



# **Management Discussion and Analysis**

For the fourth quarter and year ended December 31, 2022

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## Overall Business Operations

The Bank continued to deliver strong performance resulting in consolidated net profit of the Bank and subsidiaries for 2022 at Baht 7,602 million, an increase of 20.3% comparing to net profit of Baht 6,318 million for the year 2021 while comprehensive income totaled Baht 10,120 million, increase of 43.2% YoY.

Overall performance of the Group continued at a good level driven by the strong performance of the Commercial Banking business which saw a considerable increase both in interest income and fee income generated from the credit business. Net interest income for 2022 increased by 21.5% YoY from continued loan expansions with 2022 loan growth of 21.4% from the end of 2021 with growth across all loan segments. Meanwhile, the Capital Market business was also able to generate good performance albeit with some slow down amid market uncertainties resulting in non-interest income to decline slightly by 1.0% comparing to 2021 with Kiatnakin Phatra Securities's market share<sup>1</sup> continues to rank at the number one position with market share of 18.63%. However, the performance of the Capital Market business was impacted by the additional provision in the amount of Baht 708 million arising from the securities trading transaction of Kiatnakin Phatra Securities, resulting in the net profit from the Capital Market business to decline comparing to 2021.

Operating expenses remained well-controlled with cost to income ratio for 2022 at 38.5%<sup>2</sup>. For provisions, the Bank remained prudent and recorded total expected credit losses in the amount of Baht 5,036 million for 2022, which remained at a high level amid economic volatilities.

The Non-Performing Loans (NPLs) to total loans ratio for 2022 increased to 3.3%<sup>3</sup> comparing to 3.0% YoY, while total allowance for expected credit losses to total NPLs ratio (coverage ratio) at 154.4%.

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 2022 at 16.63%.

## Overall market environment

In 2022, the Thai economy continued to recover as domestic activities resumed following the easing of lockdown measures as the COVID-19 pandemic subsided. Tourism picked up as international travel restrictions were lifted. Private consumption and investment growth turned positive as income and business outlook improved. However, rising inflation limited the consumption recovery. Exports during the first three quarters of the year expanded favorably due to a strong global economic recovery but showed signs of slowdown in the fourth quarter due to decreasing global demand. In 2022, exports expanded by 5.5% YoY, primarily attributable to exports of agricultural and oil-related products. The number of tourist arrivals also increased in 2022 as many countries relaxed international travel restrictions. In 2022, the number of arrivals increased to 11,153,026 compared to 427,869 for the same period in 2021.

In 2022, the Thai Monetary Policy Committee (MPC) voted to raise the policy rate by a total of 75 basis points to 1.25% as the Thai economy continued to recover while inflation rose sharply from rising global crude oil prices as well as increases in cost pass-through. However, the MPC adopted a gradual approach to interest rate hikes as the MPC continued to emphasize on the slow recovery of the Thai economy and the high level of household debt. Meanwhile, major central banks aggressively raised policy rates in 2022 following sharp and sustained inflation. Large interest rate differentials between Thailand and other major economies created depreciating pressure on the Thai baht in the latter half of the year.

<sup>1</sup> Including SET and mai but excluding proprietary trading

<sup>2</sup> Operating expenses excluding items relating to foreclosed assets (loss from revaluation of foreclosed assets and loss from sale of foreclosed assets) and excluding additional provisions in the amount of Baht 708 million due to the trading transaction of Kiatnakin Phatra Securities

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

The Thai economy in 2023 will continue to expand, but the recovery may remain fragile and uneven across sectors and across geographic areas. Tourism will be the main growth engine following China's border re-opening. The number of tourist arrivals in 2023 is projected to stand at 25 million, a sharp increase compared to the previous year but remaining considerably lower than the pre-COVID level at 40 million. Thai exports in 2023 will likely become under pressure as a result of a global economic slowdown. Private consumption and investment should continue to expand following an improvement in economic activity especially related to tourism. However, high level of inflation may hinder private consumption recovery.

Key risks that could impede the recovery of the Thai economy in 2023 include: 1) a faster-than-expected rise in inflation and monetary policy tightening in major advanced economies, 2) lower-than-expected growth in China's economy due to rising vulnerabilities in its property sector, 3) international geopolitical uncertainties that may affect the trajectory of economic recovery and inflation outlook, 4) the emergence of new variants of COVID-19 following the full relaxation of international travel, 5) heightened exchange rate volatility that may hinder international trade and domestic investment.

The auto industry expanded compared to last year. The total number of car sales in 2022 increased by 11.9 % YoY, with the passenger vehicle segment and the commercial vehicle segment growing by 5.3% and 15.2% YoY, respectively. The recovery of the car industry was in tandem with a rebound in income and purchasing power as well as an increase in car supply following an improvement in semiconductor shortage.

