



Management Discussion and Analysis

For the third quarter and nine-month ended September 30, 2022

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Overall Business Operations

The Bank performance for 3Q22 continued to be strong with the consolidated net profit of the Bank and subsidiaries at Baht 2,083 million, an increase of 41.0% comparing to 3Q21 while comprehensive income totaled Baht 2,083 million, increase of 27.8% YoY. The increase continued to be driven by solid performance from the Commercial Banking business with increase in both interest income and fee income generated from the credit business. For the first nine months of 2022, the consolidated net profit totaled Baht 6,172 million, an increase of 43.7% comparing to the same period last year with comprehensive income totaled Baht 5,864 million, increasing 18.0% YoY.

Net interest income for 3Q22 rose by 24.9% YoY from continued loan expansions with YTD loan growth as of the end of 3Q22 at 17.3%, focusing on quality loan segment. Non-interest income also increased by 2.5% with Kiatnakin Phatra Securities's market share¹ continues to rank at the number one position with market share of 17.87%.

Overall operating expenses remained well-controlled with cost to income ratio² for 3Q22 at 40.1%. For provisions, the Bank remained prudent and recorded total expected credit losses in the amount of Baht 1,089 million for 3Q22, increasing slightly when comparing to the same period last year partly to accommodate growth of the loan portfolio while asset quality at manageable level. Total allowance for expected credit losses to total NPLs ratio (coverage ratio) remaining at a high level of 159.7%. The Non-Performing Loans (NPLs) to total loans ratio for 3Q22 declined to 3.0%³ comparing to 3.5% YoY, while remaining stable if comparing to level as of the end of 2021 at 3.0%.

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 on a consolidated basis as of the end of 3Q22 at 16.22%.

Overall market environment

The Thai economy in 3Q22 continued to recover. The domestic economy remained in expansion after the easing of lockdown measures. With the lifting of international travel restrictions, the tourism industry started to improve. Private consumption and investment growth remained in positive territory following the improving COVID-19 outbreak situation. However, the rising inflation would limit the consumption recovery. Meanwhile, on the external front, exports started to show a clear sign of slowdown with expansion continuing at a slower rate compared to 2Q22. In the first 9 months of the year, exports expanded by 10.6% YoY due mainly to agricultural and oil-related products. The number of tourist arrivals for the first 9 months of 2022 increased to 5,634,100 compared to 85,000 for the same period in 2021.

The rapid surge in oil price and global inflation results in the faster tightening monetary policy cycle, led by the Federal Reserve. For Thailand, 3Q22 inflation remained high at 6.2%. The Bank of Thailand has expressed concern over inflationary pressure. With the pressure from baht depreciation caused by widening interest rate differential between Thai and the US, we expect the Bank of Thailand would raise the policy rate to 1.5% by end of 2022 after having raised the policy rate by 0.25% each time during August and September 2022.

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 10 million tourist arrivals are anticipated for 2022, still much lower than the pre-crisis of around 40 million people per year. Domestic economic recovery is expected to resume, while the risk to domestic economy is expected to elevate in 2023 given high household debt level and

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)

rising interest rate environment. Thailand's export growth in 2022 is projected to grow at a lower rate as global demand showed a sign of slowdown. The key risks to the global economy included the higher-than-expected inflation, the monetary policy tightening and the risk from escalating Russia-Ukraine conflict.

The auto industry started to recover in 2022. The total number of car sales for the first 9 months of 2022 rose by 19.1% YoY, with the passenger vehicle segment and the commercial vehicle segment expanding by 14.0% and 21.7% 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 3Q22 declined by 8.3% from Baht 77,663 million in 2Q22 to Baht 71,211 million in 3Q22. The SET index at the end of 3Q22 closed at 1,589.51 points, increasing slightly by 1.4% from 1,568.33 points at the end of 2Q22.

