

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period ended 31 March 2022
(Reviewed Financial Statements)

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THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Management's Discussion and Analysis (Reviewed Financial Statements)

Economics Outlook and Competition in Banking Industry

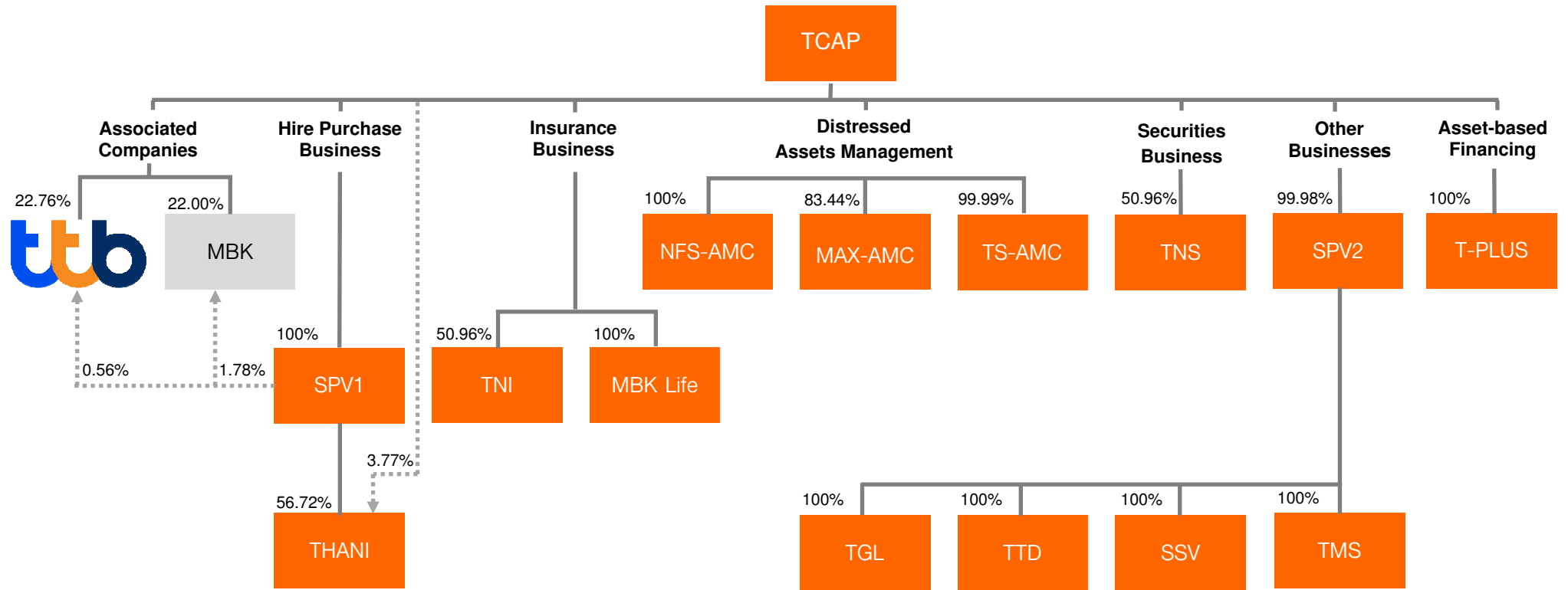
The Thai economy in the first quarter of 2022 tends to grow over the previous quarter, thanks not only to the increase in export value in line with the recovered demand in the trading partner countries but also to the expansion of tourism industry as a result of the increase in the number of foreign tourists in line with the easing of travel restrictions which is aimed at making international travel more convenient. On the other hand, while private consumption and investment tend to improve, they would increase at a decreasing rate, mainly due to the spread of the COVID-19 Omicron variant and the rising production costs as a result of the increases in energy and commodity prices caused by the Russia-Ukraine war. As regards public sector expenditure, government spending would increase when compared to the same quarter in the previous year, mainly due to investment spending. Inflation tends to increase in line with energy prices. However, the Bank of Thailand's Monetary Policy Committee still maintained the policy rate at 0.50 percent per annum in order to support continuity of economic recovery. The Committee assessed that the recent increases in inflation stem primarily from cost-push factors, while demand-pull inflationary pressures remained subdued.

