



Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2019

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Management Discussion and Analysis (MD&A)

For the fourth quarter and year ended December 31, 2019 comparing operating performance and financial position for the fourth quarter and year ended December 31, 2019 with those of 2018. This report discusses principal changes in the audited consolidated financial statements.

Overall market environment

The Thai economy for the year 2019 exhibited a decelerating trend. Private consumption slowed down in almost all categories especially in durable goods from the contractions in vehicle sales partly from the weakened household income especially in non-farm income together with the tightening of financial institutions credit approvals due to the deteriorations in asset quality. The non-durable goods and services segment showed improvement during the last quarter of the year as a result of the government's economic stimulus. Private investment contracted in all investment categories from the slowdown in domestic and external demands and also from the delay in private investment due to low capacity utilization in manufacturing. Meanwhile, public spending excluding transfers also contracted in both current and capital expenditures partly due to the pending of FY2020 budget.

Exports for the year 2019 contracted at 2.7 compared to last year, in line with the continuing decline in global demand from the slow economic growth of trading partners, the protectionist trade policies between the US and China, the down-cycle of electronic products and also from the decline in global oil prices together with the temporary maintenance closure of some oil refineries in the last quarter of the year. Nevertheless, the current account remained in surplus with the value of imports contracted at a greater rate than exports value, with value of imports contracted by 4.7% yoy consistent with the subdued domestic economic conditions. In the tourism sector, the number of tourist arrivals for 2019 continued to exhibit a slow growth, increasing 4.2% from last year. The number of Chinese tourists which made up 28% of total tourist arrivals recovered in the second half of the year with growth of 4.4% for total year 2019.

For 2020, the Thai economy is projected to continue to be in a 'low growth, low rates' environment. Main headwinds include: (1) the weakness in global growth particularly the Chinese economic slowdown which could weigh on global trade and investment (2) the Coronavirus outbreak and associated fears that would greatly impact Thai tourism income and related sectors (3) the severe drought that would depress agricultural and even industrial production during the first half of this year (4) the subsequent effects of the aforementioned factors on employment and household income, which would hinder private consumption and impair household debt serviceability and (5) the sluggish investment demand due to uncertain macroeconomic outlook, tightening credit conditions, and the delays in government budget process.

For the monetary policy, at the meeting on December 24, 2019, the Bank of Thailand (BOT) revised the inflation target from a point target of 2.5% with a band of +/-1.5% which has been set since 2015 to a range target of 1-3% to be in line with the changes in financial conditions and structurally lower inflation stemming from 1) aging society 2) growth of e-Commerce and 3) technological advancement resulting in lower manufacturing costs.

Meanwhile, in the auto industry, the total number of car sales for 2019 showed a slowing down trend with sales for total year 2019 at 1,007,552 units, contraction of 3.3%. The commercial vehicle segment contracted by 5.1% while the passenger vehicle segment also contracted by 0.3% yoy. In the equity market, the

average daily turnover (SET and mai) for 2019 decreased by 7.8% from Baht 57,674 million in 2018 to Baht 53,192 million during 2019. The SET index at the end of 2019 closed at 1,579.84 points, increasing by 1.0% from 1,563.88 points at the end of 2018.

Overall Business Operations

The consolidated net profit of the Bank and subsidiaries for the year 2019 totaled Baht 5,988 million, a decrease of 0.9% from Baht 6,042 million in 2018. The consolidated comprehensive income for 2019 totaled Baht 5,625 million, an increase of 9.8% comparing to Baht 5,123 million in 2018. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility. Operating income amounted to Baht 19,168 million, an increase of 5.9% driven by the increase in net interest income of 9.4% mainly from growth in loan portfolio with non-interest income also increasing slightly by 0.2%. Meanwhile, operating expenses also increased due to higher loss from sale of foreclosed assets.

During 2019, the overall Bank's loan portfolio grew by 4.2% from the end of 2018 with growth in the Real estate development segment, SME segment and across Retail loan segment except in the hire purchase segment which contracted during 2019. For asset quality, the Non-Performing Loans (NPLs) to total loans ratio for 2019 declined to 4.0% from 4.1% at the end of 2018. For Capital market business, the market shares (SET and mai excluding proprietary trading) of Phatra Securities Plc. (PSEC) was 9.61%, increased from 4.55% in 2018, ranking 1st from total 39 brokers.

