



# **Management Discussion and Analysis**

For the first quarter ended March 31, 2023

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## Overall Business Operations

The performance of the Bank continued to be at a strong level, delivering consolidated net profit of Baht 2,085 million for 1Q23, an increase of 1.4% YoY, if comparing to 4Q22, net profit increased by 45.8%. The increase is primarily driven by performance of the Commercial Banking business from strong growth in interest income. Comprehensive income for 1Q23 totaled Baht 2,139 million, increase of 9.5% YoY.

Net interest income for 1Q23 showed a robust increase of 21.4% YoY primarily from continuous loan expansions together with the increase in interest rates amid rising rate environments. Loan portfolio grew by 2.7% from the end of 2022. Meanwhile, non-interest income declined reflecting unfavorable market conditions.

The Bank continued to focus on efficient cost management with cost to income ratio for 1Q23 at 39.6%<sup>1</sup>, slight increase YoY driven by expanding business activities. For provisions, the Bank remained prudent and recorded total expected credit losses in the amount of Baht 1,097 million for 1Q23. The Non-Performing Loans (NPLs) to total loans ratio for 1Q23 remained manageable at a stable level of 3.3%<sup>2</sup> comparing to level at the end of 2022, while total allowance for expected credit losses to total NPLs ratio (coverage ratio) at 151.6%.

## Overall market environment

In the first quarter of 2023, 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 slightly as income and business outlook improved. However, rising inflation limited the consumption recovery. Exports in the first quarter of the year dropped by 4.5% YoY due to a global economic slowdown, but exports of agricultural and oil-related products continued to expand. In the first quarter of the year, the number of tourist arrivals to Thailand increased to 6,477,538 compared to 497,341 for the same period in 2022 as many countries relaxed international travel restrictions.

In the first quarter of the year, the Thai Monetary Policy Committee (MPC) voted to raise the policy rate by a total of 50 basis points to 1.75% as the Thai economy continued to recover while inflation remained high 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 slow policy rates during the first three months of the year as inflation has shown signs of cooling. However, large interest rate differentials between Thailand and other major economies created depreciating pressure on the Thai baht throughout 2023.

The Thai economy in 2023 will continue to expand, but the recovery might 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 29.8 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 because 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 might affect the trajectory of economic recovery and inflation outlook, 4) the emergence of new variants of COVID-

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

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

19 following the full relaxation of international travel, 5) heightened exchange rate volatility that may hinder international trade and domestic investment.

The auto industry slightly softened compared to last year. The total number of car sales in the first quarter of 2023 fell by 6.1% YoY, led by a sharp drop in commercial vehicle segment of 10.3% YoY. However, passenger vehicle segment continued to pick up by 2.4% YoY because of an increase in car supply following an improvement in semiconductor shortage.

In the equity market, the average daily turnover (SET and mai) for 1Q23 contracted by 13.1% from Baht 76,773 million in 2022 to Baht 66,684 million in 1Q23. The SET index at the end of 1Q23 closed at 1,609.17 points, declining 3.6% from 1,668.66 points at the end of 2022.

### Operating results of the Bank and subsidiaries for 1Q23

Unit : Baht million	1Q23	4Q22	% QoQ	1Q22	% YoY
Net Interest income	5,223	5,527	(5.5)	4,304	21.4
Non-interest income	1,718	2,620	(34.4)	2,137	(19.6)
Total operating income	6,941	8,146	(14.8)	6,441	7.8
Total other operating expenses	3,239	4,295	(24.6)	2,793	16.0
Expected credit losses	1,097	2,069	(47.0)	1,066	2.9
Profit from operating before income tax expenses	2,605	1,782	46.2	2,582	0.9
Income tax expenses	517	349	48.3	521	(0.7)
<b>Net Profit (attributable to equity holders of the Bank)</b>	<b>2,085</b>	<b>1,430</b>	<b>45.8</b>	<b>2,055</b>	<b>1.4</b>
<b>Total Comprehensive income (attributable to equity holders of the Bank)</b>	<b>2,139</b>	<b>4,257</b>	<b>(49.8)</b>	<b>1,954</b>	<b>9.5</b>
Basic earnings per share (Baht)	2.46	1.69	45.6	2.43	1.2

