



Management Discussion and Analysis

For the first quarter ended March 31, 2021

Kiatnakin Phatra Bank Public Company Limited

Investor Relations

Email: investor_relations@kkpfg.com

Tel. +66-2495-1366

Website: www.kkpfg.com

Overall Business Operations

The Bank continued to deliver solid performance during 1Q21 with the consolidated net profit of the Bank and subsidiaries for 1Q21 at Baht 1,463 million, an increase of 32.0% from the previous quarter. When comparing to 1Q20, net profit decline slightly by 1.4%. The consolidated comprehensive income for 1Q21 totaled Baht 1,531 million, increased of 91.7% comparing to 1Q20. Net interest income rose by 8.2% and net fees and services income also rose by 12.4% driven by the increase in income from the brokerage business while other non-interest income declined yoy. Overall operating expenses also declined from effective cost management when comparing to the same period last year. The Bank continued to remain prudent when considering the level of provisions taking into account the prolonged uncertainties from the COVID-19 and recorded total expected credit loss amount for 1Q21 at Baht 1,234 million.

The Bank placed importance on asset quality management for its loan portfolio and focus on expanding into profitable segment with better asset quality taking into careful considerations the economic conditions. As such, the overall Bank's loan portfolio for 1Q21 expanded by 2.1% from the end of 2020 with growth driven by hire purchase, housing and real estate lending segment. For asset quality, the Non-Performing Loans (NPLs) to total loans ratio for 1Q21 increased to 3.2%¹ from 2.9% at the end of 2020 mainly from loans exiting from the relief program.

The Bank current level of capital remains strong and is above the minimum requirement by the Bank of Thailand with the capital adequacy ratio on a consolidated basis as of end of March 2021 at 17.77%.

For Capital market business, the market share (SET and mai excluding proprietary trading) of Kiatnakin Phatra Securities Plc. for 1Q21 was at 10.84%, continuing to rank 1st from total of 38 brokers.

Overall market environment

The Thai economy started out at a slow pace in January 2021 due to the resurgence of COVID-19 local infections since mid-December of last year. Economic activity improved in February as the outbreak was brought under control and external demand continued to recover. Private consumption picked up across all spending categories thanks to improvements in domestic demand supported by various government stimulus measures. Private investment expanded at a higher rate, driven by real imports of capital goods and raw materials. This was in line with the improving business sentiment and export recovery. The value of Thai exports for the first quarter of 2021 expanded by 2.3 % yoy in line with an improving in trading partner demand. In the tourism sector, the number of tourist arrivals contracted by 99.8% to register at 13,435 tourists, compared to 5,872,145 people in the pre-COVID-19 period (Jan-Feb 2020), as travel restriction remained in place.

In 2021, the recovery of the Thai economy is expected to be fragile and uneven across sectors and geography due to (1) a severe outbreak of the current third wave starting since the end of March 2021 which could induce the government to enforce additional partial lockdown measures, causing negative impact on consumption, investment; (2) financial health of businesses especially in the tourism sector, which, if deteriorating further, may lead to a credit event as well as an adverse effect on employment and household income; (3) a slow vaccination and vaccine effectiveness which could further delay border re-opening; and (4)

¹ Excluding loans classified as Purchased or originated credit-impaired financial assets (POCI)

domestic political uncertainties that may affect investor confidence and result in a delay of government policy implementation.

For the auto industry, the total number of car sales for the first quarter of 2021 contracted by 3.0% yoy, with the passenger vehicle segment contracting by 16.7% yoy. Meanwhile, the commercial vehicle segment increased by 5.9 % yoy. The overall underperformance of the car industry was consistent with the economy-wide economic slowdown and the credit tightening by financial institutions following signs of deterioration in loan quality.

In the equity market, the average daily turnover (SET and mai) for 1Q21 increased by 41.3% from Baht 68,607 million in 2020 to Baht 96,951 million in 1Q21. The SET index at the end of 1Q21 closed at 1,587.21 points, increasing by 9.5% from 1,449.35 points at the end of 2020.