Operating results of the Bank and subsidiaries for 3Q22 and for the nine months of 2022

Unit : Baht million	3Q22	2Q22	% QoQ	3Q21	% YoY	9M22	9M21	% YoY
Net Interest income	4,775	4,475	6.7	3,823	24.9	13,555	11,448	18.4
Non-interest income	2,028	1,672	21.3	1,978	2.5	5,838	5,704	2.3
Total operating income	6,804	6,147	10.7	5,802	17.3	19,392	17,152	13.1
Total other operating expenses	3,106	2,818	10.2	2,951	5.2	8,717	8,212	6.2
Expected credit losses	1,089	812	34.1	1,007	8.2	2,967	3,619	(18.0)
Profit from operating before income tax expenses	2,608	2,517	3.6	1,844	41.5	7,708	5,321	44.9
Income tax expenses	523	481	8.6	364	43.5	1,525	991	53.8
Net Profit (attributable to equity holders of the Bank)	2,083	2,033	2.5	1,478	41.0	6,172	4,295	43.7
Total Comprehensive income (attributable to equity holders of the Bank)	2,083	1,827	14.0	1,629	27.8	5,864	4,967	18.0
Realized gain (loss) on sale of equity instruments designated at fair value through other comprehensive income	95	(4)	(2,507.4)	590	(83.9)	146	528	(72.2)
Basic earnings per share (Baht)	2.46	2.40	2.5	1.75	40.6	7.29	5.07	43.8

For 3Q22, the consolidated net profit totaled Baht 2,083 million, an increase of 41.0% from 3Q21 of which Baht 336 million was the net profit from Capital Market business. The increase was largely driven by the performance of the Commercial Banking business from continued solid loan expansions, with net interest income increased of 24.9%. Additionally, non-interest income also increased driven by higher net fees and services income of 7.7% consistent with the considerable growth of the loan portfolio. Operating expenses increased largely driven by business growth. Meanwhile, provisions expense for 3Q22 increased YoY partly to accommodate the growth of the loan portfolio. The consolidated comprehensive income for 3Q22 totaled Baht 2,083 million with Capital Market business's comprehensive income at Baht 414 million.

For the nine months of 2022, the consolidated net profit totaled Baht 6,172 million, an increase of 43.7% comparing to the same period last year, of which Baht 1,009 million was the net profit from Capital Market business. The increase was driven by higher net interest income of 18.4% YoY from loan expansion while non-interest income increased by 2.3%. Operating expenses increased largely due to item relating to growth of business. For provisions,

expected credit loss declined comparing to the same period last year from overall loan portfolio quality which remained manageable following improvements in COVID-19 situation. The consolidated comprehensive income for the nine months of 2022 totaled Baht 5,864 million with Capital Market business's comprehensive income at Baht 1,078 million.

Summary of financial performance ratios

Annualized Ratios	3Q22	2Q22	3Q21	9M22	9M21
Net Profit (Baht million)	2,083	2,033	1,478	6,172	4,295
ROAE (%)	15.6	15.4	12.2	15.7	12.0
ROE (%)	15.7	15.3	12.3	16.1	12.3
ROAA (%)	1.6	1.7	1.5	1.7	1.5
Comprehensive income (Baht million)	2,083	1,827	1,629	5,864	4,967
ROAE (%)	15.6	13.8	13.5	14.9	13.9
ROE (%)	15.7	13.8	13.6	15.3	14.2
ROAA (%)	1.6	1.5	1.6	1.6	1.7
Loan growth	7.0	2.9	2.0	17.3	8.8
NPLs/ Total loans (excluding interbank and POCl)	3.0	3.0	3.5	3.0	3.5
Allowance for expected credit losses/ Total NPLs excluding POCl (coverage ratio)	159.7	169.1	158.0	159.7	158.0