**For 1Q23**, the consolidated net profit totaled Baht 2,085 million, an increase of 1.4% YoY of which Baht 309 million was the net profit from Capital Market business. The increase was largely driven by the strong net interest income increase of 21.4% consistent with continuous loan expansions and the increase in interest rates while non-interest income declined 19.6% YoY primarily from lower net fees and services income and lower gain on financial instruments measured at fair value through profit or loss. Provisions expense remained relatively flat comparing to 1Q22 registering a slight increase of 2.9% YoY while operating expenses increased driven by expanding business activities. Overall, resulting in net profit for 1Q23 to increase by 1.4% YoY. The consolidated comprehensive income for 1Q23 totaled Baht 2,139 million, an increase of 9.5% from 1Q22 amount with Capital Market business's comprehensive income at Baht 311 million for 1Q23.

## Summary of financial performance ratios

Annualized Ratios	1Q23	4Q22	1Q22
<b>Net Profit (Baht million)</b>	<b>2,085</b>	<b>1,430</b>	<b>2,055</b>
ROAE (%)	14.2	10.3	15.8
ROE (%)	14.4	10.7	16.1
ROAA (%)	1.6	1.1	1.8
<b>Comprehensive income (Baht million)</b>	<b>2,139</b>	<b>4,257</b>	<b>1,954</b>
ROAE (%)	14.5	30.6 <sup>3</sup>	15.0
ROE (%)	14.8	31.8 <sup>3</sup>	15.3
ROAA (%)	1.7	3.3 <sup>3</sup>	1.7
Loan growth	2.7	3.5	6.6
NPLs/ Total loans (excluding interbank and POCI)	3.3	3.3	2.9
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	151.6	154.4	181.2

## Net Interest Income

Unit: Baht million	1Q23	4Q22	% QoQ	1Q22	% YoY
<b>Interest income</b>	<b>6,996</b>	<b>6,886</b>	<b>1.6</b>	<b>5,270</b>	<b>32.7</b>
Interest on loans	2,914	2,887	1.0	1,944	50.0
Hire purchase and financial lease income	3,573	3,565	0.2	3,090	15.6
Interest on POCI	27	33	(16.0)	65	(57.8)
Interest on interbank and money market items	282	214	31.5	100	181.6
Interest on securities	186	172	8.3	70	166.1
Others	13	16	(19.6)	2	671.0
<b>Interest expense</b>	<b>1,772</b>	<b>1,359</b>	<b>30.4</b>	<b>967</b>	<b>83.4</b>
Interest on deposits	968	827	17.0	620	56.0
Interest on interbank and money market items	94	78	20.9	28	231.8
Interest on debt issued and borrowings	233	201	15.8	121	93.0
Fees and charges on borrowings	6	6	1.5	4	68.7
FIDF and DPA fees	442	220	100.5	185	138.7
Others	30	27	9.7	8	251.8
<b>Net Interest Income</b>	<b>5,223</b>	<b>5,527</b>	<b>(5.5)</b>	<b>4,304</b>	<b>21.4</b>

For 1Q23, net interest income amounted to Baht 5,223 million, an increase of Baht 919 million or increase of 21.4% from 1Q22 with following detail:

- Interest income increased of 32.7% driven by increase in interest income on loans of 50.0% and interest income from hire purchase and financial lease income of 15.6% from continuous growth in loan portfolio

<sup>3</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

together with the increase in loan yield consistent with multiple increases in policy rate during the recent periods

- Interest expense increased by 83.4% YoY from higher volume of deposit and borrowing in tandem with the growth of loan portfolio, the increase in funding costs amid rising market rates together with the increase in the contribution fee to Financial Institution Development Fund (FIDF), which returned to the normalize level of 0.46% from previous temporary reduction to 0.23% by the Bank of Thailand
- Loan spread for 1Q23 lowered to 5.2% from 5.4% during 1Q22. Loan yield increased to 6.9% YoY consistent with the increase in policy rate while cost of funds also rose to 1.7% amid rising interest rates environment and the increase in FIDF contribution fee to normal level of 0.46%. Overall, resulting in loan spread of 5.2%