Summary of Performance of the Bank and subsidiaries

Percentage	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
Loan growth	3.8	18.5	1.9	0.2	2.0	0.0	4.2
NPLs/ Total loans (excluding interbank)	4.1	4.1	4.1	4.2	4.2	4.0	4.0
Total loan loss reserve/ Total NPLs (coverage ratio)	114.8	114.8	114.1	113.2	110.1	111.2	111.2
Total loan loss reserve/ Total mandatory reserve	186.3	186.3	184.4	182.4	167.0	170.9	170.9

Profit and Loss Transaction

For the year ended December 31, (BAHT'000)	CONSOLIDATED		Change	
	2019	2018	Amount	%
Interest income	18,036,208	16,294,353	1,741,855	10.7
Interest expenses	5,719,962	5,032,721	687,241	13.7
Interest income, net	12,316,246	11,261,632	1,054,614	9.4
Fees and services income	5,201,699	5,022,025	179,674	3.6
Fees and services expenses	597,665	442,747	154,918	35.0
Fees and services income, net	4,604,034	4,579,278	24,756	0.5
Gain on trading and foreign exchange transactions, net	276,581	457,007	(180,426)	(39.5)
Gain on financial liabilities designated at fair value through profit or loss, net	285,937	62,709	223,228	356.0
Gain on investments, net	568,068	389,893	178,175	45.7
Dividend income and profit sharing	576,265	967,561	(391,296)	(40.4)
Other operating income	540,840	384,989	155,851	40.5
Total operating income	19,167,971	18,103,069	1,064,902	5.9
Other operating expenses				
Employee's expenses	5,576,858	5,573,375	3,483	0.1
Directors' remuneration	47,311	46,688	623	1.3
Premises and equipment expenses	1,300,008	1,163,974	136,034	11.7
Taxes and duties	427,193	392,544	34,649	8.8
Loss from revaluation of foreclosed assets	124,027	244,229	(120,202)	(49.2)
Loss from sale of foreclosed assets	839,752	237,664	602,088	253.3
Other expenses	1,879,174	1,811,985	67,189	3.7
Total other operating expenses	10,194,323	9,470,459	723,864	7.6
Impairment loss on loans and debt securities	1,676,428	1,245,495	430,933	34.6
Profit from operating before income tax expenses	7,297,220	7,387,115	(89,895)	(1.2)
Income tax expenses	1,307,485	1,342,829	(35,344)	(2.6)
Net profit	5,989,735	6,044,286	(54,551)	(0.9)
Net profit attributable to:				
Equity holders of the Bank	5,988,444	6,041,983	(53,539)	(0.9)
Non-controlling interests	1,291	2,303	(1,012)	(43.9)
Total comprehensive income attributable to:				
Equity holders of the Bank	5,624,640	5,123,220	501,420	9.8
Non-controlling interests	(37)	1,283	(1,320)	(102.9)
Earnings per share of Equity holders of the Bank				
Basic earnings per share (Baht)	7.07	7.14	(0.07)	(1.0)

Operating results of the Bank and subsidiaries for the year 2019 comparing with the year 2018

The consolidated net profit for 2019 totaled Baht 5,988 million, a slight decrease of 0.9% yoy, of which Baht 1,040 million was the net profit from Capital Market Business operated by Phatra Capital Plc. (Phatra) and subsidiaries. Meanwhile, the consolidated comprehensive income for 2019 totaled Baht 5,625 million, increase of 9.8% yoy. The Capital Market business comprehensive income was Baht 863 million. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility.

Net interest income amounted to Baht 12,316 million, an increase of Baht 1,055 million or 9.4% yoy from Baht 11,262 million in 2018. Interest income was Baht 18,036 million, increased of 10.7% from 2018 mainly from the increase in interest income on loans of 18.5% from loan expansions. Interest on investment in loans also increased 84.6%. Interest expense totaled Baht 5,720 million, an increase of 13.7% yoy. Yield on loan for 2019 declined slightly to 7.0% from 7.2% in 2018, while cost of funds remained stable at 2.3% resulting in loan spread for 2019 to decline to 4.7% from 5.0% yoy.