Total loans of the commercial banking system in the first quarter of 2022 increased when compared to the previous quarter, mainly due to the increases in the Corporate loans, SME loans, and retail loans which primarily consist of mortgage loans and hire purchase loans. Meanwhile, deposits increased, mainly due to the increases in deposits in Current Account and Savings Account (CASA) whose financial costs are low. The purposes were to manage the financial costs of commercial banks and to ensure that the increases in deposits were in line with credit expansion. As regards non-performing loans (NPL), the level of non-performing loans remained close to the level in the previous quarter. However, commercial banks still maintained a high level of loan loss provision to accommodate the credit risk which may arise in the future.

Key Events in the First Quarter of 2022

1. On 25 February 2022, the Company's Board of Directors had a resolution approving the Company to decrease its paid-up capital from the treasury stock project in the amount of 19,467,000 shares, valued at 1,000 million baht which was over 3-year period from the repurchased date but were not resold. The Company has decreased its paid-up capital in the amount of 194,670,000 baht and registered the capital reduction with the Ministry of Commerce on 8 March 2022. As a result, the Company's issued and paid-up capital decreased from 11,651,297,030 baht to 11,456,627,030 baht.
2. On 8 April 2022, the Annual General Meeting of Shareholders for the year 2022 of the Company had a resolution to pay dividend to shareholders at the rate of 3.00 baht per share or 3,146 million baht in total representing 59.50 percent of the net profit for the year 2021. However, the Company's Board of Directors already approved to make interim dividend payments at the rate of 1.20 baht per share to shareholders and the payments were made on 28 September 2021. As a result, the remaining dividend payments to be made amounted to 1.80 baht per share. The dividend payments was scheduled to be made on 6 May 2022.
3. During the first quarter of 2022, the Company's subsidiary has been purchasing additional shares of Ratchthani Leasing Public Company Limited, resulting in the increase in total shareholding to 60.49 percent. In addition, the Company and its subsidiaries have exercised the right to convert warrants by purchasing ordinary shares of MBK Public Company Limited, which resulted in the increase in total shareholding to 23.78 percent.

Thanachart Group's Shareholding Structure As of 31 March 2022



Remark : TCAP = Thanachart Capital PCL., ttb = TMBThanachart Bank PCL., MBK = MBK PCL., SPV 1 = Thanachart Special Purpose Vehicle 1 Co., Ltd., THANI = Ratchthani Leasing PCL., TNI = Thanachart Insurance PCL., MBK Life = MBK Life Assurance PCL., NFS-AMC = NFS Asset Management Co., Ltd., MAX-AMC = MAX Asset management Co., Ltd., TS-AMC = TS Asset management Co., Ltd., TNS = Thanachart Securities PCL., SPV2 = Thanachart Special Purpose Vehicle 2 Co., Ltd., TGL = Thanachart Group leasing Co., Ltd., TTD = Thanachart Training & Development Co., Ltd., SSV = Security Scib Services Co., Ltd., TMS = Thanachart Management and Service Co., Ltd., T-PLUS = Thanachart Plus Co., Ltd.

Operating Results for the First Quarter of 2022

Performance Overview

In the first quarter of 2022, the Company and its subsidiaries' net profit according to the consolidated financial statements amounted to 1,390 million baht. This was mainly due to the operating results of the important subsidiary and associated companies as follows:

- Ratchthani Leasing Public Company Limited had a consolidated net profit of 455 million baht
- Thanachart Insurance Public Company Limited had a net profit of 193 million baht
- Thanachart Securities Public Company Limited had a net profit of 176 million baht
- Share of profit from investments accounted for under equity method – associated companies and joint venture was 586 million baht
- Asset Management Companies and other subsidiaries had net profits of 102 million baht

As a result, **net profit attributable to the Company amounted to 1,036 million baht, a decrease of 733 million baht or 41.44 percent** from the previous quarter. This was mainly due to the decrease in non-interest income from gains on debt repayment and gains on property foreclosed. However, the operating results of subsidiary and associated companies grew compared to the previous quarter.

Earnings per share (EPS) of the Company in the first quarter of 2022 were 0.99 baht. ROAA and ROAE were at 3.79 and 6.33 percent, respectively.

For the first quarter of 2022 compared with the first quarter of 2021, net profit attributable to the Company decreased by 42 million baht or 3.90 percent. This was mainly due to the decrease in non-interest income from brokerage fees and the decrease in gains on financial instruments measured at fair value through profit or loss. In addition, the subsidiary company set aside management overlay to protect against credit risks that may arise in the future. Meanwhile, the operating results of subsidiary companies were still in good conditions.

