



Management Discussion and Analysis

For the second quarter and six-month ended June 30, 2022

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Overall Business Operations

For 2Q22, the Bank continued to deliver solid performance with the consolidated net profit of the Bank and subsidiaries at Baht 2,033 million, an increase of 50.1% comparing to 2Q21 while comprehensive income totaled Baht 1,827 million, increase of 1.1% YoY. The increase continued to be driven by strong performance from the Commercial Banking Business with increase in both interest income and fee income generated from the credit business while provisioning expense declined as a result of manageable asset quality. For the first half of 2022, the consolidated net profit totaled Baht 4,089 million, an increase of 45.1% comparing to the same period last year with comprehensive income totaled Baht 3,781 million, increasing 13.3% YoY.

Net interest income for 2Q22 rose by 18.0% YoY from continued loan expansions in high quality assets with YTD loan growth as of the end of 2Q22 at 9.7%. Meanwhile, non-interest income declined as a result of uncertainties in the capital market with Kiatnakin Phatra Securities's market share¹ continued to rank at the number one position with market share of 18.18%.

Overall operating expenses continued to be efficiently managed, resulting in cost to income ratio² for 2Q22 at 40.9%. For provisions, the Bank remained prudent when considering the level of provisions taking into account the continuing uncertainties and recorded total expected credit losses amount for 2Q22 at Baht 812 million, lowered when comparing to amount for 2Q21, reflecting manageable asset quality with total allowance for expected credit losses to total NPLs ratio (coverage ratio) remaining at a high level of 169.1%. The Non-Performing Loans (NPLs) to total loans ratio for 2Q22 was at 3.0%³, remaining at stable level from the end of 2021.

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 2Q22 at 16.51%.

Overall market environment

The Thai economy in 2Q22 recovered at a faster pace compared to 1Q22, especially for domestic economy, from the easing concerns over COVID-19 outbreak. With the lifting of international travel restrictions, the tourism industry started to improve. Private consumption and investment showed a sign of recovery during 2Q22 following the improving COVID-19 outbreak situation. However, the rising inflation would limit the consumption recovery in the second half of 2022. Meanwhile, on the external front, exports started to show a sign of slow down with expansion continuing at a slower rate with growth driven by Thailand's major trade partners' income amid rising concern over recession risk. In the first 6 months of the year, exports expanded by 12.7% YoY due mainly to agricultural and oil-related products. The number of tourist arrivals for the first 6 months of 2022 increased to 2,080,000 compared to 20,000 for the same period in 2021.

The rapid surge in oil price and global inflation results in the faster tightening monetary policy cycle, led by the Federal Reserve. For Thailand, 2Q22 inflation increased significantly to 6.47%. The Bank of Thailand has expressed concern over inflationary pressure. With the pressure from baht depreciation caused by widening interest rate differential between Thai and the US, we expect the Bank of Thailand would raise the policy rate to 1.25% by end of 2022.

In 2022, the recovery of the Thai economy is expected to be fragile and uneven across sectors and geography. The tourism industry is likely to remain weak as only 6.1 million tourist arrivals are anticipated for 2022, still much lower than the pre-crisis of around 40 million people per year. However, domestic economic recovery is expected to resume given that the outbreak of COVID-19 local infections does not prolong and no national

¹ Including SET and mai but excluding proprietary trading

² Operating expenses excluding items relating to foreclosed assets (loss from revaluation of foreclosed assets and loss from sale of foreclosed assets)

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

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

The auto industry started to recover in 2022. The total number of car sales for the first 6 months of 2022 rose by 14.5% YoY, with the passenger vehicle segment and the commercial vehicle segment expanding by 12.9% and 15.3% YoY, respectively. The recovery was consistent with the expected improving economic conditions in 2022 as well as pent-up demand for car.

In the equity market, the average daily turnover (SET and mai) for 2Q22 declined by 19.3% from Baht 96,240 million in 1Q22 to Baht 77,663 million in 2Q22. The SET index at the end of 2Q22 closed at 1,568.33 points, declining by 7.5% from 1,695.24 points at the end of 1Q22.