In the equity market, the average daily turnover (SET and mai) for 2022 contracted by 18.2% from Baht 93,846 million in 2021 to Baht 76,773 million in 2022. The SET index at the end of 2022 closed at 1,668.66 points, remaining relatively stable from 1,657.62 points at the end of 2021.

### Operating results of the Bank and subsidiaries for the year 2022 and 4Q22

Unit : Baht million	4Q22	3Q22	% QoQ	4Q21	% YoY	2022	2021	% YoY
Net Interest income	5,527	4,775	15.7	4,253	30.0	19,081	15,701	21.5
Non-interest income	2,620	2,028	29.2	2,841	(7.8)	8,457	8,545	(1.0)
Total operating income	8,146	6,804	19.7	7,094	14.8	27,539	24,246	13.6
Total other operating expenses	4,295	3,106	38.3	3,036	41.5	13,013	11,248	15.7
Expected credit losses	2,069	1,089	89.9	1,582	30.8	5,036	5,201	(3.2)
Profit from operating before income tax expenses	1,782	2,608	(31.7)	2,476	(28.0)	9,490	7,797	21.7
Income tax expenses	349	523	(33.3)	450	(22.6)	1,873	1,442	30.0
<b>Net Profit (attributable to equity holders of the Bank)</b>	<b>1,430</b>	<b>2,083</b>	<b>(31.4)</b>	<b>2,023</b>	<b>(29.3)</b>	<b>7,602</b>	<b>6,318</b>	<b>20.3</b>
<b>Total Comprehensive income (attributable to equity holders of the Bank)</b>	<b>4,257</b>	<b>2,083</b>	<b>104.4</b>	<b>2,102</b>	<b>102.5</b>	<b>10,120</b>	<b>7,069</b>	<b>43.2</b>
Realized gain (loss) on sale of equity instruments designated at fair value through other comprehensive income	76	95	(20.0)	314	(75.8)	222	842	(73.6)
Basic earnings per share (Baht)	1.69	2.46	(31.3)	2.39	(29.3)	8.98	7.46	20.4

**For 2022**, the consolidated net profit totaled Baht 7,602 million, an increase of 20.3% from 2021 of which Baht 758 million was the net profit from Capital Market business. The increase was largely driven by the strong

performance of the Commercial Banking business with net interest income increase of 21.5% consistent with the solid loan expansions of 21.4% during 2022 while credit related fee income also increased. Additionally, Capital Market business was also able to generate good revenue albeit with some slowdown in certain areas as a result of market volatilities. Overall, resulting in non-interest income to decline slightly by 1.0%. Meanwhile, provisions expense for 2022 declined YoY with the improvements in COVID-19 situation. The consolidated comprehensive income for 2022 totaled Baht 10,120 million, an increase of 43.2% from 2021 amount with Capital Market business's comprehensive income at Baht 1,077 million for the year 2022.

During 2022, the Bank has performed revaluation on its land and premises using the revaluation method from previous cost method. The value of land and premises have increased from the revaluation and resulted in a gain on revaluation through comprehensive income after deferred tax in the amount of Baht 2,736 million.

**For 4Q22**, the consolidated net profit totaled Baht 1,430 million, declining by 29.3% comparing to the same period last year. While net interest income continued to increase by 30.0% YoY from loan expansion with net fee and services income also increased by 4.9% YoY, however, the positive increase was partly offset by lower other income, higher operating expenses mainly due to the additional provisions from the trading transaction of Kiatnakin Phatra Securities in the amount of Baht 708 million and also by higher expected credit loss comparing to the same period last year resulting in lower net profit for 4Q22. The consolidated comprehensive income for 4Q22 totaled Baht 4,257 million. For 4Q22, the Capital Market business recorded net loss of Baht 250 million with comprehensive income loss of Baht 1 million.

### Summary of financial performance ratios

Annualized Ratios	4Q22	3Q22	4Q21	2022	2021
<b>Net Profit (Baht million)</b>	<b>1,430</b>	<b>2,083</b>	<b>2,023</b>	<b>7,602</b>	<b>6,318</b>
ROAE (%)	10.3	15.6	16.2	14.0	13.0
ROE (%)	10.7	15.7	16.5	14.9	13.6
ROAA (%)	1.1	1.6	1.9	1.6	1.6
<b>Comprehensive income (Baht million)</b>	<b>4,257</b>	<b>2,083</b>	<b>2,102</b>	<b>10,120</b>	<b>7,069</b>
ROAE (%)	30.6 <sup>4</sup>	15.6	16.8	18.6 <sup>4</sup>	14.5
ROE (%)	31.8 <sup>4</sup>	15.7	17.2	19.8 <sup>4</sup>	15.2
ROAA (%)	3.3 <sup>4</sup>	1.6	2.0	2.1 <sup>4</sup>	1.8
Loan growth	3.5	7.0	7.1	21.4	16.5
NPLs/ Total loans (excluding interbank and POCI)	3.3	3.0	3.0	3.3	3.0
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	154.4	159.7	175.0	154.4	175.0