Net Interest Income

Unit: Baht million	3Q22	2Q22	% QoQ	3Q21	% YoY	9M22	9M21	% YoY
Interest income	5,967	5,547	7.6	4,749	25.6	16,784	14,308	17.3
Interest on loans	2,151	1,989	8.1	1,744	23.3	6,083	5,441	11.8
Hire purchase and financial lease income	3,476	3,292	5.6	2,802	24.0	9,858	8,122	21.4
Interest on POCl	37	45	(16.3)	35	7.4	147	256	(42.7)
Interest on interbank and money market items	170	119	43.2	70	142.8	389	201	93.9
Interest on securities	117	97	20.6	96	22.1	284	282	0.7
Others	16	5	213.4	2	546.1	22	7	241.0
Interest expense	1,192	1,071	11.2	926	28.7	3,230	2,861	12.9
Interest on deposits	745	686	8.5	598	24.5	2,051	1,867	9.9
Interest on interbank and money market items	49	35	38.8	26	85.6	112	75	48.7
Interest on debt issued and borrowings	160	135	18.1	126	26.8	415	399	4.0
Fees and charges on borrowings	3	2	15.4	3	(13.5)	9	9	(4.5)
FIDF and DPA fees	212	202	5.0	166	27.9	600	490	22.5
Others	24	10	129.3	6	271.6	43	20	112.6
Net Interest Income	4,775	4,475	6.7	3,823	24.9	13,555	11,448	18.4

For 3Q22, net interest income amounted to Baht 4,775 million, an increase of Baht 952 million or 24.9% from Baht 3,823 million during 3Q21 driven by the increase in interest income of 25.6% from continued loan expansions of 17.3% YTD across all loan segments resulting in interest income from hire purchase and financial

lease to increase by 24.0% while interest on loans from other loan segments also showed strong increase of 23.3% YoY. Meanwhile, interest expense increased by 28.7% YoY as a results of higher volume of deposit and borrowing in line with the growth of loan portfolio. Loan spread for 3Q22 remained relatively stable at 5.3% comparing to 5.2% during 3Q21.

For the nine months of 2022, net interest income totaled Baht 13,555 million, an increase of 18.4% driven by increase in interest income in loans and hire purchase and financial lease income as a result of the growth in loan portfolio. Meanwhile, interest expenses also increased from higher deposit and borrowing volume. Loan spread for the first nine months of 2022 remained stable at 5.3% YoY.

%	3Q22	2Q22	1Q22	4Q21	3Q21	9M22	9M21
Yield on loan	6.4	6.3	6.4	6.4	6.3	6.4	6.5
Cost of fund	1.2	1.1	1.1	1.1	1.2	1.1	1.2
Loan spread	5.3	5.2	5.3	5.3	5.2	5.3	5.3

Non-Interest Income

Unit: Baht million	3Q22	2Q22	% QoQ	3Q21	% YoY	9M22	9M21	% YoY
Fees and services income	1,806	1,646	9.7	1,695	6.6	5,302	5,151	2.9
Fees and services expenses	236	249	(5.3)	238	(0.5)	783	646	21.1
Fees and services income, net	1,570	1,396	12.4	1,457	7.7	4,519	4,505	0.3
Gain (loss) on financial instruments measured at fair value through profit or loss, net	220	123	78.9	(616)	(135.7)	705	(259)	(372.2)
Gain (loss) on investments, net	3	2	50.0	-	n.a.	(10)	(6)	62.9
Dividend income	194	93	108.8	1,097	(82.3)	487	1,315	(63.0)
Other operating income	42	58	(27.9)	41	3.2	137	149	(8.3)
Total Non-Interest Income	2,028	1,672	21.3	1,978	2.5	5,838	5,704	2.3

For 3Q22, non-interest income totaled Baht 2,028 million, an increase of 2.5% from 3Q21. The increase was largely driven by higher net fees and services income of 7.7% from strong increase in bancassurance fee in line with loan expansions. Fee from investment banking business also increased from transactions during 3Q22. Asset Management fee grew from growth of asset under management when comparing to the same period last year. Meanwhile, fee generated from wealth management business slowed down as a result of uncertainties in the market impacting the business. Kiatnakin Phatra Securities still maintaining the number one position in terms of market share⁴ at 17.87% for 3Q22.