Financial Highlights

Financial Highlights

For the 3 months ended

Reviewed Financial Statements	31-Mar-22	31-Dec-21	31-Mar-21
Operating Performance (Million Baht)			
Interest Income	1,047	990	974
Interest Expenses	341	341	335
Net Interest Income	706	649	639
Non-interest Income	1,814	2,553	1,967
Net Operating Income ⁽¹⁾	2,520	3,202	2,606
Other Operating Expenses	790	820	757
Expected Credit Losses	138	83	97
Profit before Tax	1,592	2,299	1,752
Income Tax	202	222	231
Profit for the Period	1,390	2,077	1,521
Net Profit Attributable to the Company	1,036	1,769	1,078
Basic Earnings per Share (Baht)	0.99	1.69	1.03

	31-Mar-22	31-Dec-21	31-Mar-21
Financial Position (Million Baht)			
Net Loans to Customers and Accrued Interest Receivables	59,330	55,221	51,573
Investments in Associated Companies and Joint Ventures	53,547	52,955	49,842
Total Assets	149,676	142,735	141,959
Debts Issued and Borrowings	37,960	34,308	29,819
Total Liabilities	74,437	68,594	67,843
Company's Shareholders' Equity	65,899	65,114	64,333
Non-controlling Interests	9,340	9,027	9,783
Total Shareholders' Equity	75,239	74,141	74,116

	31-Mar-22	31-Dec-21	31-Mar-21
Operating Performance Ratios (Percent)			
ROAA	3.79	5.83	4.27
ROAE ⁽²⁾	6.33	11.02	6.77
D/E Ratio (times)	0.99	0.93	0.92

(1) Net Operating Income = Net Interest Income + Non-interest Income

(2) ROAE is calculated from equity attributable to the Company's shareholders

Net Interest Income

Net Interest Income (Million Baht)

	1Q22	4Q21	Change Q-Q		1Q21	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Interest Income	1,047	990	57	5.76	974	73	7.49
Interbank and Money Market Items –							
Deposits at Financial Institutions	17	17	-	-	24	(7)	(29.17)
Financial Assets Measured at Fair Value through Profit or Loss	3	4	(1)	(25.00)	9	(6)	(66.67)
Investments in Debt Securities Measured at Amortized Cost	-	-	-	-	1	(1)	(100.00)
Investments in Debt Securities Measured at Fair Value through Other Comprehensive Income	22	22	-	-	33	(11)	(33.33)
Loans to Customers	162	126	36	28.57	64	98	153.13
Hire Purchase and Financial Lease	843	821	22	2.68	843	-	-
Interest Expenses	341	341	-	-	335	6	1.79
Interbank and Money Market Items -							
Borrowings from Financial Institutions	59	61	(2)	(3.28)	64	(5)	(7.81)
Debts Issued and Borrowings	274	273	1	0.37	264	10	3.79
Borrowing Cost	4	4	-	-	4	-	-
Others	4	3	1	33.33	3	1	33.33
Net Interest Income	706	649	57	8.78	639	67	10.49

For the first quarter of 2022 compared with the fourth quarter of 2021, the Company and its subsidiaries had 706 million baht in net interest income, an increase of 57 million baht or 8.78 percent. Interest income was 1,047 million baht, an increase of 57 million baht or 5.76 percent. This was mainly due to the increases in interest income on loans and interest income on hire purchase as asset-based financing, margin loans, and hire purchase loans increased. Meanwhile, interest expenses were 341 million baht, closed to that of the previous quarter. This was a result of the proper cost of fund management to be in line with the market interest rate.

For the first quarter of 2022 compared with the first quarter of 2021, net interest income increased by 67 million baht or 10.49 percent. Interest income increased by 73 million baht or 7.49 percent, due to the increases in asset-based financing and margin loans. Interest expenses increased by 6 million baht from the increase in debt issued and borrowings outstanding.