<sup>4</sup> If excluding items relating to revaluation of land and premises, the ROAE, ROE and ROAA for 4Q22 will be 10.9%, 11.4%, 1.2% respectively and for year 2022 at 13.6%, 14.5% and 1.6% respectively

## Net Interest Income

Unit: Baht million	4Q22	3Q22	% QoQ	4Q21	% YoY	2022	2021	% YoY
<b>Interest income</b>	<b>6,886</b>	<b>5,967</b>	<b>15.4</b>	<b>5,181</b>	<b>32.9</b>	<b>23,671</b>	<b>19,489</b>	<b>21.5</b>
Interest on loans	2,887	2,151	34.2	1,863	55.0	8,970	7,303	22.8
Hire purchase and financial lease income	3,565	3,476	2.6	3,042	17.2	13,423	11,164	20.2
Interest on POCI	33	37	(12.5)	93	(64.9)	180	349	(48.6)
Interest on interbank and money market items	214	170	25.8	88	142.2	604	289	108.6
Interest on securities	172	117	46.9	92	86.5	456	374	21.9
Others	16	16	0.6	2	771.3	38	8	355.9
<b>Interest expense</b>	<b>1,359</b>	<b>1,192</b>	<b>14.1</b>	<b>928</b>	<b>46.5</b>	<b>4,589</b>	<b>3,788</b>	<b>21.1</b>
Interest on deposits	827	745	11.0	610	35.7	2,878	2,477	16.2
Interest on interbank and money market items	78	49	60.2	28	182.3	190	103	84.5
Interest on debt issued and borrowings	201	160	25.9	109	84.7	616	508	21.3
Fees and charges on borrowings	6	3	122.1	2	206.2	15	11	33.0
FIDF and DPA fees	220	212	3.7	175	26.3	820	664	23.5
Others	27	24	14.7	6	389.8	70	26	172.8
<b>Net Interest Income</b>	<b>5,527</b>	<b>4,775</b>	<b>15.7</b>	<b>4,253</b>	<b>30.0</b>	<b>19,081</b>	<b>15,701</b>	<b>21.5</b>

**For 2022**, net interest income amounted to Baht 19,081 million, an increase of Baht 3,381 million or increase of 21.5% from 2021 driven by the increase in interest income from continued strong loan expansions during the year 2022 of 21.4% with growth across all loan segments. Interest income from hire purchase and financial lease increased by 20.2% while interest on loans from other loan segments also showed strong increase of 22.8% YoY. Meanwhile, interest expense increased by 21.1% YoY from higher volume of deposit and borrowing in line with the growth of loan portfolio. Loan spread for 2022 increased to 5.4% comparing to 5.3% during 2021 due to the increase in loan yield consistent with the increase in policy rate while cost of funds for the year remain relatively stable at 1.2%.

**For 4Q22**, net interest income totaled Baht 5,527 million, an increase of Baht 1,274 million or increasing by 30.0% from Baht 4,253 million during 4Q21 driven by the increase in interest income of 32.9% YoY as a result of the growth in loan portfolio together with the increase in loan yield in line with the rise in the policy rate. Meanwhile, interest expenses also increased from higher deposit and borrowing volume with cost of funds starting to increase during the end of 2022 amid the rise in market rates. Overall, resulting in loan spread for 4Q22 of 5.7%, increasing from 5.3% YoY.

## Loan Yield, Cost of Fund and Loan Spread

%	4Q22	3Q22	2Q22	1Q22	4Q21	2022	2021
<b>Yield on loan</b>	6.9	6.4	6.3	6.4	6.4	6.6	6.5
<b>Cost of fund</b>	1.3	1.2	1.1	1.1	1.1	1.2	1.2
<b>Loan spread</b>	5.7	5.3	5.2	5.3	5.3	5.4	5.3