For the year ended	Consolidated		Change	
	Dec 31, 2019	Dec 31, 2018	Baht million	%
Interest income	18,036	16,294	1,742	10.7
Interest on loans	7,352	6,203	1,150	18.5
Interest on interbank and money market items	270	246	24	9.7
Hire purchase and financial lease income	9,233	9,074	159	1.8
Interest on securities	620	458	163	35.6
Interest on investment in loans	540	292	247	84.6
Others	21	22	(1)	(4.7)

For the year ended	Consolidated		Change	
	Dec 31, 2019	Dec 31, 2018	Baht million	%
Interest expense	5,720	5,033	687	13.7
Interest on deposits	3,204	2,642	562	21.3
Interest on interbank and money market items	254	155	98	63.4
Interest on debt issued and borrowings	1,157	1,237	(80)	(6.5)
Fees and charges on borrowings	11	20	(9)	(43.2)
FIDF and DPA fees	1,043	931	113	12.1
Others	51	47	3	6.3

%	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
Yield on loan	7.3	7.2	7.1	7.0	7.0	7.2	7.0
Cost of fund	2.3	2.3	2.3	2.4	2.4	2.3	2.3
Loan spread	5.0	5.0	4.8	4.6	4.6	4.9	4.7

Net fees and services income totaled Baht 4,604 million, an increase of 0.5% from 2018 amount of Baht 4,579 million. Brokerage business income for year 2019 totaled Baht 1,649 million increasing 16.6% yoy with the market share of Phatra Securities increasing to 9.61% from 4.55% in 2018. Fee from Asset Management business totaled Baht 813 million also increasing 1.4% from Baht 801 million in 2018. Meanwhile, fee generated from investment banking business for 2019 totaled Baht 552 million, decreased when comparing to 2018. Bancassurance fee amounted to Baht 938 million, also declining 6.2% yoy.

Total operating income amounted to Baht 19,168 million, increased of Baht 1,065 million or 5.9% yoy mainly due to the increase in net interest income and net fees and services income.

Other operating expenses were Baht 10,194 million, increased by 7.6% yoy from Baht 9,470 million during 2018. The Bank recorded loss on sale of foreclosed assets totaled Baht 840 million for 2019 comparing to loss of Baht 238 million yoy. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 1,423 million, with loss increasing from Baht 941 million during 2018 and also from gain on sale of foreclosed properties which totaled Baht 584 million for 2019 decreasing from Baht 703 million during 2018. During 2019, the Bank sold foreclosed properties in the amount of Baht 1,294 million.

When excluding loss from sale of foreclosed assets and loss from revaluation of foreclosed assets, operating expenses for 2019 totaled Baht 9,231 million, a slight increase of 2.7% from 2018 expenses of Baht 8,989 million mainly from the increase in premises and equipment expenses from the renovations of KKP Tower. Cost-to-income ratio excluding loss from sale of foreclosed assets and loss from revaluations stood at 46.7% for 2019, declining from 47.8% from 2018.

Impairment loss on loans and debt securities for 2019 totaled Baht 1,676 million comparing to Baht 1,245 million for 2018. The increase is partly due to the reversal of loss on impairment of investments in receivables in the amount of Baht 268 million which the Bank recorded in 2018. Loan loss provisions including loss from sale of repossessed cars (credit cost) stood at 1.33% of average loan for the year 2019.

Allowance for doubtful accounts and allowance for troubled debt restructuring amounted to Baht 10,589 million. As of end of 2019, the total loan loss reserve to total mandatory reserve ratio stood at 170.9% while total loan loss reserve to total NPLs ratio (coverage ratio) stood at 111.2%. In regards to the implementation of TFRS 9 from January 1, 2020 onwards, the amount of loan loss provisions required would be higher but would still be lower than the total loan loss provisions the Bank currently has and the excess loan loss provisions which is estimated to be approximately Baht 1,200 million – Baht 1,500 million, will be released within 5 years.

Basic earnings per share at Baht 7.07 per share.

Annualized Ratios	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
Net Profit (Baht million)	1,427	6,042	1,228	1,471	1,610	1,680	5,988
ROAE (%)	13.7	14.5	11.5	13.8	15.2	15.5	13.9
ROE (%)	13.9	14.6	11.6	13.5	15.3	15.8	14.2
ROAA (%)	1.9	2.1	1.6	1.9	2.0	2.1	1.9
Comprehensive income (Baht million)	1,033	5,123	1,369	1,126	1,766	1,365	5,625
ROAE (%)	9.9	12.3	12.8	10.5	16.7	12.6	13.1
ROE (%)	10.0	12.4	13.0	10.4	16.8	12.8	13.3
ROAA (%)	1.4	1.8	1.8	1.4	2.2	1.7	1.8

Operating results of the Bank and subsidiaries for 4Q19 comparing with 4Q18

The consolidated net profit for 4Q19 totaled Baht 1,680 million, increasing 17.7% comparing to the same period last year, of which Baht 310 million was the net profit from Capital Market business operated by Phatra Capital Plc. (Phatra) and subsidiaries. Meanwhile, the consolidated comprehensive income totaled Baht 1,365 million, increased of 32.1% with Capital Market business's comprehensive income at Baht 41 million. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility.

