ธนาคารทหารไทยธนชาต จำกัด (มหาชน)
TMBThanachart Bank Public Company Limited

Management Discussion and Analysis

For the 1st quarter and 3-month period ended 31 March 2023

(Reviewed financial statements)

TMBThanachart Bank Public Company Limited

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in 1Q23: Thai economy steadily rebounded mainly due to the recovery of foreign tourist arrivals as reflected by the average figures of January and February at 2.1 million persons. The main contributions came from those tourist groups of Asia, East Asia and European, assisting the evident recovery in tourism-related businesses. Regarding domestic economy, both private consumption and domestic tourism steadily improved. This came with the supports from government's stimulus measure and improving employment conditions as well as better consumer sentiments. Living cost pressure gradually subsided as showed by the deceleration of inflation rate of 3.8% in February, down from 5% in January, due to a decline in fresh foods and energy prices. Merchandise exports gradually turned less contraction in line with improving global trade condition amid elevated inflations and high interest rates. In January and February, the average monthly value of merchandise trade was at 21 billion US dollar, marginally decreased from the average figure in the fourth quarter 2022 of 22 billion US dollar per month. Private investment signaled an improvement after deceleration during the year end of 2022. With respect to overall economic components, Thai economy is projected to increase by 3 percent from the same period last year.

Financial market & banking industry: As of the last meeting of the first quarter of 2023, the Monetary Policy Committee (MPC) decided to raise the policy rate by 0.25% in January and March. This was the fifth consecutive hiking decision since the onset of pandemic crisis, resulting in Thai policy rate standing lately at 1.75%. The committee foresaw the Thai economy should continue to expand, driven mainly by tourism and private consumption. Headline inflation would likely return to the target range in the middle of the year, but core inflation remains elevated with upside risks from higher cost pass-through and demand pressures. According that the committee assessed Thai economy to continuously expand, extraordinarily accommodative monetary policy is therefore less necessary, and the policy rate should be gradually raised to a level appropriated to long-term economic activities. Since January 1st, 2023, Bank of Thailand has revoked the temporary reduction of bank's periodic FIDF contribution, making the latest contribution rate getting back to a normal rate of 0.46% per annum, causing the deposit rate and the lending rate to rise recently. Regarding Thai baht, it was on an average of 33.92 baht per U.S. dollar in the first quarter of 2023, appreciated 7.1% and 1.8% compared to the previous quarter and the level at the end of 2022, respectively. Thai Baht against US Dollar moved more volatile in line with that of other Asian currencies due to capital inflows to the United states' financial markets. This is according to the collapse of large US banks, which sent shock waves through global financial markets amidst the market's increasing risk perception on Federal reserves' stance of potentially reducing the size of future rate hike in early 2023. Therefore, the gap between the policy rate of the United States and Thailand, including other markets, would be gradually smaller in coming periods. Regarding commercial banking, total loans at the end of January 2023 grew by 2.3% from the same period last year (YoY). Meantime, deposits expanded 3.1% (YoY), mainly attributing to the development of saving deposits on both business and individual account.

Economic outlook for 2Q23: Thailand's economy is projected to continuously rebound. After China's reopening its border, ttb analytics see a supportive reason for revising up the foreign tourist figure of 2023 to 29.5 million persons. According to a more broad-based recovery in services sector, consumer sentiment is to steadily improve, and employment is about to resume to the pre-covid19 level. According to decelerating inflation from declining prices of energy and raw foods and government's stimulus measure such as tax- regime, private consumption would consistently expand. The value of merchandise exports would gradually increase in accordance with slowly improve in global trade condition; however, the growth of merchandise export value would be negatively impacted by high base effect last year. Primarily, the figure of export value of 2023 is expected to marginally decline by 0.5% from the same period last year but with higher possibility of faster-than-expected rebound from possibly faster recovering momentum of Chinese economy. Private investment is about to rebound in line with slowly improving merchandise exports and manufacturing activities. ttb analytics estimates that Thai economy in the second quarter would steadily expand and the annual growth of 2023 would expand 3.4% due to the slowdown in goods exports at the beginning of the 2023 year. However, there is possibility for an upward revision of Thai economic projection in 2023 if tourism sector and private consumption together with the positive spillover from China's reopening would greater strengthen recovering momentum of the economy. With respect to financial market, Monetary policy committee is likely to steadily raise the policy rate to maintain domestic price stability amid steady Thai economic recovery. Accordingly, ttb analytics projects that Thai policy rate would reach 2.00% in the end of second quarter of 2023. Thai baht would appreciate in line with Thai economic recovery and for the second quarter of 2023, it would move within the range of 33.00-34.50 baht per US dollar.

Research by ttb | analytics

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Summary of TMBThanachart's operating performance

TMBThanachart (TTB) continued to report strong operating performance thanks to prudent business direction and balance sheet optimization strategy during the past years. For 1Q23, net profit rose by 34.4% YoY driven by topline growth, cost efficiency, and controllable asset quality. NII increased 8.8% YoY and NIM could be sustained amid interest rate rising cycle and the resumption of FIDF reflecting efficient asset-liability management that helps improve asset yield and efficiently manage funding cost. The well-controlled operational costs resulted in better C/I at 43%. On balance sheet side, TTB continued to conservatively grow new loans and recycle liquidity from low-yield loan to high-yield retail space for better loan mix. As a result, loan portfolio quality was well-controlled from prudent loan growth and stringent risk management, resulting in better NPL flow, stable NPL ratio and hence lower risk cost. For deposit, the Bank preemptively built term deposit ahead of rate hike to efficiently manage deposit cost. Business direction for 2023, TTB still keeps focusing on leveraging new digital ecosystems and enhancing business performance for better returns to all stakeholders.