Operating results of the Bank and subsidiaries for 2Q22 and for the first half of 2022

Unit : Baht million	2Q22	1Q22	% QoQ	2Q21	% YoY	1H22	1H21	% YoY
Net Interest income	4,475	4,304	4.0	3,794	18.0	8,779	7,624	15.1
Non-interest income	1,672	2,137	(21.8)	1,941	(13.9)	3,809	3,726	2.2
Total operating income	6,147	6,441	(4.6)	5,735	7.2	12,589	11,351	10.9
Total other operating expenses	2,818	2,793	0.9	2,678	5.2	5,611	5,261	6.7
Expected credit losses	812	1,066	(23.8)	1,378	(41.0)	1,878	2,612	(28.1)
Profit from operating before income tax expenses	2,517	2,582	(2.5)	1,680	49.8	5,099	3,477	46.6
Income tax expenses	481	521	(7.6)	322	49.5	1,002	627	59.8
Net Profit (attributable to equity holders of the Bank)	2,033	2,055	(1.1)	1,354	50.1	4,089	2,817	45.1
Total Comprehensive income (attributable to equity holders of the Bank)	1,827	1,954	(6.5)	1,807	1.1	3,781	3,338	13.3
Realized gain (loss) on sale of equity instruments designated at fair value through other comprehensive income	(4)	55	(107.1)	38	(110.2)	52	(62)	(182.5)
Basic earnings per share (Baht)	2.40	2.43	(1.2)	1.60	50.0	4.83	3.33	45.0

For 2Q22, the consolidated net profit totaled Baht 2,033 million, an increase of 50.1% from 2Q21 of which Baht 206 million was the net profit from Capital Market business. The increase was largely driven by the performance of the Commercial Banking Business with net interest income increased of 18.0% from continued loan expansions while non-interest income declined by 13.9% YoY from both lower net fees and services income and other income as a result of the uncertainties in the capital market. Meanwhile, provisions expense for 2Q22 declined considerably YoY reflecting the Bank's manageable loan portfolio quality. The consolidated comprehensive income for 2Q22 totaled Baht 1,827 million with Capital Market business's comprehensive income at Baht 194 million.

For the first half of 2022, the consolidated net profit totaled Baht 4,089 million, an increase of 45.1% comparing to the same period last year, of which Baht 672 million was the net profit from Capital Market business with increase driven by higher net interest income of 15.1% YoY from loan expansion while non-interest income increased only slightly amid uncertainties from the capital market. For provisions, expected credit loss declined comparing to the same period last year from overall loan portfolio quality which remained at a management level. The consolidated comprehensive income for the first half of 2022 totaled Baht 3,781 million with Capital Market business's comprehensive income at Baht 664 million.

Summary of financial performance ratios

Annualized Ratios	2Q22	1Q22	2Q21	1H22	1H21
Net Profit (Baht million)	2,033	2,055	1,354	4,089	2,817
ROAE (%)	15.4	15.8	11.3	15.7	11.9
ROE (%)	15.3	16.1	11.3	16.0	12.1
ROAA (%)	1.7	1.8	1.4	1.8	1.5
Comprehensive income (Baht million)	1,827	1,954	1,807	3,781	3,338
ROAE (%)	13.8	15.0	15.1	14.5	14.1
ROE (%)	13.8	15.3	15.0	14.8	14.4
ROAA (%)	1.5	1.7	1.8	1.6	1.8
Loan growth	2.9	6.6	4.4	9.7	6.7
NPLs/ Total loans (excluding interbank and POCI)	3.0	2.9	3.4	3.0	3.4
Allowance for expected credit losses/ Total NPLs excluding POCI (coverage ratio)	169.1	181.2	160.1	169.1	160.1