Net interest income amounted to Baht 3,118 million, increased of 5.6%. Interest income increased 5.2% mainly from the increased in interest income on loan of 14.2%. Loan spread for 4Q19 declined slightly to 4.9% comparing to 5.0% for the same period last year.

Net fee and service income totaled Baht 1,250 million, decreasing 4.8% yoy mainly from the decrease in fee from investment banking business while fee from brokerage business and fee from bancassurance increased yoy. Fee from Asset Management business remained stable from the same quarter last year.

Total operating income amounted to Baht 5,010 million, an increase of 1.6% yoy.

Other operating expenses were Baht 2,732 million, decreasing by 6.1% yoy. If excluding loss from sale and revaluations of foreclosed assets, operating expenses totaled Baht 2,396 million, a decrease of 5.3% yoy mainly from the decrease in personnel expenses due to the absence of provision for compensation in personnel expenses relating to severance payment in case of retirement of employees in accordance with the amended Labor Protection Act which was recorded during 4Q18. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for 4Q19 stood at 46.3% declining from 49.3% from the same quarter last year.

Bad debts and doubtful accounts and loss on debt restructuring totaled Baht 208 million decreasing from Baht 293 million yoy. For 4Q19, loan loss provisions including loss from sale of repossessed cars (credit cost) stood at 1.09% of average loan.

Statement of Comprehensive Income

For the three-month period ended December 31, (BAHT'000)	CONSOLIDATED		Change	
	2019	2018	Amount	%
Interest income	4,556,804	4,329,926	226,878	5.2
Interest expenses	1,438,580	1,375,724	62,856	4.6
Interest income, net	3,118,224	2,954,202	164,022	5.6
Fees and services income	1,413,510	1,429,417	(15,907)	(1.1)
Fees and services expenses	163,340	115,546	47,794	41.4
Fees and services income, net	1,250,170	1,313,871	(63,701)	(4.8)
Gain on trading and foreign exchange transactions, net	46,590	176,059	(129,469)	(73.5)
Gain on financial liabilities designated at fair value through profit or loss, net	126,406	53,672	72,734	135.5
Gain on investments, net	37,938	203,899	(165,961)	(81.4)
Dividend income and profit sharing	96,248	119,611	(23,363)	(19.5)
Other operating income	334,382	109,050	225,332	206.6
Total operating income	5,009,958	4,930,364	79,594	1.6
Other operating expenses				
Employee's expenses	1,391,873	1,517,093	(125,220)	(8.3)
Directors' remuneration	12,863	11,616	1,247	10.7
Premises and equipment expenses	323,325	395,939	(72,614)	(18.3)
Taxes and duties	129,179	96,172	33,007	34.3
Loss from revaluation of foreclosed assets	62,581	203,921	(141,340)	(69.3)
Loss from sale of foreclosed assets	273,843	175,067	98,776	56.4
Other expenses	538,264	509,966	28,298	5.5
Total other operating expenses	2,731,928	2,909,774	(177,846)	(6.1)
Impairment loss on loans and debt securities	208,129	293,255	(85,126)	(29.0)
Profit from operating before income tax expenses	2,069,901	1,727,335	342,566	19.8
Income tax expenses	391,147	307,902	83,245	27.0
Net profit	1,678,754	1,419,433	259,321	18.3
Net profit attributable to:				
Equity holders of the Bank	1,679,828	1,427,013	252,815	17.7
Non-controlling interests	(1,074)	(7,580)	6,506	(85.8)
Total comprehensive income attributable to:				
Equity holders of the Bank	1,364,553	1,032,789	331,764	32.1
Non-controlling interests	(1,113)	(8,396)	7,283	(86.7)
Earnings per share of Equity holders of the Bank				
Basic earnings per share (Baht)	1.98	1.69	0.29	17.2

Statements of Financial Position

Assets, as of December 31, 2019, totaled Baht 311,690 million, increased of Baht 5,361 million or 1.7% from the end of 2018.