Update status on Coronavirus 2019 (COVID-19)

With the resurgence of COVID-19 local infections at the end of 1Q21 onwards, the Bank continued to monitor the situation closely while continuing to focus on providing support to customers and at the same time monitoring the status of customers still under financial assistance initiated during 2020. During 1Q21, the Bank has received additional requests for financial assistance but the number of requests so far has been small. For customers requiring financial assistance, the Bank has been assisting such customers in finding appropriate financial solutions on a case by case basis. The Bank will continue to assess the situation closely especially in terms of portfolio quality and will continue to prudently set up provisions to cushion against any possible deteriorations from the COVID-19 situation.

Operating results of the Bank and subsidiaries for 1Q21

For 1Q21, the consolidated net profit totaled Baht 1,463 million, a slight decline of 1.4% from 1Q20. If comparing with the previous quarter, net profit increased by 32.0% of which Baht 476 million was the net profit from Capital Market business operated by KKP Capital Plc. and subsidiaries. The consolidated comprehensive income for 1Q21 totaled Baht 1,531 million, an increase of 91.7% yoy from improved market conditions with Capital Market business's comprehensive income at Baht 722 million. The comprehensive income included revaluation of investments. Pre-provision operating profit for 1Q21 increased yoy driven by the increased in net interest income and net fees and services income while other non-interest income declined. Operating expenses also declined yoy from effective cost management and largely driven by lower loss from revaluation of foreclosed assets which the Bank recorded during 1Q20. Additionally, with the prolonged uncertainties and increased in outbreak from the COVID-19 situation during 1Q21 onwards, the Bank continued to prudently set up additional expected credit loss amount at a higher level when comparing to 1Q20.

Summary of operating performance

Unit : Baht million	1Q21	4Q20	% QoQ	1Q20	% YoY
Net Interest income	3,830	3,996	(4.1)	3,539	8.2
Non-interest income	1,785	1,979	(9.8)	2,055	(13.2)
Total operating income	5,615	5,974	(6.0)	5,594	0.4
Total other operating expenses	2,583	2,545	1.5	3,355	(23.0)
Expected credit losses	1,234	2,077	(40.6)	256	381.9
Profit from operating before income tax expenses	1,798	1,353	32.9	1,983	(9.4)
Income tax expenses	305	235	30.0	497	(38.6)
Net Profit (attributable to equity holders of the Bank)	1,463	1,108	32.0	1,484	(1.4)
Total Comprehensive income (attributable to equity holders of the Bank)	1,531	1,530	0.1	799	91.7
Basic earnings per share (Baht)	1.73	1.31	32.1	1.75	(1.1)

Summary of financial performance ratios

Annualized Ratios	1Q21	4Q20	3Q20	2Q20	1Q20
Net Profit (Baht million)	1,463	1,108	1,347	1,184	1,484
ROAE (%)	12.4	9.7	12.2	11.1	13.8
ROE (%)	12.6	9.9	12.4	11.3	13.5
ROAA (%)	1.5	1.2	1.5	1.3	1.7
Comprehensive income (Baht million)	1,531	1,530	1,458	1,629	799
ROAE (%)	13.0	13.4	13.2	15.3	7.4
ROE (%)	13.2	13.6	13.4	15.6	7.3
ROAA (%)	1.6	1.7	1.6	1.8	0.9
Loan growth	2.1	3.9	3.0	0.7	4.2
NPLs/ Total loans (excluding interbank and POCI)	3.2	2.9	2.9	3.4	3.7
Allowance for expected credit loss/ Total NPLs excluding POCI (coverage ratio)	163.3	170.9	152.6	128.7	115.9

Net Interest Income

Unit: Baht million	1Q21	4Q20	% QoQ	1Q20	% YoY
Interest income	4,815	5,101	(5.6)	4,840	(0.5)
Interest on loans	1,854	2,089	(11.3)	2,099	(11.7)
Hire purchase and financial lease income	2,628	2,550	3.0	2,442	7.6
Interest on POCI	173	287	(39.6)	93	86.5
Interest on interbank and money market items	61	70	(11.8)	77	(20.7)
Interest on securities	96	103	(6.8)	122	(21.2)
Others	2	2	(8.7)	7	(70.5)
Interest expense	985	1,106	(10.9)	1,301	(24.3)
Interest on deposits	654	737	(11.3)	799	(18.2)
Interest on interbank and money market items	26	22	15.5	57	(55.1)
Interest on debt issued and borrowings	134	177	(24.3)	291	(53.9)
Fees and charges on borrowings	4	2	88.8	2	81.9
FIDF and DPA fees	159	160	(0.8)	139	14.4
Others	9	7	27.4	13	(33.1)
Net Interest Income	3,830	3,996	(4.1)	3,539	8.2