### Loan Yield, Cost of Fund and Loan Spread

%	1Q23	4Q22	3Q22	2Q22	1Q22
<b>Yield on loan</b>	6.9	6.9	6.4	6.3	6.5
<b>Cost of fund</b>	1.7	1.3	1.2	1.1	1.1
<b>Loan spread</b>	5.2	5.7	5.3	5.2	5.4

### Non-Interest Income

Unit: Baht million	1Q23	4Q22	% QoQ	1Q22	% YoY
Fees and services income	1,624	1,881	(13.7)	1,851	(12.2)
Fees and services expenses	281	235	19.5	297	(5.3)
<b>Fees and services income, net</b>	<b>1,343</b>	<b>1,646</b>	<b>(18.4)</b>	<b>1,554</b>	<b>(13.6)</b>
Gain (loss) on financial instruments measured at fair value through profit or loss, net	151	126	19.6	362	(58.3)
Gain (loss) on investments, net	1	6	(85.6)	(14)	(106.2)
Dividend income	168	20	740.5	200	(16.0)
Other operating income	55	821	(93.3)	36	52.4
<b>Total Non-Interest Income</b>	<b>1,718</b>	<b>2,620</b>	<b>(34.4)</b>	<b>2,137</b>	<b>(19.6)</b>

**For 1Q23**, non-interest income totaled Baht 1,718 million, decline of 19.6% from 1Q22. Net fees and services income slowed down amid uncertain market conditions resulting in lower fee from brokerage business, fee generated from wealth management business and also fee from asset management business. Kiatnakin Phatra Securities continues to maintain the number one position in terms of market share<sup>4</sup> which increased to 21.5% during 1Q23. Additionally, bancassurance fee declined due to the slower new loan volume YoY. Meanwhile, fee from investment banking business improved comparing to 1Q22.

Other income declined YoY mainly due to lower gain on financial instruments measured at fair value through profit or loss as a result of unfavorable market conditions. If comparing to 4Q22, other operating income declined. This is predominantly due to during 4Q22, the Bank recorded income from sale of loans which the Bank has already written-off while there was no such item recorded for 1Q23.

<sup>4</sup> Including SET and mai but excluding proprietary trading

## Other operating expenses

Unit: Baht million	1Q23	4Q22	% QoQ	1Q22	% YoY
Employee's expenses	1,743	1,795	(2.9)	1,658	5.1
Directors' remuneration	9	13	(28.8)	13	(30.1)
Premises and equipment expenses	312	317	(1.6)	252	23.5
Taxes and duties	141	152	(7.0)	112	25.5
Loss from revaluation of foreclosed assets (reversal)	(619)	19	(3,312.1)	57	(1,177.0)
Loss from sale of foreclosed assets	1,096	644	70.1	251	337.5
(Gain) loss from sale of foreclosed properties	(24)	(97)	(75.4)	(23)	4.9
Loss from sale of repossessed cars	1,120	742	51.1	273	309.7
Other expenses	556	1,355	(59.0)	449	23.8
<b>Total other operating expenses</b>	<b>3,239</b>	<b>4,295</b>	<b>(24.6)</b>	<b>2,793</b>	<b>16.0</b>

For 1Q23, other operating expenses were Baht 3,239 million, increasing by 16.0% comparing to the same quarter last year driven by items as follow:

- Effective 1Q23, the Bank has revised the allowance for impairment of foreclosed properties to be in accordance with the BOT's latest notification issued during the end of 2022 with regards to the foreclosed properties. The revised treatment resulted in a reversal of allowance for impairment of foreclosed properties in the amount of Baht 619 million during 1Q23
- Loss from sale of foreclosed assets for 1Q23 totaled Baht 1,096 million increased YoY predominantly from higher loss from sale of repossessed cars which for 1Q23 totaled Baht 1,120 million. The increase in loss from sale of repossessed cars was due to the higher number of repossessed cars sold from the expanded loan portfolio size and also due to the Bank's proactive measures in managing the outstanding repossessed cars
- Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for 1Q23 stood at 39.6%, slight increase from 38.4% YoY due mainly to items relating to increase of business activities