Non-interest Income

Non-interest Income (Million Baht)

	1Q22	4Q21	Change Q-Q		1Q21	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Net Fees and Service Income	345	387	(42)	(10.85)	394	(49)	(12.44)
Total Operating Income	1,469	2,166	(697)	(32.18)	1,573	(104)	(6.61)
Gains (Losses) on Financial Instruments							
Measured at Fair Value through Profit or Loss	36	253	(217)	(85.77)	87	(51)	(58.62)
Gains (Losses) on Investments	-	(5)	5	100.00	1	(1)	(100.00)
Share of Profit from Investments Accounted for under Equity Method – Associated Companies	586	485	101	20.82	600	(14)	(2.33)
Gains on Property Foreclosed and Other Assets	-	313	(313)	(100.00)	16	(16)	(100.00)
Net Insurance / Life Insurance Income	703	484	219	45.25	722	(19)	(2.63)
Dividend Income	35	12	23	191.67	23	12	52.17
Other Income	109	624	(515)	(82.53)	124	(15)	(12.10)
Total Non-interest Income	1,814	2,553	(739)	(28.95)	1,967	(153)	(7.78)

For the first quarter of 2022 compared with the fourth quarter of 2021, non-interest income of the Company and its subsidiaries amounted to 1,814 million baht, a decrease of 739 million baht or 28.95 percent. This was mainly due to the following.

- Net fees and service income amounted to 345 million baht, a decrease of 42 million baht or 10.85 percent. This was mainly due to the decrease in investment advisory fees while brokerage fees increased.
- Other operating income amounted to 1,469 million baht, a decrease of 697 million baht or 32.18 percent. This was mainly due to the decreases in gain on debt repayment and gains on property foreclosed as well as the decrease in gains on financial instruments measured at fair value through profit or loss.

For the first quarter of 2022 compared with the first quarter of 2021, non-interest income decreased by 153 million baht or 7.78 percent, mainly from the following.

- Net fees and service income declined by 49 million baht or 12.44 percent. This was mainly due to the decrease in brokerage fees.
- Other operating income declined by 104 million baht or 6.61 percent. This was mainly due to the decline of gains on financial instruments measured at fair value through profit or loss.

Other Operating Expenses

Other Operating Expenses (Million Baht)

	1Q22	4Q21	Change Q-Q		1Q21	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Personnel Expenses	515	513	2	0.39	522	(7)	(1.34)
Premises and Equipment Expenses	70	71	(1)	(1.41)	61	9	14.75
Taxes and Duties	6	23	(17)	(73.91)	4	2	50.00
Directors' Remuneration	16	13	3	23.08	16	-	-
Other Expenses	183	200	(17)	(8.50)	154	29	18.83
Total Other Operating Expenses	790	820	(30)	(3.66)	757	33	4.36

For the first quarter of 2022 compared with the fourth quarter of 2021, other operating expenses of the Company and its subsidiaries amounted to 790 million baht, a decrease of 30 million baht or 3.66 percent.

For the first quarter of 2022 compared with the first quarter of 2021, other operating expenses of the Company and its subsidiaries increased by 33 million baht or 4.36 percent. This was mainly due to legal expenses.

Expected Credit Loss (Reversal)

Expected Credit Loss (Reversal) (Million Baht)

	1Q22	4Q21	Change Q-Q		1Q21	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Interbank and Money Market Items	-	-	-	-	1	(1)	(100.00)
Investments in Debt Securities Measured at Amortized Cost	1	-	1	100.00	1	-	-
Loans to Customers and Accrued Interest Receivables	160	103	57	55.34	99	61	61.62
Other Assets	(23)	(20)	(3)	(15.00)	(4)	(19)	(475.00)
Expected Credit Loss	138	83	55	66.27	97	41	42.27

For the first quarter of 2022 compared with the fourth quarter of 2021, the Company and its subsidiaries had expected credit loss in the amount of 138 million baht, an increase of 55 million baht or 66.27 percent. For the first quarter of 2022 compared with the first quarter of 2021, expected credit loss of the Company and its subsidiaries increase by 41 million baht or 42.27 percent. This was mainly due to additional management overlay setting aside to protect against the credit risks that may arise in the future.

Financial Position

Consolidated Statements of Financial Position (Million Baht)