For 1Q21, net interest income amounted to Baht 3,830 million, an increase of Baht 291 million or 8.2% yoy from Baht 3,539 million in 1Q20. Interest income was Baht 4,815 million almost at the same level yoy. While the Bank's loan portfolio has continued to grow satisfactorily expanding by 2.1% during 1Q21, the yield on loan for 1Q21 has declined to 6.8% comparing to 7.7% yoy resulting in a stable interest income yoy. Additionally, interest income from POCI also increased during 1Q21 yoy from the progress in resolving POCI loans. Interest expense totaled Baht 985 million, a decline of 24.3% yoy, with cost of funds declining further to 1.4% for 1Q21 comparing to 1.9% for 1Q20 from continuous cost management in line with the decline in policy rate and market deposit rates during the past periods. Overall, resulting in loan spread for 1Q21 to decline to 5.5% from 5.7% yoy.

%	1Q21	4Q20	3Q20	2Q20	1Q20
Yield on loan	6.8	6.8	7.1	7.5	7.7
Cost of fund	1.4	1.5	1.6	1.8	1.9
Loan spread	5.5	5.3	5.5	5.7	5.7

Non-Interest Income

For 1Q21, non-interest income totaled Baht 1,785 million decreased by 13.2% yoy. The decline is mainly due to the lower gain on financial instruments measured at fair value through profit and loss comparing to the same quarter last year while net fees and services income increased by 12.4% yoy. The increase in net fees and services income is mainly driven by the increase in fee from the brokerage business which totaled Baht 775 million in line with the considerable increased in market trading activity comparing to 1Q20 and also

contributed by the increase in income generated from the Private Wealth Management business. Meanwhile, fee from asset management business totaled Baht 175 million declining slightly by 1.6% yoy, bancassurance fee totaled Baht 243 million, a decline of 6.8% with fee generated from investment banking business for 1Q21 amounted to Baht 131 million, also registering a decline yoy.

Unit: Baht million	1Q21	4Q20	% QoQ	1Q20	% YoY
Fees and services income	1,636	1,337	22.3	1,488	10.0
Fees and services expenses	202	186	8.8	212	(4.8)
Fees and services income, net	1,434	1,152	24.5	1,276	12.4
Gain on financial instruments measured at fair value through profit or loss	170	280	(39.1)	459	(62.9)
Gain (loss) on investments, net	(6)	(11)	(42.5)	78	(107.8)
Dividend income	122	42	192.9	186	(34.6)
Other operating income	64	516	(87.5)	56	14.5
Total Non-Interest Income	1,785	1,979	(9.8)	2,055	(13.2)

Other operating expenses

For 1Q21, other operating expenses were Baht 2,583 million, decreased by 23.0% yoy mainly from the item on revaluation of foreclosed assets. As a prudent measure, during 1Q20, the Bank recorded additional impairment on revaluation of foreclosed assets in the amount of Baht 665 million on foreclosed properties that are deemed to require a long period of time to dispose while there is no item for this quarter. Loss from sale of foreclosed assets remained stable yoy with loss for 1Q21 totaled Baht 395 million comparing to 1Q20 loss of Baht 392 million. Loss on sale of foreclosed assets comprised of loss from sale of repossessed cars amounting to Baht 561 million, increasing from Baht 439 million yoy from increased in car repossession activity from a slow down during the financial relief period in 2020 and also from gain on sale of foreclosed properties which totaled Baht 166 million for 1Q21, increasing from Baht 47 million yoy with sale activities continuing to show improvement from pickup in economic activities. If excluding loss from sale and revaluations of foreclosed assets, operating expenses for 1Q21 totaled Baht 2,223 million, declining by 2.1% comparing to 1Q20 mainly from the decrease in premises and equipment expenses. Cost-to-income ratio excluding loss from sale and revaluations of foreclosed assets stood at 38.4% improving from 40.2% during 1Q20.