For the nine months of 2022, non-interest income totaled Baht 5,838 million, increasing 2.3% YoY largely from increase in bancassurance fee, asset management fee and brokerage fee. Additionally, other income also increased driven by gain on financial instruments measured at fair value through profit and loss from the Equity and Derivatives Trading and Financial Markets business which performed well during the first nine months of 2022 comparing to same period last year. Meanwhile, due to unfavorable market conditions, fee from investment banking and wealth management business slowed down comparing to the same period last year.

⁴ Including SET and mai but excluding proprietary trading

Other operating expenses

Unit: Baht million	3Q22	2Q22	% QoQ	3Q21	% YoY	9M22	9M21	% YoY
Employee's expenses	1,831	1,670	9.6	1,604	14.1	5,159	4,609	11.9
Directors' remuneration	10	10	6.8	8	31.8	33	27	22.0
Premises and equipment expenses	274	271	1.1	259	5.7	797	754	5.6
Taxes and duties	129	116	10.6	124	4.0	358	340	5.3
Loss from revaluation of foreclosed assets (reversal)	(61)	23	(363.6)	28	(320.7)	20	53	(62.8)
Loss from sale of foreclosed assets	403	242	66.6	522	(22.7)	896	1,248	(28.2)
(Gain) loss from sale of foreclosed properties	(94)	(90)	4.3	(92)	2.0	(206)	(352)	(41.3)
Loss from sale of repossessed cars	497	332	49.8	613	(19.0)	1,102	1,599	(31.1)
Other expenses	519	486	6.8	407	27.6	1,455	1,181	23.2
Total other operating expenses	3,106	2,818	10.2	2,951	5.2	8,717	8,212	6.2

For 3Q22, other operating expenses were Baht 3,106 million, increasing by 5.2% YoY. The Bank continues to focus on effective cost management with the increase in expenses largely due to employee's expenses relating to business growth. Loss from sale of foreclosed assets for 3Q22 totaled Baht 403 million, declining 22.7% YoY. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 497 million, with loss declining 19.0% YoY and gain on sale of foreclosed properties totaled Baht 94 million. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for 3Q22 declined to 40.1% from 40.8% YoY.

For the nine months of 2022, other operating expenses were Baht 8,717 million, increasing by 6.2% YoY largely driven by higher employee's expenses relating to business growth. Loss from sale of foreclosed assets for the nine months of 2022 declined considerably YoY driven by lower loss from sale of repossessed cars from lower number of repossessed cars sold comparing to same period last year. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for the nine months of 2022 at well-controlled level of 39.8%

Expected Credit Loss (ECL)

Unit: Baht million	3Q22	2Q22	% QoQ	3Q21	% YoY	9M22	9M21	% YoY
Expected Credit Losses	1,089	812	34.1	1,007	8.2	2,967	3,619	(18.0)
Credit Cost (%)	1.90	1.47		2.38		1.71	2.63	

For 3Q22, the Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside provisions to reflect possible deteriorations from continued uncertainties including volatilities in the economic conditions. For 3Q22, expected credit losses totaled Baht 1,089 million increasing from Baht 1,007 million for 3Q21, with increase partly due to growth of loan portfolio. Allowance for expected credit losses to total NPLs ratio (coverage ratio) remained at a high level of 159.7% increasing from 158.0% YoY. Provisions including loss from sale of repossessed cars (credit cost) for 3Q22 stood at 1.90% of average loan, declining from 2.38% during 3Q21.

For the nine months of 2022, expected credit losses totaled Baht 2,967 million, declining 18.0% from Baht 3,619 million YoY with decline driven by manageable asset quality and also the high level of provisioning the

Bank has already provisioned for during the past periods of pandemic situation. Provisions including loss from sale of repossessed cars (credit cost) for the nine months of 2022 improved to 1.71% of average loan declining from 2.63% during the same period of 2021.

Statements of Financial Position

Assets

As of the end of September 2022, totaled Baht 526,758 million, increased of 20.8% from the end of 2021 mainly from the increase in loans to customers and accrued interest receivables.