	31 March 2022		31 December 2021		Change	
	Amount	%	Amount	%	+ / (-)	%
Cash	7	0.00	4	0.00	3	75.00
Interbank and Money Market Items - net						
- Deposits at Financial Institutions	11,318	7.56	8,947	6.27	2,371	26.50
Financial Assets Measured at Fair Value through Profit or Loss	2,731	1.82	2,781	1.95	(50)	(1.80)
Investments - net	12,753	8.52	13,124	9.19	(371)	(2.83)
Investments in Associated Companies and Joint venture	53,547	35.78	52,955	37.10	592	1.12
Net Loans to Customers and Accrued Interest Receivables	59,330	39.64	55,221	38.69	4,109	7.44
Property Foreclosed - net	3,709	2.48	3,679	2.58	30	0.82
Land, Premises, Equipment and Right-of-use Assets - net	719	0.48	756	0.53	(37)	(4.89)
Other Assets	5,562	3.72	5,268	3.69	294	5.58
Total Assets	149,676	100.00	142,735	100.00	6,941	4.86
Interbank and Money Market Items						
- Borrowings from Financial Institutions	17,449	11.66	15,984	11.20	1,465	9.17
Debts Issued and Borrowings	37,960	25.36	34,308	24.04	3,652	10.64
Insurance Contracts Liabilities	11,683	7.80	11,414	8.00	269	2.36
Other Liabilities	7,345	4.91	6,888	4.82	457	6.63
Total Liabilities	74,437	49.73	68,594	48.06	5,843	8.52
Company's Shareholders' Equity	65,899	44.03	65,114	45.62	785	1.21
Non-controlling Interests	9,340	6.24	9,027	6.32	313	3.47
Total Shareholders' Equity	75,239	50.27	74,141	51.94	1,098	1.48
Total Liabilities and Shareholders' Equity	149,676	100.00	142,735	100.00	6,941	4.86
Book Value per Share (Baht)	62.84		62.10			

Assets

As of 31 March 2022, **Thanachart Group's total assets amounted to 149,676 million baht, an increase of 6,941 million baht or 4.86 percent** from the end of 2021. Key factors were as follows:

- Net interbank and money market items – deposits at financial institutions amounted to 11,318 million baht, an increase of 2,371 million baht or 26.50 percent. This was due to liquidity management.

- Net investments amounted to 12,753 million baht, a decrease of 371 million baht or 2.83 percent. This was mainly due to the sale and maturity of government bonds.
- Investment in associated companies and joint venture amounted to 53,547 million baht, an increase of 592 million baht or 1.12 percent. This was mainly due to the additional investments in MBK.
- Net loans to customers and accrued interest receivables amounted to 59,330 million baht, an increase of 4,109 million baht or 7.44 percent. This was mainly due to the loan expansion of the subsidiaries including Ratchthani Leasing, Thanachart Plus, and Thanachart Securities.

Liabilities

Total liabilities of Thanachart Group as of 31 March 2022 were **74,437 million baht, an increase of 5,843 million baht or 8.52 percent** from the end of 2021. Interbank and money market items - borrowings from financial Institutions and debts issued and borrowings totaled 55,409 million baht, an increase of 5,117 million baht or 10.17 percent.

Shareholders' Equity

Total shareholders' equity as of 31 March 2022 was **75,239 million baht, an increase of 1,098 million baht or 1.48 percent** from the end of 2021. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 65,899 million baht, an increase of 785 million baht or 1.21 percent. This was mainly due to the operating net profit of the Company and its subsidiaries in the first quarter of 2022 in the amount of 1,036 million baht.
- Equity attributable to non-controlling interest amounted to 9,340 million baht, an increase of 313 million baht or 3.47 percent. This was mainly from the operating results of subsidiary companies.

Operating Results of Subsidiaries

Operating Results of Subsidiaries (Million Baht)

Subsidiaries	% Shareholding	Net Profit (Loss)		
		1Q22	4Q21	1Q21
Ratchthani Leasing Public Company Limited (Consol.)	60.49%	455	454	427
Thanachart Insurance Public Company Limited	50.96%	193	98	178
Thanachart Securities Public Company Limited	50.96%	176	161	200
TS AMC Company Limited	99.99%	(6)	13	(3)
MAX AMC Company Limited	83.44%	(7)	-	(12)
NFS AMC Company Limited	100.00%	-	(2)	(6)
MBK Life Assurance Public Company Limited	100.00%	103	26	128
Thanachart Plus Company Limited	100.00%	19	5	-

Ratchthani Leasing Public Company Limited (Consolidated)

As of 31 March 2022, Ratchthani Leasing Public Company Limited and its subsidiary had total assets of 50,617 million baht, an increase of 1,394 million baht or 2.83 percent from the end of 2021. The company had **hire purchase and financial leases in the amount of 49,054 million baht, an increase of 1,143 million baht or 2.39 percent**. Loans represented 97.01 percent of total assets. Total liabilities amounted to 38,595 million baht while shareholders' equity was 12,022 million baht.