Net Interest Income

Unit: Baht million	2Q22	1Q22	% QoQ	2Q21	% YoY	1H22	1H21	% YoY
Interest income	5,547	5,270	5.2	4,744	16.9	10,817	9,559	13.2
Interest on loans	1,989	1,944	2.3	1,842	7.9	3,932	3,697	6.4
Hire purchase and financial lease income	3,292	3,090	6.5	2,692	22.3	6,383	5,320	20.0
Interest on POCI	45	65	(31.3)	48	(7.7)	110	222	(50.6)
Interest on interbank and money market items	119	100	18.9	69	71.7	219	131	67.6
Interest on securities	97	70	38.7	90	7.9	167	186	(10.3)
Others	5	2	204.4	2	135.3	7	4	61.3
Interest expense	1,071	967	10.9	950	12.8	2,038	1,935	5.3
Interest on deposits	686	620	10.6	615	11.5	1,307	1,269	3.0
Interest on interbank and money market items	35	28	23.4	24	48.3	64	49	29.1
Interest on debt issued and borrowings	135	121	12.0	139	(2.9)	256	273	(6.5)
Fees and charges on borrowings	2	4	(35.2)	2	5.4	6	6	0.2
FIDF and DPA fees	202	185	9.3	165	22.9	387	323	19.8
Others	10	8	21.9	5	116.5	19	14	38.1
Net Interest Income	4,475	4,304	4.0	3,794	18.0	8,779	7,624	15.1

For 2Q22, net interest income amounted to Baht 4,475 million, an increase of Baht 681 million or 18.0% from Baht 3,794 million during 2Q21 driven by the increase in interest income of 16.9% from continued loan expansions of 9.7% YTD. Interest income from hire purchase and financial lease increased by 22.3% in line with the considerable growth of the hire purchase portfolio in recent periods. Meanwhile, interest expense increased by 12.8% YoY as a result of higher deposit volume while cost of funds declined YoY from the Bank effective cost management resulting in overall net interest income to increase by 18.0% YoY. Loan spread for 2Q22 remained relatively stable at 5.2% comparing to 5.3% during 2Q21.

For the first half of 2022, net interest income totaled Baht 8,779 million, an increase of 15.1% consistent with the satisfactory growth in loan portfolio. Meanwhile, interest expenses also increased by 5.3% from higher deposit volume while cost of funds declined YoY from the Bank effective cost management. Loan spread for the first half of 2022 declined to 5.3% from 5.4% during the first half of 2021.

%	2Q22	1Q22	4Q21	3Q21	2Q21	1H22	1H21
Yield on loan	6.3	6.4	6.4	6.3	6.5	6.4	6.6
Cost of fund	1.1	1.1	1.1	1.2	1.3	1.1	1.3
Loan spread	5.2	5.3	5.3	5.2	5.3	5.3	5.4

Non-Interest Income

Unit: Baht million	2Q22	1Q22	% QoQ	2Q21	% YoY	1H22	1H21	% YoY
Fees and services income	1,646	1,851	(11.1)	1,821	(9.6)	3,496	3,457	1.1
Fees and services expenses	249	297	(16.0)	207	20.8	546	409	33.7
Fees and services income, net	1,396	1,554	(10.1)	1,614	(13.5)	2,950	3,048	(3.2)
Gain on financial instruments measured at fair value through profit or loss, net	123	362	(66.1)	187	(34.3)	485	358	35.7
Gain (loss) on investments, net	2	(14)	(112.4)	-	n.a.	(13)	(6)	106.7
Dividend income	93	200	(53.4)	96	(3.3)	293	218	34.1
Other operating income	58	36	60.5	44	32.4	95	108	(12.6)
Total Non-Interest Income	1,672	2,137	(21.8)	1,941	(13.9)	3,809	3,726	2.2

For 2Q22, non-interest income totaled Baht 1,672 million, a decline of 13.9% from 2Q21. The decline was largely driven by lower net fees and services income of 13.5% as a result of uncertainties in the capital market with fee from investment banking business continuing to slow down amid unfavorable market conditions. Meanwhile, bancassurance fee increased from loan expansions, fee income from asset management business also grew in line with asset under management which expanded YoY while fee from brokerage business also grew slightly YoY with Kiatnakin Phatra Securities maintaining the number one position in terms of market share at 18.18% for 2Q22. The Bank's other income declined driven by lower gain on financial instruments measured at fair value through profit or loss.

For the first half of 2022, non-interest income totaled Baht 3,809 million, increasing 2.2% YoY driven by higher bancassurance fee, asset management fee. The Bank's other income also increased driven by gain on financial instruments measured at fair value through profit and loss from the Equity and Derivatives Trading and Financial Markets business which performed well during the first half of 2022 comparing to the first half of 2021. Meanwhile, due to unfavorable market conditions, fee from investment banking business slowed down comparing to the same period last year.