## Non-Interest Income

Unit: Baht million	4Q22	3Q22	% QoQ	4Q21	% YoY	2022	2021	% YoY
Fees and services income	1,881	1,806	4.2	1,822	3.2	7,183	6,974	3.0
Fees and services expenses	235	236	(0.4)	253	(7.1)	1,018	900	13.2
<b>Fees and services income, net</b>	<b>1,646</b>	<b>1,570</b>	<b>4.9</b>	<b>1,569</b>	<b>4.9</b>	<b>6,165</b>	<b>6,074</b>	<b>1.5</b>
Gain (loss) on financial instruments measured at fair value through profit or loss, net	126	220	(42.6)	101	24.8	831	(158)	(626.7)
Gain (loss) on investments, net	6	3	131.8	(4)	(271.3)	(4)	(10)	(61.5)
Dividend income	20	194	(89.7)	14	39.8	507	1,329	(61.9)
Other operating income	821	42	1,852.7	1,160	(29.2)	958	1,309	(26.8)
<b>Total Non-Interest Income</b>	<b>2,620</b>	<b>2,028</b>	<b>29.2</b>	<b>2,841</b>	<b>(7.8)</b>	<b>8,457</b>	<b>8,545</b>	<b>(1.0)</b>

**For 2022**, non-interest income totaled Baht 8,457 million, a slight decline of 1.0% from 2021. Net fees and services income expanded by 1.5% driven by strong increase in bancassurance fee in line with loan expansions together with higher fee income from brokerage business and asset management with Kiatnakin Phatra Securities continues to maintain the number one position in terms of market share<sup>5</sup> at 18.63% for 2022. Meanwhile, fee generated from wealth management business slowed down as a result of uncertainties in the market impacting the business. While fee from investment banking business showed improvements during the second half of 2022 from transactions that occurred but the overall unfavorable market conditions resulted in lower fee from investment banking business during 2022.

Additionally, for other income, 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 2022 increased YoY while other operating income declined mainly due to lower income from sale of loans which the Bank has already written-off comparing to amount during 2021.

**For 4Q22**, non-interest income totaled Baht 2,620 million, declining 7.8% YoY. Net fees and services income increased by 4.9% driven by higher bancassurance and brokerage fee but was offset by lower other operating income as a result of lower income from sale of written off loans comparing to the same period during 2021.

<sup>5</sup> Including SET and mai but excluding proprietary trading

## Other operating expenses

Unit: Baht million	4Q22	3Q22	% QoQ	4Q21	% YoY	2022	2021	% YoY
Employee's expenses	1,795	1,831	(2.0)	1,819	(1.3)	6,954	6,428	8.2
Directors' remuneration	13	10	27.8	9	45.1	46	36	27.7
Premises and equipment expenses	317	274	15.7	249	27.3	1,113	1,003	11.0
Taxes and duties	152	129	17.6	122	24.1	509	462	10.3
Loss from revaluation of foreclosed assets (reversal)	19	(61)	(131.7)	7	191.4	39	60	(34.6)
Loss from sale of foreclosed assets	644	403	59.8	256	151.9	1,540	1,504	2.4
(Gain) loss from sale of foreclosed properties	(97)	(94)	3.7	(233)	(58.4)	(303)	(585)	(48.1)
Loss from sale of repossessed cars	742	497	49.2	489	51.6	1,844	2,089	(11.7)
Other expenses	1,355	519	160.9	574	136.1	2,810	1,755	60.1
<b>Total other operating expenses</b>	<b>4,295</b>	<b>3,106</b>	<b>38.3</b>	<b>3,036</b>	<b>41.5</b>	<b>13,013</b>	<b>11,248</b>	<b>15.7</b>

**For 2022**, other operating expenses were Baht 13,013 million, increasing by 15.7% YoY. The Bank continues to focus on effective cost management with the increase in expenses largely due to items relating to business growth. In regards to the trading transaction which occurred on November 10, 2022 in which Kiatnakin Phatra Securities was one of the Securities companies that was impacted by the incident. While the incident is still currently under review by relevant governing bodies but as a prudent measure, additional provision of Baht 708 million was set up to fully provision for the potential impact that may be incurred as a result of this incident and is recorded in other expenses item under the Bank consolidated statement. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for the year 2022 remained at well-controlled level of 38.5%<sup>6</sup>, declining from 39.0% during 2021.

**For 4Q22**, other operating expenses were Baht 4,295 million, increasing by 41.5% YoY largely driven by additional provisions as discussed above. Loss from sale of foreclosed assets for 4Q22 totaled Baht 644 million increased YoY driven by higher loss from sale of repossessed cars which for 4Q22 totaled Baht 742 million. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for 4Q22 remained at a low level of 35.5%<sup>6</sup>, declining from 37.9% YoY.