Unit: Baht million	1Q21	4Q20	% QoQ	1Q20	% YoY
Employee's expenses	1,460	1,410	3.5	1,422	2.7
Directors' remuneration	11	10	10.0	7	69.7
Premises and equipment expenses	244	290	(15.8)	303	(19.6)
Taxes and duties	113	118	(4.3)	140	(18.9)
(Reversal) loss from revaluation of foreclosed assets	(34)	146	(123.5)	693	(105.0)
Loss from sale of foreclosed assets	395	138	186.0	392	0.8
Other expenses	394	432	(8.7)	399	(1.0)
Total other operating expenses	2,583	2,545	1.5	3,355	(23.0)

Expected Credit Loss (ECL)

From 1 January 2020 onwards, the expected credit loss (ECL) will be based on impairment requirement under Thai Financial Reporting Standard No. 9 (TFRS 9). Financial instruments under TFRS 9 are classified into 3 stages. For stage 1, TFRS 9 requires ECL allowances based on 12 month expected losses. For Stage 2 and Stage 3, the standard requires ECL allowances based on lifetime expected losses. Moreover, ECL also incorporates forward-looking economic scenarios into loss allowances.

For 1Q21, expected credit losses totaled Baht 1,234 million, increasing when comparing to Baht 256 million for 1Q20. With the deterioration of the COVID-19 situation at the end of 1Q21 which could delay the pace of economic recovery and may result in deterioration of asset quality in the coming periods, the Bank continued to exercise cautionary measure under the TFRS 9 framework by setting aside higher provisions and management overlay to reflect possible deteriorations resulting from COVID-19 impacts. Total management overlay for 1Q21 amounted to Baht 433 million. Total allowance for expected credit losses to total NPLs ratio (coverage ratio) stood at 163.3% for 1Q21. When excluding the release of excess loan loss reserve, provisions including loss from sale of repossessed cars (credit cost) for 1Q21 amounted to 2.79% of average loan comparing to 2.55% during 2020.

Statements of Financial Position

Assets, as of 31 March 2021, totaled Baht 393,443 million, increased of Baht 30,032 million or 8.3% from the end of 2020 mainly from the increase in interbank and money market items and the increase in loans.

<u>Assets</u> (Baht '000)	Consolidated		Change	
	Mar 31, 2021	Dec 31, 2020	Amount	%
Cash	1,176,171	1,490,626	(314,455)	(21.1)
Interbank and money market items, net	39,868,214	32,770,543	7,097,671	21.7
Financial assets measured at fair value through profit or loss	11,986,491	11,289,598	696,893	6.2
Derivatives assets	10,361,295	10,276,081	85,214	0.8
Investment, net	22,489,070	23,312,942	(823,872)	(3.5)
Investments in properties, net	21,697	21,761	(64)	(0.3)
Loans to customers and accrued interest receivables, net	263,669,458	258,846,014	4,823,444	1.9
Properties foreclosed, net	3,133,826	2,937,160	196,666	6.7
Land, premises and equipment, net	3,285,664	3,284,464	1,200	0.0
Right-of-use assets	218,046	229,835	(11,789)	(5.1)
Other intangible assets, net	1,107,742	1,128,488	(20,746)	(1.8)
Goodwill	3,066,035	3,066,035	-	0.0
Deferred tax assets	1,428,641	1,338,682	89,959	6.7
Accounts receivable from clearing house and broker - dealers	6,432,640	1,334,267	5,098,373	382.1
Securities and derivative business receivables	13,602,531	6,837,597	6,764,934	98.9
Other assets, net	11,595,867	5,246,923	6,348,944	121.0
Total Assets	393,443,388	363,411,016	30,032,372	8.3

Liabilities

As of end of 31 March 2021, amounted to Baht 345,281 million, increasing 9.0% from the end of 2020. Deposits were Baht 252,388 million, remaining stable from end of 2020. Deposits comprised of 45.9% of term deposits and 54.1% of current and saving accounts (CASA). Meanwhile, debts and borrowings were Baht 32,844 million, increasing by 15.9% from the end of 2020. Loan to deposits and borrowings ratio stood at 95.8%, remaining at a stable level comparing to 95.6% at the end of 2020.