Other operating expenses

Unit: Baht million	2Q22	1Q22	% QoQ	2Q21	% YoY	1H22	1H21	% YoY
Employee's expenses	1,670	1,658	0.7	1,545	8.1	3,328	3,005	10.8
Directors' remuneration	10	13	(28.1)	8	16.9	23	19	18.0
Premises and equipment expenses	271	252	7.4	252	7.6	523	495	5.6
Taxes and duties	116	112	3.8	103	13.7	229	216	6.0
Loss from revaluation of foreclosed assets	23	57	(59.9)	60	(61.4)	80	25	216.1
Loss from sale of foreclosed assets	242	251	(3.4)	331	(27.0)	493	726	(32.2)
(Gain) loss from sale of foreclosed properties	(90)	(23)	293.4	(94)	(4.4)	(113)	(260)	(56.6)
Loss from sale of repossessed cars	332	273	21.4	425	(22.0)	605	986	(38.6)
Other expenses	486	449	8.2	380	28.1	936	774	20.9
Total other operating expenses	2,818	2,793	0.9	2,678	5.2	5,611	5,261	6.7

For 2Q22, other operating expenses were Baht 2,818 million, increasing by 5.2% YoY. The Bank continues to focus on effective cost management with the increase in expenses largely due to employee's expenses and marketing expenses relating to business growth. Loss from sale of foreclosed assets for 2Q22 totaled Baht 242 million, declining 27.0% YoY. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 332 million, with loss declining 22.0% YoY and gain on sale of foreclosed properties totaled Baht 90 million. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets for 2Q22 at 40.9%.

For the first half of 2022, other operating expenses were Baht 5,611 million, increasing by 6.7% YoY largely driven by higher employee's expenses and marketing expenses relating to business growth. Loss from sale of foreclosed assets for the first half of 2022 declined considerably YoY driven by lower loss from repossessed cars. Cost-to-income ratio for the first half of 2022 was at 39.7% increasing slightly from 38.8% comparing to the same period last year.

Expected Credit Loss (ECL)

Unit: Baht million	2Q22	1Q22	% QoQ	2Q21	% YoY	1H22	1H21	% YoY
Expected Credit Losses	812	1,066	(23.8)	1,378	(41.0)	1,878	2,612	(28.1)
Credit Cost (%)	1.47	1.78		2.72		1.63	2.74	

For 2Q22, the Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside provisions to reflect possible deteriorations from continued uncertainties including the high level of provisions set aside during the past two years of pandemic situation. For 2Q22, expected credit losses totaled Baht 812 million, declining 41.0% from 2Q21 amount of Baht 1,378 million, reflecting manageable loan portfolio quality. Allowance for expected credit losses to total NPLs ratio (coverage ratio) remained at a high level of 169.1% increasing from 160.1% YoY. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 2Q22 improved to 1.47% of average loan, declining from 2.72% during 2Q21.

For the first half of 2022, expected credit losses totaled Baht 1,878 million, declining 28.1% from Baht 2,612 million YoY with decline driven by manageable asset quality and also the high level of provisioning the Bank has already provisioned for during the past periods of pandemic situation. Provisions including loss from sale of repossessed cars (credit cost) for the first half of 2022 improved to 1.63% of average loan declining from 2.74% during the first half of 2021.

Statements of Financial Position

Assets

As of the end of June 2022, totaled Baht 494,300 million, increased of Baht 58,177 million or 13.3% from the end of 2021 mainly from the increase in loans to customers and accrued interest receivables.

<u>Assets</u> (Baht Thousand)	Consolidated		Change	
	Jun 30, 2022	Dec 31, 2021	Amount	%
Cash	1,105,535	1,242,065	(136,530)	(11.0)
Interbank and money market items, net	55,234,805	55,238,234	(3,429)	(0.0)
Financial assets measured at fair value through profit or loss	28,397,926	22,364,824	6,033,102	27.0
Derivatives assets	13,117,760	7,481,509	5,636,251	75.3
Investment, net	31,145,616	16,840,213	14,305,403	84.9
Investments in properties, net	-	21,502	(21,502)	(100.0)
Loans to customers and accrued interest receivables, net	328,732,738	299,147,566	29,585,172	9.9
Properties foreclosed, net	4,052,282	3,981,941	70,341	1.8
Land, premises and equipment, net	3,640,235	3,500,887	139,348	4.0
Right-of-use assets	312,095	321,019	(8,924)	(2.8)
Other intangible assets, net	1,297,549	1,211,574	85,975	7.1
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,907,962	1,743,966	163,996	9.4
Accounts receivable from clearing house and broker - dealers	2,466,995	979,499	1,487,496	151.9
Securities and derivative business receivables	11,831,295	10,996,362	834,933	7.6
Other assets, net	7,990,928	7,986,005	4,923	0.1
Total Assets	494,299,756	436,123,201	58,176,555	13.3