## Expected Credit Loss (ECL)

Unit: Baht million	4Q22	3Q22	% QoQ	4Q21	% YoY	2022	2021	% YoY
Expected Credit Losses	2,069	1,089	89.9	1,582	30.8	5,036	5,201	(3.2)
Credit Cost (%)	3.12	1.90		2.87		2.10	2.65	

**For 2022**, expected credit losses totaled Baht 5,036 million, declining by 3.2% from Baht 5,201 million for 2021. While the COVID-19 situation has improved, the Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside provisions to reflect possible deteriorations from continued uncertainties in the economic conditions. As a result, the expected credit losses remain at a high level as a precautionary measure

<sup>6</sup> Excluding additional provision in the amount of Baht 708 million relating to the trading transaction of Kiatnakin Phatra Securities. If including the amount, cost-to-income ratio at 41.1% for 2022 and 44.1% for 4Q22

and partly to accommodate growth in loan portfolio. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 2022 improved to 2.10% of average loan, declining from 2.65% during 2021. Allowance for expected credit losses to total NPLs ratio (coverage ratio) stood at 154.4%.

**For 4Q22**, expected credit losses totaled Baht 2,069 million, increasing 30.8% from Baht 1,582 million during 4Q22 due partly to accommodate growth in loan and partly due to the negative impact of economic conditions to the loan portfolio quality. As a precautionary measure, the Bank has recorded additional Management Overlay in the amount of Baht 252 million during 4Q22. Provisions including loss from sale of repossessed cars (credit cost) for 4Q22 increased to 3.12% of average loan from 2.87% during the same period of 2021.

## Statements of Financial Position

### Assets

As of the end of December 2022, totaled Baht 507,637 million, increased of 16.4% from the end of 2021 mainly from the increase in loans to customers and accrued interest receivables. Additionally, during 2022, the Bank and subsidiaries conducted asset revaluations on land and premises based on the revaluation method from previous use of cost method with the value of land and premises increasing from the revaluation.

<u>Assets</u> (Baht Thousand)	<u>Consolidated</u>		<u>Change</u>	
	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>	<u>Amount</u>	<u>%</u>
Cash	1,000,242	1,242,065	(241,823)	(19.5)
Interbank and money market items, net	45,732,349	55,238,234	(9,505,885)	(17.2)
Financial assets measured at fair value through profit or loss	18,702,990	22,364,824	(3,661,834)	(16.4)
Derivatives assets	10,538,015	7,481,509	3,056,506	40.9
Investment, net	31,847,691	16,840,213	15,007,478	89.1
Investments in properties, net	20,221	21,502	(1,281)	(6.0)
Loans to customers and accrued interest receivables, net	364,870,521	299,147,566	65,722,955	22.0
Properties foreclosed, net	5,787,730	3,981,941	1,805,789	45.3
Land, premises and equipment, net	7,412,008	3,500,887	3,911,121	111.7
Right-of-use assets	282,138	321,019	(38,881)	(12.1)
Other intangible assets, net	1,388,321	1,211,574	176,747	14.6
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,431,900	1,743,966	(312,066)	(17.9)
Accounts receivable from clearing house and broker - dealers	1,275,894	979,499	296,395	30.3
Securities and derivative business receivables	7,976,075	10,996,362	(3,020,287)	(27.5)
Other assets, net	6,304,888	7,986,005	(1,681,117)	(21.1)
<b>Total Assets</b>	<b>507,637,018</b>	<b>436,123,201</b>	<b>71,513,817</b>	<b>16.4</b>



### Liabilities

As of the end of December 2022, amounted to Baht 449,526 million, increasing 16.8% from the end of 2021. Deposits were Baht 331,464 million, increased of 14.9% during 2022, comprised of 59.1% of current and saving accounts (CASA) and 40.9% of term deposits. Debts and borrowings were Baht 61,354 million, increasing by 40.1% from the end of 2021. Loan to deposits and borrowings ratio as of end of 2022 stood at 96.4%.

<u>Liabilities</u> (Baht Thousand)	Consolidated		Change	
	Dec 31, 2022	Dec 31, 2021	Amount	%
Deposits	331,464,000	288,381,946	43,082,054	14.9
Current Account	1,928,539	860,726	1,067,813	124.1
Saving Account	194,127,586	169,457,001	24,670,585	14.6
Term Deposit	135,303,583	117,896,190	17,407,392	14.8
Certificate of Deposit	104,292	168,029	(63,736)	(37.9)
Interbank and money market items, net	20,175,120	16,664,329	3,510,791	21.1
Liabilities payable on demand	339,834	668,531	(328,697)	(49.2)
Financial liabilities measured at fair value through profit or loss	3,556,542	1,699,750	1,856,792	109.2
Derivatives liabilities	9,328,151	9,036,326	291,825	3.2
Debt issued and borrowings	61,354,232	43,804,907	17,549,325	40.1
Lease liabilities	210,623	240,002	(29,379)	(12.2)
Provisions	1,207,623	1,098,744	108,879	9.9
Deferred tax liabilities	529,924	10,111	519,813	5,141.1
Accounts payable to clearing house and broker - dealers	164,038	1,661,003	(1,496,965)	(90.1)
Securities and derivative business payables	8,179,754	8,898,093	(718,339)	(8.1)
Accrued interest expenses	505,437	346,922	158,515	45.7
Other accounts payable	6,778,086	6,250,144	527,942	8.4
Income tax payable and specific business tax payable	623,071	1,278,686	(655,615)	(51.3)
Other liabilities	5,109,137	4,921,552	187,585	3.8
<b>Total Liabilities</b>	<b>449,525,572</b>	<b>384,961,046</b>	<b>64,564,526</b>	<b>16.8</b>