<u>Liabilities</u> (Baht '000)	<u>Consolidated</u>		<u>Change</u>	
	Mar 31, 2021	Dec 31, 2020	Amount	%
Deposits	252,388,371	251,525,874	862,497	0.3
Current Account	1,020,917	693,044	327,873	47.3
Saving Account	135,606,489	131,339,535	4,266,954	3.2
Term Deposit	115,506,122	119,237,952	(3,731,830)	(3.1)
Certificate of Deposit	254,843	255,343	(500)	(0.2)
Interbank and money market items, net	13,771,419	10,263,870	3,507,549	34.2
Liabilities payable on demand	756,225	392,712	363,513	92.6
Financial liabilities measured at fair value through profit or loss	1,255,892	896,906	358,986	40.0
Derivatives liabilities	9,803,355	8,724,685	1,078,670	12.4
Debt issued and borrowings	32,843,920	28,343,500	4,500,420	15.9
Lease liabilities	169,463	183,697	(14,234)	(7.7)
Provisions	1,109,764	1,066,255	43,509	4.1
Deferred tax liabilities	12,707	13,556	(849)	(6.3)
Accounts payable to clearing house and broker - dealers	291,361	588,026	(296,665)	(50.5)
Securities and derivative business payables	18,746,085	5,539,391	13,206,694	238.4
Accrued interest expenses	699,254	467,833	231,421	49.5
Other accounts payable	9,479,632	3,923,055	5,556,577	141.6
Income tax payable and specific business tax payable	768,256	399,461	368,795	92.3
Other liabilities	3,185,446	4,456,474	(1,271,028)	(28.5)
Total Liabilities	345,281,150	316,785,295	28,495,855	9.0

Capital Adequacy Ratio

The Bank 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 Bank performs capital management planning to maintain an appropriate level of capital which is consistent with the annual business plan of the Bank including any reviews during the year to ensure appropriate level of capital to withstand any uncertainties.

As of March 31, 2021, the Capital Adequacy Ratio (BIS ratio) on a consolidated basis, under Basel III which included profit up to end of 2Q20 was at 17.77% while Tier-1 ratio was at 13.99%. When including profit up to end of 1Q21, the BIS ratio will increase to 18.89% while Tier-1 ratio will be 15.11%. The Bank Tier 1 capital are all Common Equity Tier 1 contributing to 78.71% 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 end of March 2021 are as follows:

	Bank Only			Consolidated		
	March 2021	December 2020	March 2020	March 2021	December 2020	March 2020
Capital Requirement (Unit: Baht million)						
Common Equity Tier 1	37,964	38,241	34,858	41,373	41,319	37,165
Tier 1 capital	37,964	38,241	34,858	41,373	41,319	37,165
Total capital	49,200	49,691	46,175	52,560	52,714	48,424
Capital Adequacy Ratio (Unit: %)						
Common Equity Tier 1	12.93	13.38	12.47	13.99	14.33	13.21
Tier 1 capital	12.93	13.38	12.47	13.99	14.33	13.21
Total capital	16.75	17.39	16.52	17.77	18.28	17.21

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	March 31, 2021		December 31, 2020		Change
	Amount (Baht million)	Ratio (%)	Amount (Baht million)	Ratio (%)	
Retail Lending	174,330	63.6	168,187	62.7	3.7
Hire Purchase	131,539	48.0	127,009	47.3	3.6
Personal loan	7,791	2.8	8,130	3.0	(4.2)
Micro SMEs loan	7,684	2.8	7,635	2.8	0.6
Housing loan	27,316	10.0	25,413	9.5	7.5
Commercial Lending	58,779	21.5	58,149	21.7	1.1
Real Estate Development loan	29,066	10.6	27,991	10.4	3.8
SMEs loan	29,713	10.8	30,158	11.2	(1.5)
Corporate Lending	32,120	11.7	33,091	12.3	(2.9)
Special Asset Management loan	1,128	0.4	1,138	0.4	(0.9)
Lombard loan	7,619	2.8	7,874	2.9	(3.2)
Total loans	273,975	100.0	268,440	100.0	2.1
Total loans (excluding POCI)	273,280		267,735		2.1

Total loans excluding POCI amounted to Baht 273,280 million, expanding by 2.1% from the end of 2020 with increase mainly driven by the hire purchase, housing and real estate lending segment. The Bank continues with prudent measures in regards to loan growth and portfolio quality monitoring taking into careful considerations the slowdown in economic activities.

Retail Lending totaled Baht 174,330 million, increasing by 3.7% from the end of 2020. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.