Liabilities

As of the end of June 2022, amounted to Baht 441,237 million, increasing 14.6% from the end of 2021. Deposits were Baht 320,941 million comprised of 39.1% of term deposits and 60.9% of current and saving accounts (CASA). Meanwhile, debts and borrowings were Baht 59,961 million, increasing by 36.9% from the end of 2021. Loan to deposits and borrowings ratio as of end of 2Q22 stood at 89.8%.

Liabilities (Baht Thousand)	Consolidated		Change	
	Jun 30, 2022	Dec 31, 2021	Amount	%
Deposits	320,940,910	288,381,946	32,558,964	11.3
Current Account	2,058,012	860,726	1,197,287	139.1
Saving Account	193,254,256	169,457,001	23,797,255	14.0
Term Deposit	125,499,117	117,896,190	7,602,926	6.4
Certificate of Deposit	129,525	168,029	(38,504)	(22.9)
Interbank and money market items, net	14,485,514	16,664,329	(2,178,815)	(13.1)
Liabilities payable on demand	927,349	668,531	258,818	38.7
Financial liabilities measured at fair value through profit or loss	3,071,440	1,699,750	1,371,690	80.7
Derivatives liabilities	15,342,015	9,036,326	6,305,689	69.8
Debt issued and borrowings	59,961,355	43,804,907	16,156,448	36.9
Lease liabilities	233,628	240,002	(6,374)	(2.7)
Provisions	1,149,852	1,098,744	51,108	4.7
Deferred tax liabilities	8,402	10,111	(1,709)	(16.9)
Accounts payable to clearing house and broker - dealers	346,738	1,661,003	(1,314,265)	(79.1)
Securities and derivative business payables	12,015,070	8,898,093	3,116,977	35.0
Accrued interest expenses	399,864	346,922	52,942	15.3
Other accounts payable	7,093,252	6,250,144	843,108	13.5
Income tax payable and specific business tax payable	1,040,637	1,278,686	(238,049)	(18.6)
Other liabilities	4,220,852	4,921,552	(700,700)	(14.2)
Total Liabilities	441,236,878	384,961,046	56,275,832	14.6

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 June 30, 2022, the consolidated Capital Adequacy Ratio (BIS ratio) under Basel III which included profit up to end of 2021 after dividend payment was at 16.51% while Tier 1 ratio was at 12.99%. When including net profit up to end of 2Q22, the BIS ratio will increase to 17.67% while Tier 1 ratio will be 14.16%. The consolidated Tier 1 capital are all Common Equity Tier 1 contributing to 78.72% of total capital reflecting high quality of capital.

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

Total Capital and Capital Adequacy Ratio of the Bank as of the end of June 2022 are as follows:

	Bank Only			Consolidated		
	Jun 2022	Mar 2022	Jun 2021	Jun 2022	Mar 2022	Jun 2021
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	39,873	39,052	38,299	44,462	42,438	41,956
Tier 1 capital	39,873	39,052	38,299	44,462	42,438	41,956
Total capital	51,924	50,904	51,396	56,480	54,266	55,014
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	11.82	12.21	12.80	12.99	13.03	13.79
Tier 1 capital	11.82	12.21	12.80	12.99	13.03	13.79
Total capital	15.39	15.91	17.18	16.51	16.66	18.08

Business Segment Performance

The Kiatnakin Phatra Financial Group (“the Group”) businesses are divided into two main areas: the Commercial Banking Business operated by the Bank and Capital Market Business operated by its subsidiaries which are comprised of KKP Capital, Kiatnakin Phatra Securities and Kiatnakin Phatra Asset Management.