## Expected Credit Loss (ECL)

Unit: Baht million	1Q23	4Q22	% QoQ	1Q22	% YoY
Expected Credit Losses	1,097	2,069	(47.0)	1,066	2.9
Credit Cost (%)	2.41	3.12		1.78	

For 1Q23, expected credit losses totaled Baht 1,097 million, increasing by 2.9% from Baht 1,066 million for 1Q22, if comparing to 4Q22 amount, a considerable decline of 47.0%. While the Thai economy is on a gradual recovery path, the Bank continues to exercise cautionary measure under the TFRS 9 framework by setting aside provisions to reflect uncertainties including deteriorations in global economic conditions.

When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 1Q23 improved to 2.41% of average loan, declining from 3.12% from 4Q22. However, if comparing to 1Q22, credit cost increased from 1Q22 level of 1.78% driven mainly by the loss from sale

of repossessed car due to the higher number of repossessed cars sold from the increased in loan portfolio size and also due to the Bank's proactive measures in managing the outstanding repossessed cars. Additionally, as a precautionary measure, the Bank has recorded additional Management Overlay in the amount of Baht 172 million during 1Q23. Allowance for expected credit losses to total NPLs ratio (coverage ratio) for 1Q23 stood at 151.6%.

## Statements of Financial Position

### Assets

As of the end of March 2023, totaled Baht 522,566 million, increased of 2.9% from the end of 2022 driven by the increase in loans to customers and accrued interest receivables and interbank and money market items. Additionally, properties foreclosed, net, increased primarily as a results of the revised treatment to the allowance for impairment of foreclosed properties to be in accordance with the BOT's latest notification.

<u>Assets</u> (Baht Thousand)	Consolidated		Change	
	Mar 31, 2023	Dec 31, 2022	Amount	%
Cash	984,040	1,000,242	(16,202)	(1.6)
Interbank and money market items, net	54,255,486	45,732,349	8,523,137	18.6
Financial assets measured at fair value through profit or loss	13,943,105	18,702,990	(4,759,885)	(25.4)
Derivatives assets	7,010,048	10,538,015	(3,527,967)	(33.5)
Investment, net	33,095,802	31,847,691	1,248,111	3.9
Investments in properties, net	20,180	20,221	(41)	(0.2)
Loans to customers and accrued interest receivables, net	375,229,396	364,870,521	10,358,875	2.8
Properties foreclosed, net	6,331,904	5,787,730	544,174	9.4
Land, premises and equipment, net	7,419,375	7,412,008	7,367	0.1
Right-of-use assets	258,640	282,138	(23,498)	(8.3)
Other intangible assets, net	1,427,217	1,388,321	38,896	2.8
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,610,172	1,431,900	178,272	12.5
Accounts receivable from clearing house and broker - dealers	2,065,892	1,275,894	789,998	61.9
Securities and derivative business receivables	7,940,682	7,976,075	(35,393)	(0.4)
Other assets, net	7,908,322	6,304,888	1,603,434	25.4
<b>Total Assets</b>	<b>522,566,296</b>	<b>507,637,018</b>	<b>14,929,278</b>	<b>2.9</b>

### Liabilities

As of the end of March 2023, amounted to Baht 462,313 million, increasing 2.8% from the end of 2022. Deposits were Baht 345,242 million, increased of 4.2% from the end of 2022, comprised of 51.3% of current and saving accounts (CASA) and 48.7% of term deposits. Debts and borrowings were Baht 66,508 million, increasing by 8.4% from the end of 2022. Loan to deposits and borrowings ratio as of end of 1Q23 stood at 94.5% declining from 96.4% level at the end of 2022.