Hire purchase loans amounted to Baht 131,539 million, expanded by 3.6% from the end of 2020. New hire purchase business volume booked during 1Q21 totaled Baht 15,135 million, increasing by 27.2% yoy. The portion of hire purchase loan to total Bank loan portfolio stood at 48.0% with the portion of new cars to used cars at 39:61. Domestic new car sales for 1Q21 totaled 194,137 units, declining by 3.0% comparing to sales for the same quarter last year. The penetration rate of the Bank new cars lending to the domestic new car sales for 1Q21 was at 4.8%, increasing from 4.2% at the end of 2020 mainly due to the Bank expansion into new business segments with higher asset quality.

The Bank's loan portfolio in other retail loans amounted to Baht 42,791 million, expanded by 3.9% from the end of 2020 with total combined other retail loans portion to total Bank loan portfolio at 15.6% as of the end of 1Q21.

Commercial Lending business loans amounted to Baht 58,779 million, expanded slightly by 1.1% from the end of 2020. Commercial Lending includes real estate development loans and SMEs loans, detail are as follows:

Real estate development loans (RE) totaled Baht 29,066 million, expanding by 3.8% from the end of 2020.

SMEs loans were Baht 29,713 million, contracted by 1.5% from the end of 2020. 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 32,120 million, decline of 2.9% from the end of 2020.

Special asset management (SAM) is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding loans totaled Baht 1,128 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 7,619 million, slight decline of 3.2% from the end of 2020.

Loan classifications and Allowance for expected credit losses (ECL)

Under TFRS 9, loans and accrued interest receivables as of the end of March 2021 are classified into stages as follows:

Unit : Baht million	31 March 2021		31 December 2020		31 March 2020	
	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ²	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ²	Total Loans and Accrued Interest Receivables	Expected Credit Losses (ECL) ²
Stage 1 : Performing financial assets	252,565	6,204	247,489	5,595	224,285	3,178
Stage 2 : Under-Performing financial assets	14,897	2,852	15,426	3,026	14,431	2,133
Stage 3 : Non-Performing financial assets	9,505	3,732	8,256	3,080	9,234	3,347
Purchased or originated credit-impaired financial assets	790	23	780	23	820	0.1
Total	277,757	12,812	271,951	11,725	248,770	8,658

As of the end of March 2021, allowance for expected credit losses totaled Baht 14,227 million, with expected credit losses under TFRS 9 amounted to Baht 12,812 million and remaining excess loan loss reserve totaled Baht 1,415 million at the end of 1Q21 which the Bank had gradually released using a straight line method since 1Q20. With the continuing uncertainties from the economic slowdown and prolonged impact from

² Including ECL for loans and loan commitments and financial guarantees

the COVID-19 situation and the increased in outbreak during 1Q21 onwards, the Bank continues to prudently set up provisions for expected credit losses, including additional management overlay amounts. Total allowance for expected credit losses to total NPLs ratio (coverage ratio) as of end of March 2021 stood at 163.3%.

NPLs distribution by loan type (consolidated)

Type of loans	March 31, 2021			December 31, 2020		
	Amount (Baht million)	Ratio (%)	% of loans	Amount (Baht million)	Ratio (%)	% of loans
Retail Lending	3,733	39.7	2.1	2,699	31.9	1.6
Hire Purchase	2,190	23.3	1.7	1,421	16.8	1.1
Personal loan	116	1.2	1.5	104	1.2	1.3
Micro SMEs loan	1,009	10.7	13.1	826	9.8	10.8
Housing loan	418	4.4	1.5	348	4.1	1.4
Commercial Lending	4,551	48.4	7.7	4,619	54.6	7.9
Real Estate Development loan	3,028	32.2	10.4	3,091	36.6	11.0
SMEs loan	1,523	16.2	5.1	1,528	18.1	5.1
Corporate Lending	0	0.0	0.0	0	0.0	0.0
Special Asset Management loan	1,128	12.0	100.0	1,138	13.5	100.0
Lombard loan	0	0.0	0.0	0	0.0	0.0
Total NPLs	9,412	100.0	3.4	8,456	100.0	3.2
Total NPLs (excluding POCI)	8,717		3.2	7,751		2.9

The Non-Performing Loans (NPLs) or Stage 3 loans, excluding POCI as of the end of 1Q21 totaled Baht 8,717 million or 3.2% of total loans, increasing from 2.9% at the end of 2020. The increase is from the retail lending segment mainly from loans which exited the relief period. The Bank closely monitors the asset quality of all loan segments taking into account updates from the current situations and has continuously set aside prudent provisioning level for possible deterioration in asset quality post relief periods.