<u>Assets</u> (Baht Thousand)	Consolidated		Change	
	Sept 30, 2022	Dec 31, 2021	Amount	%
Cash	1,113,071	1,242,065	(128,994)	(10.4)
Interbank and money market items, net	54,142,863	55,238,234	(1,095,371)	(2.0)
Financial assets measured at fair value through profit or loss	26,216,328	22,364,824	3,851,504	17.2
Derivatives assets	20,366,796	7,481,509	12,885,287	172.2
Investment, net	29,127,480	16,840,213	12,287,267	73.0
Investments in properties, net	-	21,502	(21,502)	(100.0)
Loans to customers and accrued interest receivables, net	352,175,997	299,147,566	53,028,431	17.7
Properties foreclosed, net	4,283,882	3,981,941	301,941	7.6
Land, premises and equipment, net	3,748,144	3,500,887	247,257	7.1
Right-of-use assets	291,042	321,019	(29,977)	(9.3)
Other intangible assets, net	1,329,731	1,211,574	118,157	9.8
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	2,232,244	1,743,966	488,278	28.0
Accounts receivable from clearing house and broker - dealers	770,906	979,499	(208,593)	(21.3)
Securities and derivative business receivables	13,380,659	10,996,362	2,384,297	21.7
Other assets, net	14,513,078	7,986,005	6,527,073	81.7
Total Assets	526,758,256	436,123,201	90,635,055	20.8

Liabilities

As of the end of September 2022, amounted to Baht 473,092 million, increasing 22.9% from the end of 2021. Deposits were Baht 336,610 million, increased of 16.7% YTD, comprised of 62.5% of current and saving accounts (CASA) and 37.5% of term deposits. Debts and borrowings were Baht 56,250 million, increasing by 28.4% from the end of 2021. Loan to deposits and borrowings ratio as of end of 3Q22 stood at 93.1%.

<u>Liabilities</u> (Baht Thousand)	Consolidated		Change	
	Sept 30, 2022	Dec 31, 2021	Amount	%
Deposits	336,609,987	288,381,946	48,228,041	16.7
Current Account	1,389,085	860,726	528,360	61.4
Saving Account	208,850,843	169,457,001	39,393,842	23.2
Term Deposit	126,254,733	117,896,190	8,358,543	7.1
Certificate of Deposit	115,325	168,029	(52,704)	(31.4)
Interbank and money market items, net	20,742,564	16,664,329	4,078,235	24.5
Liabilities payable on demand	1,025,577	668,531	357,046	53.4
Financial liabilities measured at fair value through profit or loss	3,677,680	1,699,750	1,977,930	116.4
Derivatives liabilities	25,449,647	9,036,326	16,413,321	181.6
Debt issued and borrowings	56,250,449	43,804,907	12,445,542	28.4
Lease liabilities	215,410	240,002	(24,592)	(10.2)
Provisions	1,199,729	1,098,744	100,985	9.2
Deferred tax liabilities	7,533	10,111	(2,578)	(25.5)
Accounts payable to clearing house and broker - dealers	1,463,459	1,661,003	(197,544)	(11.9)
Securities and derivative business payables	11,445,476	8,898,093	2,547,383	28.6
Accrued interest expenses	868,240	346,922	521,318	150.3
Other accounts payable	8,845,163	6,250,144	2,595,019	41.5
Income tax payable and specific business tax payable	893,170	1,278,686	(385,516)	(30.1)
Other liabilities	4,398,075	4,921,552	(523,477)	(10.6)
Total Liabilities	473,092,159	384,961,046	88,131,113	22.9

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 September 30, 2022, the consolidated Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2Q22 after interim dividend payment was at 16.22% while Tier 1 ratio was at 12.84%. When including net profit up to end of 3Q22, the BIS ratio will increase to 16.79% while Tier 1 ratio will be 13.40%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 79.12% of total capital reflecting high quality of capital.