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

Loans to Customers

Type of loans	June 30, 2022		December 31, 2021		Change (%)
	Amount (Baht million)	Ratio (%)	Amount (Baht million)	Ratio (%)	
Retail Lending	232,126	67.7	206,751	66.2	12.3
Hire Purchase	172,160	50.2	155,359	49.7	10.8
Personal loan	8,558	2.5	7,717	2.5	10.9
Micro SMEs loan	8,999	2.6	7,971	2.6	12.9
Housing loan	42,409	12.4	35,704	11.4	18.8
Commercial Lending	55,330	16.1	52,728	16.9	4.9
Real Estate Development loan	23,998	7.0	22,927	7.3	4.7
SMEs loan	31,332	9.1	29,800	9.5	5.1
Corporate Lending	43,492	12.7	43,167	13.8	0.8
Special Asset Management loan	1,114	0.3	1,135	0.4	(1.9)
Lombard loan	10,632	3.1	8,701	2.8	22.2
Total loans	342,694	100.0	312,483	100.0	9.7
Total loans (excluding POCI)	342,014		311,789		9.7

As of the end of 2Q22, total loans excluding POCI amount to Baht 342,014 million, expanding by 9.7% from the end of 2021, with expansion across all segments but largely driven by hire purchase and housing segment. With growth continuing to be focused on quality and profitable segment. Detail of loan by segment as follows:

- **Retail Lending** amounted to Baht 232,126 million, increasing by 12.3% 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 172,160 million, expanded by 10.8% from the end of 2021. New hire purchase business volume booked during 2Q22 totaled Baht 21,080 million, increasing by 17% YoY. The portion of hire purchase loan to total Bank loan portfolio stood at 50.2% with the portion of new cars to used cars at 40:60. The domestic new car sales for the first 6 months of 2022 totaled 427,296 units, increasing by 14.5% YoY. The penetration rate of the Bank new cars lending to the domestic new car sales for the first 6 months of 2022 was at 5.5%, comparing to 5.3% from the same period last year, with increase continuing to come from the Bank’s expansion into new business segments with higher asset quality.

- **Other retail loans** amounted to Baht 59,966 million, with overall other retail loans expansion of 16.7% from the end of 2021, mainly from the increase in housing loans of 18.8% consistent with the focus on quality growth. Total combined other retail loans portion to total Bank loan portfolio increased to 17.5% as of the end of 2Q22.
- **Commercial Lending** business loans amounted to Baht 55,330 million, expanded by 4.9% 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 (RE)** totaled Baht 23,998 million, increasing by 4.7% YTD.
 - **SMEs loans** were Baht 31,332 million, also expanding by 5.1% 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 43,492 million, expanded by 0.8% from the end of 2021.
- **Special asset management (SAM)** is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,114 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 10,632 million, considerable expansion of 22.2% from the end of 2021.

Loan classifications and Allowance for expected credit losses (ECL)

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

Unit : Baht million	30 June 2022		31 March 2022		30 June 2021	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ⁴
Stage 1 : Performing financial assets	313,318	8,309	305,992	8,602	264,278	7,497
Stage 2 : Under-Performing financial assets	20,227	3,399	18,696	3,211	14,531	2,420
Stage 3 : Non-Performing financial assets	11,550	4,682	10,677	4,304	10,578	4,188
Purchased or originated credit-impaired financial assets	888	29	873	26	804	23
Total	345,983	16,420	336,238	16,142	290,191	14,128

⁴ Including ECL for loans and loan commitments and financial guarantees

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 June 2022, allowance for expected credit losses totaled Baht 17,363 million, with expected credit losses under TFRS 9 amounted to Baht 16,420 million and remaining excess loan loss reserve totaled Baht 944 million at the end of 2Q22. 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 2Q22 remaining at a high level of 169.1%, increasing from 160.1% from the end of 2Q21.