## 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, 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 16.63% while Tier 1 ratio was at 13.32%. When including net profit up to end of 4Q22, the BIS ratio will increase to 17.55% while Tier 1 ratio will be 14.25%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 80.11% 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 December 2022 are as follows:

	Bank Only			Consolidated		
	Dec 2022	Sept 2022	Dec 2021	Dec 2022	Sept 2022	Dec 2021
<b>Capital Requirement</b> (Unit: Baht million)						
Common Equity Tier 1	43,115	41,971	39,231	49,906	46,591	42,676
Tier 1 capital	43,115	41,971	39,231	49,906	46,591	42,676
Total capital	55,525	54,299	50,975	62,299	58,888	54,380
<b>Capital Adequacy Ratio</b> (Unit: %)						
Common Equity Tier 1	11.73	11.70	12.63	13.32	12.84	13.62
Tier 1 capital	11.73	11.70	12.63	13.32	12.84	13.62
<b>Total capital</b>	<b>15.11</b>	<b>15.14</b>	<b>16.41</b>	<b>16.63</b>	<b>16.22</b>	<b>17.35</b>

## 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)	Dec 2022	Sept 2022	Change (% QoQ)	Dec 2021	Change (% YTD)
<b>Retail Lending</b>	<b>255,644</b>	<b>245,087</b>	4.3	<b>206,751</b>	23.6
Hire Purchase	185,342	179,712	3.1	155,359	19.3
Personal loan	10,128	9,442	7.3	7,717	31.3
Micro SMEs loan	10,757	9,847	9.2	7,971	34.9
Housing loan	49,418	46,087	7.2	35,704	38.4
<b>Commercial Lending</b>	<b>59,507</b>	<b>56,988</b>	4.4	<b>52,728</b>	12.9
Real Estate Development loan	25,130	24,823	1.2	22,927	9.6
SMEs loan	34,377	32,165	6.9	29,800	15.4
Corporate Lending	51,817	51,972	(0.3)	43,167	20.0
Special Asset Management loan	1,102	1,103	(0.1)	1,135	(2.9)
Lombard loan	11,129	11,346	(1.9)	8,701	27.9
<b>Total loans</b>	<b>379,200</b>	<b>366,497</b>	<b>3.5</b>	<b>312,483</b>	<b>21.4</b>
<b>Total loans (excluding POCI)</b>	<b>378,531</b>	<b>365,826</b>	<b>3.5</b>	<b>311,789</b>	<b>21.4</b>

As of the end of 2022, total loans excluding POCI amount to Baht 378,531 million, expanding by 21.4% 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 255,644 million, increasing by 23.6% 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 185,342 million, expanded by 19.3% from the end of 2021. New hire purchase business volume booked during 2022 totaled Baht 83,166 million, increasing by 14% 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 year 2022 totaled 849,388 units, increasing by 11.9% YoY. The penetration rate of the Bank new cars lending to the domestic new car sales for the year 2022 was at 5.3%.
  - **Other retail loans** amounted to Baht 70,303 million, with overall other retail loans expansion of 36.8% from the end of 2021 with strong increase across all segments. Housing loans expanded by 38.4%

consistent with the focus on quality growth. Personal loans and micro-SME loans also grew by 31.3% and 34.9% respectively. Total combined other retail loans portion to total Bank loan portfolio increased to 18.5% as of the end of 2022.

- **Commercial Lending** business loans amounted to Baht 59,507 million, expanded by 12.9% 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 25,130 million, increasing by 9.6% from the end of 2021.
  - SMEs loans were Baht 34,377 million, expanding by 15.4% 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 51,817 million, strong expansion of 20.0% 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 1,102 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 11,129 million, solid expansion of 27.9% 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 December 2022 are classified into stages as follows:

Unit : Baht million	December 2022		September 2022		December 2021	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>7</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>7</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>7</sup>
Stage 1 : Performing financial assets	346,217	8,504	333,469	8,095	287,141	8,267
Stage 2 : Under-Performing financial assets	22,757	3,808	22,901	3,646	17,019	2,858
Stage 3 : Non-Performing financial assets	13,947	5,958	12,584	5,150	10,638	4,336
Purchased or originated credit-impaired financial assets	919	56	897	56	855	26
<b>Total</b>	<b>383,839</b>	<b>18,327</b>	<b>369,851</b>	<b>16,947</b>	<b>315,653</b>	<b>15,488</b>

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 December 2022, allowance for expected credit losses

<sup>7</sup> Including ECL for loans and loan commitments and financial guarantees

totalled Baht 19,082 million, with expected credit losses under TFRS 9 amounted to Baht 18,327 million and remaining excess loan loss reserve totaled Baht 755 million at the end of 2022. 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 2022 at 154.4%.