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

Total Capital and Capital Adequacy Ratio of the Group as of the end of September 2022 are as follows:

	Bank Only			Consolidated		
	Sept 2022	Jun 2022	Sept 2021	Sept 2022	Jun 2022	Sept 2021
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	41,971	39,873	39,723	46,591	44,462	43,338
Tier 1 capital	41,971	39,873	39,723	46,591	44,462	43,338
Total capital	54,299	51,924	51,400	58,888	56,480	54,976
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	11.70	11.82	13.00	12.84	12.99	14.04
Tier 1 capital	11.70	11.82	13.00	12.84	12.99	14.04
Total capital	15.14	15.39	16.82	16.22	16.51	17.81

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, Kiatnakin Phatra Asset Management and KKP Dime Securities.

Commercial Banking Business includes retail lending, commercial lending, corporate lending, Special Asset Management (SAM) or distressed asset management loan and other loans. The breakdown of total loan portfolio is as follows;

Loans to Customers

Type of loans (Baht million)	30 Sept 22	30 Jun 22	Change (% QoQ)	31 Dec 21	Change (% YTD)
Retail Lending	245,087	232,126	5.6	206,751	18.5
Hire Purchase	179,712	172,160	4.4	155,359	15.7
Personal loan	9,442	8,558	10.3	7,717	22.4
Micro SMEs loan	9,847	8,999	9.4	7,971	23.5
Housing loan	46,087	42,409	8.7	35,704	29.1
Commercial Lending	56,988	55,330	3.0	52,728	8.1
Real Estate Development loan	24,823	23,998	3.4	22,927	8.3
SMEs loan	32,165	31,332	2.7	29,800	7.9
Corporate Lending	51,972	43,492	19.5	43,167	20.4
Special Asset Management loan	1,103	1,114	(0.9)	1,135	(2.8)
Lombard loan	11,346	10,632	6.7	8,701	30.4
Total loans	366,497	342,694	6.9	312,483	17.3
Total loans (excluding POCI)	365,826	342,014	7.0	311,789	17.3

As of the end of 3Q22, total loans excluding POCI amount to Baht 365,826 million, expanding by 17.3% from the end of 2021, with expansion across all segments. The Bank continues to focus on quality and profitable loan segments while prudently monitors the quality of the loan portfolio. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 245,087 million, increasing by 18.5% 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 179,712 million, expanded by 15.7% from the end of 2021. New hire purchase business volume booked during 3Q22 totaled Baht 21,390 million, increasing by 31% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 49.0% with the portion of new cars to used cars at 40:60. The domestic new car sales for the first 9 months of 2022 totaled 633,687 units, increasing by 19.1% YoY. The penetration rate of the Bank new cars lending to the domestic new car sales for the first 9 months of 2022 was at 5.4%.
 - **Other retail loans** amounted to Baht 65,375 million, with overall other retail loans expansion of 27.2% from the end of 2021, mainly from the increase in housing loans of 29.1% consistent with the focus on

quality growth. Total combined other retail loans portion to total Bank loan portfolio increased to 17.8% as of the end of 3Q22.

- **Commercial Lending** business loans amounted to Baht 56,988 million, expanded by 8.1% 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 totaled Baht 24,823 million, increasing by 8.3% from the end of 2021.
 - SMEs loans were Baht 32,165 million, also expanding by 7.9% 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 51,972 million, strong expansion of 20.4% 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 1,103 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 11,346 million, considerable expansion of 30.4% 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 September 2022 are classified into stages as follows:

Unit : Baht million	30 Sept 2022		30 Jun 2022		30 Sept 2021	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁵	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁵	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁵
Stage 1 : Performing financial assets	333,469	8,095	313,318	8,309	266,731	7,429
Stage 2 : Under-Performing financial assets	22,901	3,646	20,227	3,399	16,997	2,674
Stage 3 : Non-Performing financial assets	12,584	5,150	11,550	4,682	11,098	4,517
Purchased or originated credit-impaired financial assets	897	56	888	29	824	21
Total	369,851	16,947	345,983	16,420	295,650	14,641

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 September 2022, allowance for expected credit losses totaled Baht 17,796 million, with expected credit losses under TFRS 9 amounted to Baht 16,947 million and

⁵ Including ECL for loans and loan commitments and financial guarantees

remaining excess loan loss reserve totaled Baht 849 million at the end of 3Q22. 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 3Q22 remaining at a high level of 159.7%, increasing from 158.0% from the end of 3Q21.