Net profit for the first quarter of 2022 when compared with the fourth quarter of 2021 amounted to 455 million baht, an increase of 1 million baht or 0.22 percent. Total income increased by 23 million baht or 2.17 percent. Interest expenses decreased by 5 million baht or 2.22 percent as a result of proper cost of fund management. Expected credit loss amounted to 126 million baht, increased by 17 million baht or 15.60 percent as the company remained prudent in considering providing provision in accordance with the expected credit loss valuation model. With careful consideration of various factors, including the impact that may arise from future uncertainties, the company has set aside a management overlay in addition to credit losses calculated in accordance with the expected credit loss valuation model of 55 million baht in the first quarter of 2022.

For the first quarter of 2022 compared with first quarter of 2021, the company's net profit increased by 28 million baht or 6.56 percent. Total income increased by 51 million baht or 4.94 percent. Interest expenses decreased by 9 million baht or 3.93 percent while expected credit loss increased by 20 million baht or 18.87 percent.

Thanachart Insurance Public Company Limited

In the first quarter of 2022, Thanachart Insurance Public Company Limited had **total insurance premium of 2,451 million baht, an increase of 7 million baht or 0.29 percent** from the previous quarter and **an increase of 379 million baht or 18.29 percent** from the same quarter last year. This was due to the increase in sales through the broker channels. Auto insurance premium in the first quarter of 2022 amounted to 2,149 million baht, a decrease of 9 million baht or 0.42 percent from the previous quarter and an increase of 393 million baht or 22.38 percent from the same quarter last year.

For operating results, **the net profit of the company in the first quarter of 2022 when compared with the fourth quarter of 2021 was 193 million baht, an increase of 95 million baht or 96.94 percent**. This was mainly due to the increase in net earned premium of 27 million baht as unearned premium reserve decreased; the increase in fee and commission income on reinsurance of 54 million baht which was in line with the increase in reinsurance premium; the decrease in gross claims and loss adjustment expenses of 59 million baht; and the decrease in expected credit loss of 8 million baht. However, other income decreased by 7 million baht, meanwhile, other underwriting expenses increased by 9 million baht and operating expenses increased by 9 million baht as well.

For the first quarter of 2022 compared with the first quarter of 2021, the company's net profit increased by 15 million baht or 8.43 percent. This was mainly due to the increase in net earned premium of 11 million baht which was in line with the increase in gross premium written; the increase in fee and commission income on reinsurance of 66 million baht which was in line with the increase in reinsurance premium; and the decrease in gross claims and loss adjustment expenses of 72 million baht. However, investment income decreased by 13 million baht while commission and brokerage expenses increased by 63 million baht which was in line with the increase in gross premium written. As well, other underwriting expenses increased by 36 million baht and operating expenses increased by 18 million baht

Thanachart Securities Public Company Limited

Average daily securities trading volume of Thanachart Securities Public Company Limited in the first quarter of 2022 was 3,259 million baht, an increase of 12.38 percent from the previous quarter. The company's market share of securities trading was at 1.84 percent. The trading volume could be divided into 77.92 percent of retails, 20.31 percent of institutions, and 1.77 percent of foreign investors. Compared with the same quarter last year, the average daily trading volume of the company decreased by 29.20 percent. This was due to the fact that in the same quarter last year, the company had higher volume of big lot transactions.

Net profit for the first quarter of 2022 when compared with the fourth quarter of 2021 amounted to 176 million baht, an increase of 15 million baht or 9.32 percent. Total income was 481 million baht, a decrease of 1.03 percent, divided into brokerage fees of 302 million baht, an increase of 12.27 percent in line with the trading volume of the company; interest income on margin loans of 69 million baht, an increase of 27.78 percent which was in line with the expansion of margin loans outstanding; gains and returns on financial instruments of 73 million baht, and fees and service income of 31 million baht. Meanwhile, total expenses amounted to 261 million baht, a decrease of 8.42 percent. The company's total expenses consisted of interest expenses and fees and service expenses of 58 million baht and operating expenses of 203 million baht.

For the first quarter of 2022 compared with the first quarter of 2021, the company's net profit declined by 24 million baht or 12.00 percent. Brokerage fees decreased by 69 million baht in line with the decrease in trading volume of the company, meanwhile, interest income on margin loans increased by 31 million baht from the expansion of margin loans outstanding which resulted in the increase of 12 million baht in interest expenses.

As of 31 March 2022, the company maintained its liquidity ratio (Net Liquid Capital Rules: NCR) at 41.74 percent, higher than the minimum requirement by the Securities and Exchange Commissions (SEC) of 7.00 percent of general indebtedness and securities pledged.

Disclaimer

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