065,878	1,234,308	(168,430)	(13.6)
Profit from operating before income tax expenses	2,582,381	1,797,515	784,866	43.7
Income tax expenses	520,707	305,228	215,479	70.6
Net profit	2,061,674	1,492,287	569,387	38.2
Net profit attributable to:				
Equity holders of the Bank	2,055,354	1,462,675	592,679	40.5
Non-controlling interests	6,320	29,612	(23,292)	(78.7)
Total comprehensive income attributable to:				
Equity holders of the Bank	1,953,962	1,531,215	422,747	27.6
Non-controlling interests	6,321	29,666	(23,345)	(78.7)
Basic earnings per share (Baht)	2.43	1.73	0.70	40.5