<u>ASSETS</u> (BAHT'000)	<u>CONSOLIDATED</u>		<u>Change</u>	
	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>	<u>Amount</u>	<u>%</u>
Cash	1,109,658	1,335,668	(226,010)	(16.9)
Interbank and money market items, net	11,981,838	28,199,589	(16,217,751)	(57.5)
Derivatives assets	4,298,538	3,315,858	982,680	29.6
Investments in securities, net	39,201,003	29,780,567	9,420,436	31.6
Investments in receivables, net	1,619,449	1,769,505	(150,056)	(8.5)
Investments in properties, net	21,870	22,132	(262)	(1.2)
Loans to customers and accrued interest receivables, net				
Loans to customers	259,076,313	249,982,184	9,094,129	3.6
Accrued interest receivables	1,128,035	1,170,011	(41,976)	(3.6)
Total loans to customers and accrued interest receivables	260,204,348	251,152,195	9,052,153	3.6
<u>Less</u> Deferred revenue	(21,937,566)	(22,086,038)	148,472	(0.7)
<u>Less</u> Allowance for doubtful accounts	(10,588,936)	(10,759,343)	170,407	(1.6)
<u>Less</u> Allowance for troubled debt restructuring	(536)	(432)	(104)	24.1
Total loans to customers and accrued interest receivables, net	227,677,310	218,306,382	9,370,928	4.3
Properties foreclosed, net	3,585,530	3,724,922	(139,392)	(3.7)
Land, premises and equipment, net	3,038,243	2,772,514	265,729	9.6
Other intangible assets, net	1,151,041	1,117,889	33,152	3.0
Goodwill	3,066,035	3,066,035	0	0.0
Deferred tax assets	1,846,295	1,861,740	(15,445)	(0.8)
Accounts receivable from clearing house and broker - dealers	4,056,938	3,411,791	645,147	18.9
Securities and derivative business receivables	4,620,082	4,212,723	407,359	9.7
Other assets, net	4,416,176	3,432,183	983,993	28.7
Total assets	311,690,006	306,329,498	5,360,508	1.7

Liabilities amounted to Baht 267,679 million, increasing 1.4% from the end of 2018. Deposits were Baht 172,174 million, declining by 5.2%. Deposits comprised of 62.5% of term deposits and 37.5% of current and saving accounts (CASA). Meanwhile, debts and borrowings were Baht 55,415 million, increasing by 13.1% from the end of 2018. Loan to deposits and borrowings ratio stood at 104.6%, comparing to 99.1% at the end of 2018.

<u>LIABILITIES</u> (BAHT'000)	<u>CONSOLIDATED</u>		<u>Change</u>	
	<u>Dec 31, 2019</u>	<u>Dec 31, 2018</u>	<u>Amount</u>	<u>%</u>
Deposits	172,173,559	181,693,821	(9,520,262)	(5.2)
Current Account	535,014	352,967	182,047	51.6
Saving Account	64,093,363	69,345,929	(5,252,566)	(7.6)
Term Deposit	107,049,290	111,396,122	(4,346,832)	(3.9)
Certificate of Deposit	495,892	598,803	(102,911)	(17.2)
Interbank and money market items, net	17,339,111	13,156,615	4,182,496	31.8
Liabilities payable on demand	377,326	503,487	(126,161)	(25.1)
Financial liabilities designated at fair value through profit or loss	3,498,702	1,193,144	2,305,558	193.2
Derivatives liabilities	4,038,272	3,438,329	599,943	17.4
Debt issued and borrowings	55,415,433	49,008,059	6,407,374	13.1
Senior securities	47,125,433	40,222,972	6,902,461	17.2
Subordinated bond	8,290,000	8,290,000	0	0.0
Bills of Exchange	0	495,088	(495,088)	(100.0)
Provisions	844,037	779,584	64,453	8.3
Deferred tax liabilities	26,703	20,457	6,246	30.5
Accounts payable to clearing house and broker - dealers	614,271	120,194	494,077	411.1
Securities and derivative business payables	3,868,461	5,297,794	(1,429,333)	(27.0)
Accrued interest expenses	745,793	692,732	53,061	7.7
Other accounts payable	3,141,943	2,232,379	909,564	40.7
Income tax payable and specific business tax payable	559,255	854,568	(295,313)	(34.6)
Other liabilities	5,035,881	4,997,775	38,106	0.8
Total liabilities	267,678,747	263,988,938	3,689,809	1.4

Shareholders' equity was Baht 44,011 million, increased by 3.9% from the end of 2018. Total issued and paid-up capital totaled Baht 8,468 million. Share premium totaled Baht 9,356 million. Unappropriated retained earnings at Baht 25,039 million.