### NPLs distribution by loan type

Type of loans (Baht million)	December 2022		September 2022		December 2021	
	Amount	% of loans	Amount	% of loans	Amount	% of loans
<b>Retail Lending</b>	<b>6,675</b>	<b>2.6</b>	<b>5,699</b>	<b>2.3</b>	<b>4,383</b>	<b>2.1</b>
Hire Purchase	4,702	2.5	3,727	2.1	2,716	1.7
Personal loan	80	0.8	89	0.9	88	1.1
Micro SMEs loan	1,352	12.6	1,401	14.2	1,140	14.3
Housing loan	541	1.1	481	1.0	439	1.2
<b>Commercial Lending</b>	<b>5,124</b>	<b>8.6</b>	<b>4,887</b>	<b>8.6</b>	<b>4,672</b>	<b>8.9</b>
Real Estate Development loan	3,082	12.3	3,272	13.2	3,038	13.2
SMEs loan	2,042	5.9	1,615	5.0	1,635	5.5
<b>Corporate Lending</b>	<b>130</b>	<b>0.3</b>	<b>130</b>	<b>0.3</b>	<b>-</b>	<b>0.0</b>
<b>Special Asset Management loan</b>	<b>1,102</b>	<b>100.0</b>	<b>1,103</b>	<b>100.0</b>	<b>1,135</b>	<b>100.0</b>
<b>Lombard loan</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>Total NPLs</b>	<b>13,031</b>	<b>3.4</b>	<b>11,819</b>	<b>3.2</b>	<b>10,191</b>	<b>3.3</b>
<b>Total NPLs (excluding POCI)</b>	<b>12,362</b>	<b>3.3</b>	<b>11,149</b>	<b>3.0</b>	<b>9,498</b>	<b>3.0</b>

As of the end of 2022, the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 12,362 million or 3.3% of total loans, increasing from 3.0% at the end of 2021 with increase mainly in the retail and SME segment. 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 2022, the market share<sup>8</sup> of KKPS was 18.63%, ranking 1st from total 39 brokers. KKPS generated brokerage revenue totaling Baht 1,957 million comprising of equity brokerage revenue of Baht 1,640 million, derivatives brokerage revenue of Baht 226 million and other

<sup>8</sup> Including SET and mai but excluding proprietary trading

brokerage revenue of Baht 91 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 862 million<sup>9</sup>.

■ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 2022, the revenue from investment banking business was Baht 671 million, contributed to financial advisory fee amounting Baht 131 million, underwriting fee amounting Baht 320 million, brokerage revenue of Baht 200 million, revenue from tender offer agent of Baht 4 million and other revenue of Baht 16 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 2022, DI focusing on long-term investment with value based investment philosophy recorded loss on investment including other comprehensive income totaling Baht 140 million. Meanwhile, EDT had gain on investment totaling Baht 960 million<sup>10</sup>. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 929 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 2022 was Baht 93,369 million with total 119 funds under management consisting of 117 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 1.91%. In 2022, KKPAM’s fee income from mutual fund business totaled Baht 789 million. As of 31 December 2022, asset under management from private fund was Baht 20,996 million. KKPAM’s fee income from private fund business totaled Baht 119 million.

■ **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.

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<sup>9</sup> Including selling agent fees which were received from subsidiary company