NPLs distribution by loan type

Type of loans	June 30, 2022			December 31, 2021		
	Amount (Baht million)	Ratio (%)	% of loans	Amount (Baht million)	Ratio (%)	% of loans
Retail Lending	4,736	43.2	2.0	4,383	43.0	2.1
Hire Purchase	2,905	26.5	1.7	2,716	26.6	1.7
Personal loan	82	0.7	1.0	88	0.9	1.1
Micro SMEs loan	1,296	11.8	14.4	1,140	11.2	14.3
Housing loan	453	4.1	1.1	439	4.3	1.2
Commercial Lending	4,971	45.4	9.0	4,672	45.8	8.9
Real Estate Development loan	3,300	30.1	13.8	3,038	29.8	13.2
SMEs loan	1,671	15.3	5.3	1,635	16.0	5.5
Corporate Lending	130	1.2	0.3	-	0.0	0.0
Special Asset Management loan	1,114	10.2	100.0	1,135	11.1	100.0
Lombard loan	-	0.0	0.0	-	0.0	0.0
Total NPLs	10,951	100.0	3.2	10,191	100.0	3.3
Total NPLs (excluding POCI)	10,270		3.0	9,498		3.0

For 2Q22, the overall asset quality continued to be at a manageable level with the Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI totaled Baht 10,270 million or 3.0% of total loans, with ratio remaining stable from the end of 2021. The Bank continued to proactively manage the loan portfolio quality through debt restructuring, write off, through various assistance measures and together with the Bank focus on loan expansion into high quality segment.

For customers impacted by the COVID-19 situation, the Bank continues to provide assistance focusing on measures as appropriate for each customer segment and taking into account long-term restructuring plan to match with the deterioration in the current financial status of customers impacted by COVID-19. The Bank will continue to assess the situation closely especially in terms of portfolio quality and will prudently set up provisions appropriately to cushion against any possible deteriorations.

Capital Market business comprises of brokerage business, investment banking business, investment business and asset management business. Details are as follows:

■ **Equity and Derivatives Brokerage Business**

Kiatnakin Phatra Securities Public Company Limited (“KKPS”) operates Agency Business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high net worth individuals under Wealth Management. For high net worth clients, other wealth management products are provided such as local and foreign mutual funds and structured products. For 2Q22, the market share⁵ of KKPS was 18.18%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 444 million comprising of equity brokerage revenue of Baht 367 million, derivatives brokerage revenue of Baht 54 million and other brokerage revenue of Baht 23 million. Additionally, KKPS also had brokerage revenue from selling agent fees of Baht 266 million⁶.

■ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 2Q22, the investment banking business revenue was Baht 68 million, contributed to financial advisory fee amounting Baht 33 million, underwriting fee amounting Baht 30 million and other revenue of Baht 5 million.

■ **Investment Business**

Investment Business is managed by 2 departments, comprising of Direct Investment Department (“DI”), with medium to long-term investment horizon, and Equity and Derivatives Trading Department (“EDT”). EDT focuses on equity and equity-linked securities in the capital market and derivatives market, with short-term investment not more than 1 year by applying Arbitrage investment strategy as well as issuing and offering financial structured products. For 2Q22, DI focusing on long-term investment with value based investment philosophy recorded loss on investment including other comprehensive income totaling Baht 136 million⁷. Meanwhile, EDT had gain on investment totaling Baht 168 million⁸. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 52 million.

■ **Asset Management Business**

Kiatnakin Phatra Asset Management Company Limited (“KKPAM”), under mutual fund and private fund management licenses, offers fund management services to individuals and corporate customers. KKPAM’s mutual fund AUM as of 30 June 2022 was Baht 88,949 million with total 93 funds under management consisting of 91 mutual funds and 2 property funds. KKPAM’s market share in terms of mutual fund was 1.82%. In 2Q22, KKPAM’s fee income from mutual fund business totaled Baht 190 million. As of 30 June 2022, asset under management from private fund was Baht 21,929 million with fee income from private fund business totaled Baht 30 million.

⁵ Including SET and mai but excluding proprietary trading

⁶ Including selling agent fee which receive from subsidiary company

⁷ Additional, DI also had foreign exchange gain Baht 4 million. Total DI loss was Baht 132 million.