The Dividend payment

The Bank paid the remaining dividend for the year 2018 operations at the rate of Baht 3.00 per share on May 21, 2019 and paid the interim dividend payment for the January 1 – June 30, 2019 operations at the rate of Baht 1.50 per share on September 20, 2019.

Capital Adequacy Ratio (BIS ratio)

As of December 31, 2019, the Capital Adequacy Ratio (BIS ratio) under Basel III, which included profit for the first half of 2019 after deducting dividend payment, was at 16.60% while Tier-1 ratio was at 12.88%. When including profit up to end of 4Q19, the BIS ratio will increase to 17.83% while Tier-1 ratio will be 14.11%.

Business Segment Performance

The Kiatnakin Phatra Financial Group (“the Group”) business is 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 PHATRA, PSEC and PASSET.

Both the commercial banking business and the capital market business work closely together in order to achieve combined results in the three business objectives which the Group places focus upon 1) Credit Business 2) Private Banking and 3) Investment Banking. For Credit Business which will focus on loan expansions to retail and Small and Medium Enterprise segment, the goals will be on building efficiencies, creating standards, identifying new alternative channels to reach targeted client segment while maintaining an effective risk management and credit monitoring and control. For Private Banking, the goal is to grow the business by capitalizing on capital market group’s expertise in the wealth management business and through the commercial banking business distribution channels to increase fee income and assets under advice. The area of Investment Banking will combine the expertise of several functions within the Group to allow the Group to offer more comprehensive financial services to meet clients’ demands.

Commercial Banking Business including 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;

Type of loans	Dec 31, 2019		Dec 31, 2018		Change (%)
	Baht million	%	Baht million	%	
Retail Lending	145,223	61.0	140,402	61.4	3.4
Hire Purchase	107,612	45.2	108,191	47.3	(0.5)
Personal loan	7,993	3.4	6,528	2.9	22.5
Micro SMEs loan	7,954	3.3	7,040	3.1	13.0
Housing loan	21,663	9.1	18,642	8.2	16.2
Commercial Lending	60,899	25.6	55,813	24.4	9.1
Real Estate Development loan	31,591	13.3	29,052	12.7	8.7
SMEs loan	29,308	12.3	26,760	11.7	9.5
Corporate Lending	23,527	9.9	23,873	10.4	(1.5)
Special Asset Management loan	509	0.2	565	0.2	(10.0)
Lombard loan	7,987	3.4	7,947	3.5	0.5
Total loans and account receivables	238,144	100.0	228,599	100.0	4.2

Retail Lending totaled Baht 145,223 million, increasing by 3.4% from the end of 2018. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.

Hire purchase loans amounted to Baht 107,612 million, slight contraction of 0.5% from the end of 2018. New hire purchase business volume booked during 2019 totaled Baht 40,532 million, declining 11.7% from the previous year. The portion of hire purchase loan to total Bank loan portfolio stood at 45.2% with the portion of new cars to used cars at 37:63. Domestic new car sales for 2019 totaled 1,007,552 units, declining by

3.3% comparing to sales for last year. The penetration rate of KK new cars lending to the domestic new car sales for 2019 was at 2.2%, declining from 2.7% at the end of 2018.

For 2019, the Bank loan portfolio in other retail loans amounted to Baht 37,611 million, expanded by 16.8% from the end of 2018 with total combined other retail loans portion to total Bank loan portfolio increasing to 15.8% as of end of 2019.

Commercial Lending business amounted to Baht 60,899 million, expanded by 9.1% from the end of 2018. Commercial Lending includes real estate development loans and SMEs loans, details are as follows:

Real estate development loans (RE) totaled Baht 31,591 million, expansion of 8.7% from the end of 2018.

SMEs loans were Baht 29,308 million with growth of 9.5% for 2019. 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 clients and large corporate clients or financing for Investment Banking transaction of Capital Market Business. Current outstanding loans totaled Baht 23,527 million, contracted by 1.5% from the end of 2018.