NPLs distribution by loan type

Type of loans (Baht million)	30 Sept 22		30 Jun 22		31 Dec 21	
	Amount	% of loans	Amount	% of loans	Amount	% of loans
Retail Lending	5,699	2.3	4,736	2.0	4,383	2.1
Hire Purchase	3,727	2.1	2,905	1.7	2,716	1.7
Personal loan	89	0.9	82	1.0	88	1.1
Micro SMEs loan	1,401	14.2	1,296	14.4	1,140	14.3
Housing loan	481	1.0	453	1.1	439	1.2
Commercial Lending	4,887	8.6	4,971	9.0	4,672	8.9
Real Estate Development loan	3,272	13.2	3,300	13.8	3,038	13.2
SMEs loan	1,615	5.0	1,671	5.3	1,635	5.5
Corporate Lending	130	0.3	130	0.3	-	0.0
Special Asset Management loan	1,103	100.0	1,114	100.0	1,135	100.0
Lombard loan	-	0.0	-	0.0	-	0.0
Total NPLs	11,819	3.2	10,951	3.2	10,191	3.3
Total NPLs (excluding POCI)	11,149	3.0	10,270	3.0	9,498	3.0

For 3Q22, the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 11,149 million or 3.0% of total loans, with ratio remaining stable from the end of 2021. The Bank continues to proactively manage the loan portfolio quality through debt restructuring, write off, through various assistance measures as appropriate for each customer segment and together with the Bank focus on loan expansion into high quality segment.

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 Wealth Management. For high net worth clients, other wealth management products are provided such as local and foreign mutual funds and structured products. For 3Q22, the market share⁶ of KKPS was 17.87%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 431 million comprising of equity brokerage revenue of Baht 351 million, derivatives brokerage revenue of Baht 56 million and other brokerage revenue of Baht 24 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 137 million⁷.

⁶ Including SET and mai but excluding proprietary trading

⁷ 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 3Q22, the revenue for investment banking business was Baht 300 million, contributed to financial advisory fee amounting Baht 14 million, underwriting fee amounting Baht 134 million, brokerage revenue of Baht 149 million and other revenue of Baht 3 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 3Q22, DI focusing on long-term investment with value based investment philosophy recorded gain on investment including other comprehensive income totaling Baht 7 million. Meanwhile, EDT had gain on investment totaling Baht 291 million⁸. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 324 million.

- **Asset Management Business**

Kiatnakin Phatra Asset Management Company Limited (“KKPAM”), under mutual fund and private fund management licenses, offers fund management services to individuals and corporate customers. KKPAM’s mutual fund AUM as of 30 September 2022 was Baht 89,212 million with total 95 funds under management consisting of 93 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 1.86%. In 3Q22, KKPAM’s fee income from mutual fund business totaled Baht 190 million.

As of 30 September 2022, asset under management from private fund was Baht 21,501 million. KKPAM’s fee income from private fund business totaled Baht 30 million for 3Q22.

KKP Dime Securities Company Limited

The Group has set up KKP Dime Securities Company Limited (“KKP Dime”) which obtained the securities businesses license from the Securities and Exchange Commission. In September 2022, KKP Dime started to operate Agency Business providing both local mutual fund and foreign securities brokerage services to individual clients who are domiciled in Thailand focusing on the mass segment.