<b>Liabilities</b> (Baht Thousand)	<b>Consolidated</b>		<b>Change</b>	
	<b>Mar 31, 2023</b>	<b>Dec 31, 2022</b>	<b>Amount</b>	<b>%</b>
Deposits	345,241,967	331,464,000	13,777,967	4.2
Current Account	1,973,548	1,928,539	45,009	2.3
Saving Account	175,273,166	194,127,586	(18,854,420)	(9.7)
Term Deposit	167,899,961	135,303,583	32,596,378	24.1
Certificate of Deposit	95,292	104,292	(9,000)	(8.6)
Interbank and money market items, net	18,018,314	20,175,120	(2,156,806)	(10.7)
Liabilities payable on demand	550,113	339,834	210,279	61.9
Financial liabilities measured at fair value through profit or loss	3,698,635	3,556,542	142,093	4.0
Derivatives liabilities	6,918,864	9,328,151	(2,409,287)	(25.8)
Debt issued and borrowings	66,508,074	61,354,232	5,153,842	8.4
Lease liabilities	184,859	210,623	(25,764)	(12.2)
Provisions	1,205,353	1,207,623	(2,270)	(0.2)
Deferred tax liabilities	539,919	529,924	9,995	1.9
Accounts payable to clearing house and broker - dealers	464,910	164,038	300,872	183.4
Securities and derivative business payables	8,128,628	8,179,754	(51,126)	(0.6)
Accrued interest expenses	1,065,917	505,437	560,480	110.9
Other accounts payable	5,019,865	6,778,086	(1,758,221)	(25.9)
Income tax payable and specific business tax payable	1,282,858	623,071	659,787	105.9
Other liabilities	3,484,255	5,109,137	(1,624,882)	(31.8)
<b>Total Liabilities</b>	<b>462,312,531</b>	<b>449,525,572</b>	<b>12,786,959</b>	<b>2.8</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 March 31, 2023, the consolidated Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2Q22 after interim dividend payment was at 16.15% while Tier 1 ratio was at 12.91%. When including net profit up to end of 1Q23, the BIS ratio will increase to 17.59% while Tier 1 ratio will be 14.34%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 79.87% 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 March 2023 are as follows:

	Bank Only			Consolidated		
	Mar 2023	Dec 2022	Mar 2022	Mar 2023	Dec 2022	Mar 2022
<b>Capital Requirement</b> (Unit: Baht million)						
Common Equity Tier 1	42,985	43,115	39,052	49,720	49,906	42,438
Tier 1 capital	42,985	43,115	39,052	49,720	49,906	42,438
Total capital	55,496	55,525	50,904	62,648	62,299	54,266
<b>Capital Adequacy Ratio</b> (Unit: %)						
Common Equity Tier 1	11.40	11.73	12.21	12.91	13.32	13.03
Tier 1 capital	11.40	11.73	12.21	12.91	13.32	13.03
<b>Total capital</b>	<b>14.72</b>	<b>15.11</b>	<b>15.91</b>	<b>16.15</b>	<b>16.63</b>	<b>16.66</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)	March 2023	December 2022	Change (% YTD)
<b>Retail Lending</b>	<b>262,175</b>	<b>255,644</b>	<b>2.6</b>
Hire Purchase	188,755	185,342	1.8
Personal loan	10,892	10,128	7.5
Micro SMEs loan	11,586	10,757	7.7
Housing loan	50,941	49,418	3.1
<b>Commercial Lending</b>	<b>60,137</b>	<b>59,507</b>	<b>1.1</b>
Real Estate Development loan	26,108	25,130	3.9
SMEs loan	34,029	34,377	(1.0)
Corporate Lending	54,689	51,817	5.5
Special Asset Management loan	1,113	1,102	1.0
Lombard loan	11,469	11,129	3.1
<b>Total loans</b>	<b>389,583</b>	<b>379,200</b>	<b>2.7</b>
<b>Total loans (excluding POCI)</b>	<b>388,903</b>	<b>378,531</b>	<b>2.7</b>

As of the end of 1Q23, total loans excluding POCI amount to Baht 388,903 million, expanding by 2.7% from the end of 2022, a slower growth YoY consistent with the Bank’s target. 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 262,175 million, increasing by 2.6% from the end of 2022. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.
- **Hire purchase loans** amounted to Baht 188,755 million, expanded by 1.8% from the end of 2022. New hire purchase business volume booked during 1Q23 totaled Baht 18,720 million, declining by 8% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 48.5% with the portion of new cars to used cars at 40:60. The domestic new car sales for the first quarter of 2023 totaled 217,073 units, declining by 6.1% comparing to same period last year. The penetration rate of the Bank new cars lending to the domestic new car sales for the first quarter of 2023 was at 4.5%.