⁸ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 153 million

Profit and Loss Transaction

For the three-month period ended June 30, (Baht Thousand)	Consolidated		Change	
	2022	2021	Amount	%
Interest income	5,546,896	4,743,906	802,990	16.9
Interest expenses	1,071,451	949,766	121,685	12.8
Interest income, net	4,475,445	3,794,140	681,305	18.0
Fees and services income	1,645,544	1,820,654	(175,110)	(9.6)
Fees and services expenses	249,455	206,577	42,878	20.8
Fees and services income, net	1,396,089	1,614,077	(217,988)	(13.5)
Gain on financial instruments measured at fair value through profit or loss, net	122,833	187,060	(64,227)	(34.3)
Gain on investments, net	1,769	-	1,769	n.a.
Dividend income	93,017	96,176	(3,159)	(3.3)
Other operating income	58,304	44,041	14,263	32.4
Total operating income	6,147,457	5,735,494	411,963	7.2
Other operating expenses				
Employee's expenses	1,670,129	1,544,939	125,190	8.1
Directors' remuneration	9,606	8,217	1,389	16.9
Premises and equipment expenses	270,745	251,524	19,221	7.6
Taxes and duties	116,497	102,501	13,996	13.7
Loss from revaluation of foreclosed assets	23,049	59,760	(36,711)	(61.4)
Loss from sale of foreclosed assets	242,036	331,360	(89,324)	(27.0)
Other expenses	486,229	379,597	106,632	28.1
Total other operating expenses	2,818,291	2,677,898	140,393	5.2
Expected credit losses	812,391	1,377,921	(565,530)	(41.0)
Profit from operating before income tax expenses	2,516,775	1,679,675	837,100	49.8
Income tax expenses	481,256	321,869	159,387	49.5
Net profit	2,035,519	1,357,806	677,713	49.9
Net profit attributable to:				
Equity holders of the Bank	2,033,280	1,354,265	679,015	50.1
Non-controlling interests	2,239	3,541	(1,302)	(36.8)
Total comprehensive income attributable to:				
Equity holders of the Bank	1,826,641	1,806,597	20,044	1.1
Non-controlling interests	2,237	3,627	(1,390)	(38.3)
Basic earnings per share (Baht)	2.40	1.60	0.80	50.0

Profit and Loss Transaction

For the six-month period ended June 30, (Baht Thousand)	Consolidated		Change	
	2022	2021	Amount	%
Interest income	10,817,363	9,559,017	1,258,346	13.2
Interest expenses	2,037,970	1,934,521	103,449	5.3
Interest income, net	8,779,393	7,624,496	1,154,897	15.1
Fees and services income	3,496,080	3,456,885	39,195	1.1
Fees and services expenses	546,288	408,679	137,609	33.7
Fees and services income, net	2,949,792	3,048,206	(98,414)	(3.2)
Gain on financial instruments measured at fair value through profit or loss, net	484,980	357,517	127,463	35.7
Gain (loss) on investments, net	(12,509)	(6,051)	(6,458)	106.7
Dividend income	292,552	218,094	74,458	34.1
Other operating income	94,634	108,284	(13,650)	(12.6)
Total operating income	12,588,842	11,350,546	1,238,296	10.9
Other operating expenses				
Employee's expenses	3,328,059	3,004,653	323,406	10.8
Directors' remuneration	22,972	19,462	3,510	18.0
Premises and equipment expenses	522,950	495,399	27,551	5.6
Taxes and duties	228,775	215,816	12,959	6.0
Loss from revaluation of foreclosed assets	80,478	25,456	55,022	216.1
Loss from sale of foreclosed assets	492,625	726,290	(233,665)	(32.2)
Other expenses	935,558	774,051	161,507	20.9
Total other operating expenses	5,611,417	5,261,127	350,290	6.7
Expected credit losses	1,878,269	2,612,229	(733,960)	(28.1)
Profit from operating before income tax expenses	5,099,156	3,477,190	1,621,966	46.6
Income tax expenses	1,001,963	627,097	374,866	59.8
Net profit	4,097,193	2,850,093	1,247,100	43.8
Net profit attributable to:				
Equity holders of the Bank	4,088,634	2,816,940	1,271,694	45.1
Non-controlling interests	8,559	33,153	(24,594)	(74.2)
Total comprehensive income attributable to:				
Equity holders of the Bank	3,780,603	3,337,812	442,791	13.3
Non-controlling interests	8,558	33,293	(24,735)	(74.3)
Basic earnings per share (Baht)	4.83	3.33	1.50	45.0