⁸ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 281 million

Profit and Loss Transaction

For the three-month period ended September 30, (Baht Thousand)	Consolidated		Change	
	2022	2021	Amount	%
Interest income	5,967,077	4,749,325	1,217,752	25.6
Interest expenses	1,191,845	925,980	265,865	28.7
Interest income, net	4,775,232	3,823,345	951,887	24.9
Fees and services income	1,805,942	1,694,506	111,436	6.6
Fees and services expenses	236,317	237,572	(1,255)	(0.5)
Fees and services income, net	1,569,625	1,456,934	112,691	7.7
Gain (loss) on financial instruments measured at fair value through profit or loss, net	219,762	(616,389)	836,151	(135.7)
Gain on investments, net	2,653	-	2,653	n.a.
Dividend income	194,190	1,097,055	(902,865)	(82.3)
Other operating income	42,058	40,743	1,315	3.2
Total operating income	6,803,520	5,801,688	1,001,832	17.3
Other operating expenses				
Employee's expenses	1,831,137	1,604,339	226,798	14.1
Directors' remuneration	10,264	7,790	2,474	31.8
Premises and equipment expenses	273,747	258,899	14,848	5.7
Taxes and duties	128,898	123,904	4,994	4.0
Loss from revaluation of foreclosed assets (reversal)	(60,758)	27,527	(88,285)	(320.7)
Loss from sale of foreclosed assets	403,306	521,571	(118,265)	(22.7)
Other expenses	519,388	407,181	112,207	27.6
Total other operating expenses	3,105,982	2,951,211	154,771	5.2
Expected credit losses	1,089,139	1,006,870	82,269	8.2
Profit from operating before income tax expenses	2,608,399	1,843,607	764,792	41.5
Income tax expenses	522,794	364,378	158,416	43.5
Net profit	2,085,605	1,479,229	606,376	41.0
Net profit attributable to:				
Equity holders of the Bank	2,083,412	1,477,765	605,647	41.0
Non-controlling interests	2,193	1,464	729	49.8
Total comprehensive income attributable to:				
Equity holders of the Bank	2,083,046	1,629,477	453,569	27.8
Non-controlling interests	2,209	1,513	696	46.0
Basic earnings per share (Baht)	2.46	1.75	0.71	40.6

Profit and Loss Transaction

For the nine-month period ended September 30, (Baht Thousand)	Consolidated		Change	
	2022	2021	Amount	%
Interest income	16,784,440	14,308,342	2,476,098	17.3
Interest expenses	3,229,815	2,860,501	369,314	12.9
Interest income, net	13,554,625	11,447,841	2,106,784	18.4
Fees and services income	5,302,022	5,151,391	150,631	2.9
Fees and services expenses	782,605	646,251	136,354	21.1
Fees and services income, net	4,519,417	4,505,140	14,277	0.3
Gain (loss) on financial instruments measured at fair value through profit or loss, net	704,742	(258,872)	963,614	(372.2)
Gain (loss) on investments, net	(9,856)	(6,051)	(3,805)	62.9
Dividend income	486,742	1,315,149	(828,407)	(63.0)
Other operating income	136,692	149,027	(12,335)	(8.3)
Total operating income	19,392,362	17,152,234	2,240,128	13.1
Other operating expenses				
Employee's expenses	5,159,196	4,608,992	550,204	11.9
Directors' remuneration	33,236	27,252	5,984	22.0
Premises and equipment expenses	796,697	754,298	42,399	5.6
Taxes and duties	357,673	339,720	17,953	5.3
Loss from revaluation of foreclosed assets	19,720	52,983	(33,263)	(62.8)
Loss from sale of foreclosed assets	895,931	1,247,861	(351,930)	(28.2)
Other expenses	1,454,946	1,181,232	273,714	23.2
Total other operating expenses	8,717,399	8,212,338	505,061	6.2
Expected credit losses	2,967,408	3,619,099	(651,691)	(18.0)
Profit from operating before income tax expenses	7,707,555	5,320,797	2,386,758	44.9
Income tax expenses	1,524,757	991,475	533,282	53.8
Net profit	6,182,798	4,329,322	1,853,476	42.8
Net profit attributable to:				
Equity holders of the Bank	6,172,046	4,294,705	1,877,341	43.7
Non-controlling interests	10,752	34,617	(23,865)	(68.9)
Total comprehensive income attributable to:				
Equity holders of the Bank	5,863,649	4,967,289	896,360	18.0
Non-controlling interests	10,767	34,806	(24,039)	(69.1)
Basic earnings per share (Baht)	7.29	5.07	2.22	43.8