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 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 1Q21, the market share³ of KKPS was at 10.84%, ranking 1st from total 38 brokers. KKPS generated brokerage revenue totaling Baht 474 million comprising of equity brokerage revenue of Baht 414 million, derivatives brokerage revenue of

³ Including SET and mai but excluding proprietary trading

Baht 44 million and other brokerage revenue of Baht 16 million. Additional, KKPS also had brokerage revenue from selling agent fees of Baht 346 million⁴.

▪ **Investment Banking Business**

Investment banking business, operated by KKPS, provides financial advisory service as well as underwriting service. In 1Q21, the investment banking business revenue was Baht 131 million, contributed to financial advisory fee amounting Baht 20 million, underwriting fee amounting Baht 84 million, revenue from tender offer agent of Baht 15 million and brokerage revenue of Baht 12 million.

▪ **Investment Business**

Investment Business is managed by 2 departments in which KKP Capital operates direct investment business, by Direct Investment Department (“DI”), with medium to long-term investment horizon, while KKPS manages short-term investment, by Investment and Trading Group, comprising of 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 1Q21, DI recorded gain on investment including gain on re-measuring securities totaling Baht 264 million⁵ Meanwhile, EDT had gain on investment totaling Baht 199 million⁶. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment gain of Baht 477 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 2021 was Baht 70,435 million with total 64 funds under management consisting of 61 mutual funds and 3 property funds. KKPAM’s market share in terms of mutual fund was 1.36%. In 1Q21, KKPAM’s fee income from mutual fund business totaled Baht 146 million.

As of 31 March 2021, asset under management from private fund was Baht 14,120 million. KKPAM’s fee income from private fund business totaled Baht 29 million.

⁴ Including selling agent fee received from subsidiary company

⁵ Additional, DI also had foreign exchange gain Baht 28 million. Total DI gain was Baht 292 million

⁶ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 190 million

Profit and Loss Transaction

For the three-month period ended March 31, (Baht'000)	Consolidated		Change	
	2021	2020	Amount	%
Interest income	4,815,111	4,840,262	(25,151)	(0.5)
Interest expenses	984,755	1,301,235	(316,480)	(24.3)
Interest income, net	3,830,356	3,539,027	291,329	8.2
Fees and services income	1,636,231	1,487,963	148,268	10.0
Fees and services expenses	202,102	212,386	(10,284)	(4.8)
Fees and services income, net	1,434,129	1,275,577	158,552	12.4
Gain on financial instruments measured at fair value through profit or loss	170,457	459,381	(288,924)	(62.9)
Gain (loss) on investments, net	(6,051)	77,696	(83,747)	(107.8)
Dividend income	121,918	186,326	(64,408)	(34.6)
Other operating income	64,243	56,129	8,114	14.5
Total operating income	5,615,052	5,594,136	20,916	0.4
Other operating expenses				
Employee's expenses	1,459,714	1,421,741	37,973	2.7
Directors' remuneration	11,245	6,627	4,618	69.7
Premises and equipment expenses	243,875	303,490	(59,615)	(19.6)
Taxes and duties	113,315	139,678	(26,363)	(18.9)
(Reversal) loss from revaluation of foreclosed assets	(34,304)	692,720	(727,024)	(105.0)
Loss from sale of foreclosed assets	394,930	391,849	3,081	0.8
Other expenses	394,454	398,618	(4,164)	(1.0)
Total other operating expenses	2,583,229	3,354,723	(771,494)	(23.0)
Expected credit loss	1,234,308	256,160	978,148	381.9
Profit from operating before income tax expenses	1,797,515	1,983,253	(185,738)	(9.4)
Income tax expenses	305,228	496,842	(191,614)	(38.6)
Net profit	1,492,287	1,486,411	5,876	0.4
Net profit attributable to:				
Equity holders of the Bank	1,462,675	1,484,065	(21,390)	(1.4)
Non-controlling interests	29,612	2,346	27,266	1,162.2
Total comprehensive income attributable to:				
Equity holders of the Bank	1,531,215	798,873	732,342	91.7
Non-controlling interests	29,666	2,211	27,455	1,241.7
Basic earnings per share (Baht)	1.73	1.75	(0.02)	(1.1)