<sup>10</sup> Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 918 million

**Profit and Loss Transaction**

For the year ended December 31, (Baht Thousand)	Consolidated		Change	
	2022	2021	Amount	%
Interest income	23,670,516	19,489,069	4,181,447	21.5
Interest expenses	4,589,167	3,788,433	800,734	21.1
<b>Interest income, net</b>	<b>19,081,349</b>	<b>15,700,636</b>	<b>3,380,713</b>	<b>21.5</b>
Fees and services income	7,183,322	6,973,605	209,717	3.0
Fees and services expenses	1,017,863	899,548	118,315	13.2
<b>Fees and services income, net</b>	<b>6,165,459</b>	<b>6,074,057</b>	<b>91,402</b>	<b>1.5</b>
Gain (loss) on financial instruments measured at fair value through profit or loss, net	830,946	(157,758)	988,704	(626.7)
Gain (loss) on investments, net	(3,707)	(9,640)	5,933	(61.5)
Dividend income	506,671	1,329,401	(822,730)	(61.9)
Other operating income	957,973	1,309,321	(351,348)	(26.8)
<b>Total operating income</b>	<b>27,538,691</b>	<b>24,246,017</b>	<b>3,292,674</b>	<b>13.6</b>
<b>Other operating expenses</b>				
Employee's expenses	6,954,170	6,428,423	525,747	8.2
Directors' remuneration	46,358	36,298	10,060	27.7
Premises and equipment expenses	1,113,326	1,003,044	110,282	11.0
Taxes and duties	509,307	461,927	47,380	10.3
Loss from revaluation of foreclosed assets (reversal)	38,976	59,592	(20,616)	(34.6)
Loss from sale of foreclosed assets	1,540,378	1,503,667	36,711	2.4
Other expenses	2,810,136	1,755,308	1,054,828	60.1
<b>Total other operating expenses</b>	<b>13,012,651</b>	<b>11,248,259</b>	<b>1,764,392</b>	<b>15.7</b>
Expected credit losses	5,036,211	5,200,829	(164,618)	(3.2)
<b>Profit from operating before income tax expenses</b>	<b>9,489,829</b>	<b>7,796,929</b>	<b>1,692,900</b>	<b>21.7</b>
Income tax expenses	1,873,389	1,441,616	431,773	30.0
<b>Net profit</b>	<b>7,616,440</b>	<b>6,355,313</b>	<b>1,261,127</b>	<b>19.8</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	7,602,096	6,318,052	1,284,044	20.3
Non-controlling interests	14,344	37,261	(22,917)	(61.5)
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	10,120,390	7,069,132	3,051,258	43.2
Non-controlling interests	202,233	37,462	164,771	439.8
<b>Basic earnings per share (Baht)</b>	<b>8.98</b>	<b>7.46</b>	<b>1.52</b>	<b>20.4</b>

**Profit and Loss Transaction**

For the three-month period ended December 31, (Baht Thousand)	Consolidated		Change	
	2022	2021	Amount	%
Interest income	6,886,076	5,180,727	1,705,349	32.9
Interest expenses	1,359,352	927,932	431,420	46.5
<b>Interest income, net</b>	<b>5,526,724</b>	<b>4,252,795</b>	<b>1,273,929</b>	<b>30.0</b>
Fees and services income	1,881,300	1,822,214	59,086	3.2
Fees and services expenses	235,258	253,297	(18,039)	(7.1)
<b>Fees and services income, net</b>	<b>1,646,042</b>	<b>1,568,917</b>	<b>77,125</b>	<b>4.9</b>
Gain on financial instruments measured at fair value through profit or loss, net	126,204	101,114	25,090	24.8
Gain (loss) on investments, net	6,149	(3,589)	9,738	(271.3)
Dividend income	19,929	14,252	5,677	39.8
Other operating income	821,281	1,160,294	(339,013)	(29.2)
<b>Total operating income</b>	<b>8,146,329</b>	<b>7,093,783</b>	<b>1,052,546</b>	<b>14.8</b>
<b>Other operating expenses</b>				
Employee's expenses	1,794,974	1,819,431	(24,457)	(1.3)
Directors' remuneration	13,122	9,046	4,076	45.1
Premises and equipment expenses	316,629	248,746	67,883	27.3
Taxes and duties	151,634	122,207	29,427	24.1
Loss from revaluation of foreclosed assets	19,256	6,609	12,647	191.4
Loss from sale of foreclosed assets	644,447	255,806	388,641	151.9
Other expenses	1,355,190	574,076	781,114	136.1
<b>Total other operating expenses</b>	<b>4,295,252</b>	<b>3,035,921</b>	<b>1,259,331</b>	<b>41.5</b>
Expected credit losses	2,068,803	1,581,730	487,073	30.8
<b>Profit from operating before income tax expenses</b>	<b>1,782,274</b>	<b>2,476,132</b>	<b>(693,858)</b>	<b>(28.0)</b>
Income tax expenses	348,632	450,141	(101,509)	(22.6)
<b>Net profit</b>	<b>1,433,642</b>	<b>2,025,991</b>	<b>(592,349)</b>	<b>(29.2)</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	1,430,050	2,023,347	(593,297)	(29.3)
Non-controlling interests	3,592	2,644	948	35.9
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	4,256,741	2,101,843	2,154,898	102.5
Non-controlling interests	191,466	2,656	188,810	7,108.8
<b>Basic earnings per share (Baht)</b>	<b>1.69</b>	<b>2.39</b>	<b>(0.70)</b>	<b>(29.3)</b>