Special asset management (SAM) is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding financial claim loans totaled Baht 509 million.

Lombard Loan, a multi-purpose credit facility for Wealth Management clients using financial assets as collateral. Current outstanding loans totaled Baht 7,987 million, increasing slightly by 0.5% from the end of 2018.

NPLs distribution by loan type (consolidated)

Type of loans	Dec 31, 2019			Dec 31, 2018		
	Baht million	%	% of loans	Baht million	%	% of loans
Retail Lending	4,051	42.4	2.8	3,485	37.1	2.5
Hire Purchase	2,651	27.7	2.5	2,443	26.0	2.3
Personal loan	135	1.4	1.7	193	2.1	3.0
Micro SMEs loan	922	9.6	11.6	579	6.2	8.2
Housing loan	342	3.6	1.6	270	2.9	1.4
Commercial Lending	5,016	52.5	8.2	5,353	56.9	9.6
Real Estate Development loan	3,394	35.5	10.7	3,942	41.9	13.6
SMEs loan	1,622	17.0	5.5	1,411	15.0	5.3
Corporate Lending	0	0.0	0.0	0	0.0	0.0
Special Asset Management loan	494	5.2	97.1	565	6.0	100.0
Lombard loan	0	0.0	0.0	0	0.0	0.0
Total	9,560	100.0	4.0	9,403	100.0	4.1

The Non-Performing Loans (NPLs) as of the end of 2019 totaled Baht 9,560 million or 4.0% of total loans, decreasing from 4.1% at the end of 2018. NPLs from real estate development segment continued to decline while the increase is mainly due to NPLs from retail loans 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**

Phatra Securities Plc. (“PSEC”) operates Agency Business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high net worth individuals under Private Wealth Management. For high net worth clients, other wealth management products are provided such as local and foreign mutual funds and structured products. For 2019, the market share¹ of PSEC was 9.61%, ranking 1st from total 39 brokers. PSEC generated brokerage revenue totaling Baht 1,280 million comprising of equity brokerage revenue of Baht 1,132 million and derivatives brokerage revenue of Baht 148 million. Additional, PSEC also had brokerage revenue from selling agent fees of Baht 552 million².

- **Investment Banking Business**

Investment banking business, operated by PSEC, provides financial advisory service as well as underwriting service. In 2019, the investment banking business revenue was Baht 552 million, contributed to financial advisory fee amounting Baht 263 million, underwriting fee amounting Baht 191 million and revenue from tender offer agent of Baht 98 million.

- **Investment Business**

Investment Business is managed by 3 departments in which Phatra operates direct investment business, by Direct Investment Department (“DI”), with medium to long-term investment horizon, while PSEC manages short-term investment, by Investment and Trading Group, comprising of Equity and Derivatives Trading Department (“EDT”) and Hedge Fund Department (“HF”). 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. HF focuses on equity and derivatives trading with less than 1 year investment horizon, applying Market Neutral strategy and advanced statistical modeling. After considerations on the unfavorable conditions impacting the investment strategy of the Hedge Fund business, the operations of the Hedge Fund business had been ceased from 1Q19 onwards.

In 2019, DI focusing on long-term investment with value based investment philosophy recorded loss on investment including loss on re-measuring available-for-sale securities totaling Baht 172 million. HF posted gain of Baht 35 million for the year³. Meanwhile, EDT had gain on investment totaling Baht 589 million⁴. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 594 million.

¹ Including SET and mai but excluding proprietary trading

² Including selling agent fee receive from Subsidiary Company

³ In addition to the investment revenue, HF also had foreign exchange loss and advisory fee revenue with total gain of Baht 1 million and hedging cost of Baht 2 million. In summary, total HF gain after cost of hedging was Baht 34 million

⁴ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 553 million

- **Asset Management Business**

Phatra Asset Management Co., Ltd. (“PASSET”), under mutual fund and private fund management licenses, offers fund management services to individuals and corporate customers. PASSET’s mutual fund AUM as of 31 December 2019 was Baht 69,256 million with total 35 funds under management consisting of 32 mutual funds and 3 property funds. PASSET’s market share in terms of mutual fund was 1.28%. In 2019, PASSET’s fee income from mutual fund business totaled Baht 545 million.

As of 31 December 2019, asset under management from private fund was Baht 24,521 million. PASSET’s fee income from private fund business totaled Baht 270 million.