- **Other retail loans** amounted to Baht 73,420 million, with overall other retail loans expansion of 4.4% from the end of 2022. Total combined other retail loans portion to total Bank loan portfolio increased to 18.8% as of the end of 1Q23.
- **Commercial Lending** business loans amounted to Baht 60,137 million, expanded by 1.1% from the end of 2022. Commercial Lending includes real estate development loans and SMEs loans, detail are as follows:
  - **Real estate development loans** totaled Baht 26,108 million, increasing by 3.9% from the end of 2022.
  - **SMEs loans** were Baht 34,029 million, slight decline of 1.0% from the end of 2022. 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 54,689 million, expanded by 5.5% from the end of 2022.
- **Special asset management (SAM)** is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,113 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 11,469 million, increased of 3.1% from the end of 2022.

### Loan classifications and Allowance for expected credit losses (ECL)

Under TFRS 9, loans and accrued interest receivables as of the end of March 2023 are classified into stages as follows:

Unit : Baht million	March 2023		December 2022		March 2022	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>5</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>5</sup>	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) <sup>5</sup>
Stage 1 : Performing financial assets	355,516	8,467	346,217	8,504	305,992	8,602
Stage 2 : Under-Performing financial assets	23,576	4,060	22,757	3,808	18,696	3,211
Stage 3 : Non-Performing financial assets	14,669	6,323	13,947	5,958	10,677	4,304
Purchased or originated credit-impaired financial assets	954	68	919	56	873	26
<b>Total</b>	<b>394,715</b>	<b>18,918</b>	<b>383,839</b>	<b>18,327</b>	<b>336,238</b>	<b>16,142</b>

The Bank continues to prudently set up provisions for expected credit losses under TFRS 9 taking into consideration the continuing uncertainties. As of the end of 1Q23, allowance for expected credit losses totaled Baht 19,579 million, with expected credit losses under TFRS 9 amounted to Baht 18,918 million and remaining excess loan loss reserve totaled Baht 660 million at the end of 1Q23. The Bank consistently monitors the asset quality of

<sup>5</sup> Including ECL for loans and loan commitments and financial guarantees

all loan segments and 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 1Q23 at 151.6%.

### NPLs distribution by loan type

Type of loans (Baht million)	March 2023		December 2022	
	Amount	% of loans	Amount	% of loans
<b>Retail Lending</b>	<b>7,446</b>	<b>2.8</b>	<b>6,675</b>	<b>2.6</b>
Hire Purchase	5,351	2.8	4,702	2.5
Personal loan	81	0.7	80	0.8
Micro SMEs loan	1,418	12.2	1,352	12.6
Housing loan	597	1.2	541	1.1
<b>Commercial Lending</b>	<b>4,971</b>	<b>8.3</b>	<b>5,124</b>	<b>8.6</b>
Real Estate Development loan	3,049	11.7	3,082	12.3
SMEs loan	1,922	5.6	2,042	5.9
<b>Corporate Lending</b>	<b>130</b>	<b>0.2</b>	<b>130</b>	<b>0.3</b>
<b>Special Asset Management loan</b>	<b>1,113</b>	<b>100.0</b>	<b>1,102</b>	<b>100.0</b>
<b>Lombard loan</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>Total NPLs</b>	<b>13,660</b>	<b>3.5</b>	<b>13,031</b>	<b>3.4</b>
<b>Total NPLs (excluding POCI)</b>	<b>12,980</b>	<b>3.3</b>	<b>12,362</b>	<b>3.3</b>

As of the end of 1Q23, the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 12,980 million or 3.3% of total loans, remaining stable from the end of 2022. Stage 3 loans of Commercial Lending segment improved from the Bank's continued assistance to customers to ensure long term sustainability while stage 3 loans of retail segment increased mainly from hire purchase loans. 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 1Q23, the market share<sup>6</sup> of KKPS was at 21.50%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 457 million comprising of equity brokerage revenue of Baht 381 million, derivatives brokerage revenue of Baht 57 million and other

<sup>6</sup> Including SET and mai but excluding proprietary trading

brokerage revenue of Baht 19 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 147 million<sup>7</sup>.

■ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 1Q23, the revenue from investment banking business was Baht 127 million, contributed to financial advisory fee amounting Baht 87 million and underwriting fee amounting Baht 40 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 1Q23, DI focusing on long-term investment with value based investment philosophy recorded loss on investment including other comprehensive income totaling Baht 2 million. Meanwhile, EDT had gain on investment totaling Baht 334 million<sup>8</sup>. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 393 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 2023 was Baht 96,900 million with total 123 funds under management consisting of 121 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 1.97%. In 1Q23, KKPAM’s fee income from mutual fund business totaled Baht 190 million. As of 31 March 2023, asset under management from private fund was Baht 20,798 million. KKPAM’s fee income from private fund business totaled Baht 28 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>7</sup> Including selling agent fee which receive from subsidiary company

<sup>8</sup> Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 332 million

**Profit and Loss Transaction**

For the three-month period ended March 31, (Baht Thousand)	Consolidated		Change	
	2023	2022	Amount	%
Interest income	6,995,506	5,270,467	1,725,039	32.7
Interest expenses	1,772,352	966,519	805,833	83.4
<b>Interest income, net</b>	<b>5,223,154</b>	<b>4,303,948</b>	<b>919,206</b>	<b>21.4</b>
Fees and services income	1,624,222	1,850,536	(226,314)	(12.2)
Fees and services expenses	281,069	296,833	(15,764)	(5.3)
<b>Fees and services income, net</b>	<b>1,343,153</b>	<b>1,553,703</b>	<b>(210,550)</b>	<b>(13.6)</b>
Gain (loss) on financial instruments measured at fair value through profit or loss, net	150,966	362,147	(211,181)	(58.3)
Gain (loss) on investments, net	888	(14,278)	15,166	(106.2)
Dividend income	167,512	199,535	(32,023)	(16.0)
Other operating income	55,376	36,330	19,046	52.4
<b>Total operating income</b>	<b>6,941,049</b>	<b>6,441,385</b>	<b>499,664</b>	<b>7.8</b>
<b>Other operating expenses</b>				
Employee's expenses	1,743,147	1,657,930	85,217	5.1
Directors' remuneration	9,337	13,366	(4,029)	(30.1)
Premises and equipment expenses	311,588	252,205	59,383	23.5
Taxes and duties	140,950	112,278	28,672	25.5
Loss from revaluation of foreclosed assets (reversal)	(618,527)	57,429	(675,956)	(1,177.0)
Loss from sale of foreclosed assets	1,096,333	250,589	845,744	337.5
Other expenses	556,113	449,329	106,784	23.8
<b>Total other operating expenses</b>	<b>3,238,941</b>	<b>2,793,126</b>	<b>445,815</b>	<b>16.0</b>
Expected credit losses	1,096,902	1,065,878	31,024	2.9
<b>Profit from operating before income tax expenses</b>	<b>2,605,206</b>	<b>2,582,381</b>	<b>22,825</b>	<b>0.9</b>
Income tax expenses	517,034	520,707	(3,673)	(0.7)
<b>Net profit</b>	<b>2,088,172</b>	<b>2,061,674</b>	<b>26,498</b>	<b>1.3</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	2,084,864	2,055,354	29,510	1.4
Non-controlling interests	3,308	6,320	(3,012)	(47.7)
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	2,139,010	1,953,962	185,048	9.5
Non-controlling interests	3,309	6,321	(3,012)	(47.7)
<b>Basic earnings per share (Baht)</b>	<b>2.46</b>	<b>2.43</b>	<b>0.03</b>	<b>1.2</b>