Maintaining strong deposit base together with managing deposit cost during interest rate uptrend: The Bank strengthened liquidity position for the future loan growth and kept balancing high-cost term deposit with the low-cost transactional products to optimize deposit structure and ensure well-managed cost of deposit. As of Mar 2023, total deposit increased by 0.2% YTD to THB1,402 billion mainly from tactical TD product namely Up and Up that we used for pre-funding strategy since 1Q22 and it continued to grow under interest rate hike cycle. Moreover, corporate transactional CASA still expanded and helped maintain the proportion of CASA balance. Regarding TTB's deposit direction, the Bank would leverage new digital ecosystems to expand more transactional deposit base and acquire more main bank customers in long run.

Improving loan mix by recycling liquidity to grow high-yield retail loan: TTB has been selectively growing loans and focusing on quality loan growth strategy. Moreover, TTB attempts to free up low-yield loan from corporate and redeploys in higher yield in retail segment especially consumer lending. As of Mar 2023, total loan to customers contracted by 1.3% YTD to THB1,358 billion largely from large repayment of corporate lending. Corporate and SME loans on consolidated basis decreased by 3.2% and 1.8% YTD, aligned with the Bank's strategy. For retail lending, it slightly declined by 0.2% YTD. Our flagship product growth like mortgage and hire purchase was slower its pace. However, the new booking loan grew in targeting high yield retail area as planned; home equity +3% YTD, cash your car +4% YTD and personal loan +3% YTD. Still, TTB prudently grew consumer lending portfolio in the targeting customer group to ensure risk-adjusted return while enhance loan yield.

Recovering operating income thanks to balance sheet preparation initiative and interest rate rise: With the effort to adjust loan mix and proactively manage funding cost, TTB's NII regained positive momentum by rising 8.8% YoY from higher yield on earning asset and non-NII grew moderately 0.1% YoY from better net fees and service income offsetting with less gain on financial instruments measured at fair value through profit or loss. Thus, NIM also increased by 17 bps YoY to 3.08%. Our strategic fees like bancassurance fees and credit related fees had a good traction while mutual fund remained challenging from unfavorable market sentiment. Total operating income, therefore, increased by 6.9% YoY to THB16,870 million in 1Q23.

Continuing to grow PPOP YoY backed by better topline and efficient operational cost management: In 1Q23, TTB reported OPEX at THB7,303 million, an increase of 4.5% YoY due mainly to higher staff cost following growing business volume. However, the cost discipline is a key strategy on expense side to manage cost efficiently amid business expansion. Thus, cost-to-income ratio was improved to 43%, better than 1Q22 at 44%. As a result, Pre-provision operating profit (PPOP) increased by 8.4% YoY which recorded at THB9,561 million in 1Q23.

Sound asset quality from quality loan growth and stringent risk management as well as proactive assisting customers in need: TTB implemented more tightened ECL model and considered forward-looking risk thru management overlay to build a strong buffer against unforeseen economic headwinds. In 1Q23, the Bank set aside expected credit loss (ECL) and management overlay of THB4,276 million, equivalent to a credit cost of 127 bps, which decreased by 11.1% YoY thanks to conservative risk management approach and better customer debt serviceability. Moreover, stage 3 loan totaled to THB42,006 million which decreased from 1Q22, and NPL ratio stood at 2.69% in 1Q23 which was in line with the target guidance.

After provision and tax, TTB reported THB4,295 million of net profit in 1Q23 which increased by 34.4% YoY, representing improving ROE of 7.9% from 6.1% in 1Q22.

Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income

(THB million)	1Q23	4Q22	% QoQ	1Q22	% YoY
Interest income	18,475	17,546	5.3%	15,677	17.8%
Interest expenses	4,973	3,720	33.7%	3,268	52.2%
Net interest income	**13,502**	**13,826**	**-2.3%**	**12,409**	**8.8%**
Fees and service income	3,500	3,733	-6.2%	3,327	5.2%
Fees and service expenses	941	982	-4.2%	865	8.8%
Net fees and service income	**2,559**	**2,750**	**-6.9%**	**2,462**	**3.9%**
Other operating income	809	1,264	-36.0%	903	-10.5%
Non-interest income	**3,368**	**4,014**	**-16.1%**	**3,365**	**0.1%**
Total operating income	**16,870**	**17,840**	**-5.4%**	**15,774**	**6.9%**
Total other operating expenses	**7,303**	**8,256**	**-11.5%**	**6,987**	**4.5%**
Expected credit loss	4,276	4,802	-11.0%	4,808	-11.1%
Profit before income tax expense	**5,291**	**4,782**	**10.6%**	**3,979**	**33.0%**
Income tax expense	996	935	6.6%	784	27.1%
Profit for the period	**4,295**	**3,847**	**11.6%**	**3,195**	**34.4%**
Profit (loss) to non-controlling interest of subsidiaries	**0.004**	**0.006**	**-33.3%**	**-0.003**	**N/A**
Profit to equity holders of the Bank	**4,295**	**3,847**	**11.6%**	**3,195**	**34.4%**
Other comprehensive income	1,275	459	177.7%	-841	N/A
Total comprehensive income	**5,569**	**4,306**	**29.3%**	**2,354**	**136.6%**
Basic earnings per share (THB/share)	**0.0444**	**0.0398**	**11.6%**	**0.0331**	**34.1%**

Note: Consolidated financial statement

Net interest income (NII) and Net interest margin (NIM)

For the 1st quarter of 2023: TTB recorded THB13,502 million of net interest income (NII) in 1Q23, dropped by 2.3% compared to previous quarter (QoQ). Details are as follows:

- Interest income increased by 5.3% QoQ to THB18,475 million mainly from an increase in interest on interbank and loans following higher interbank balance, and policy interest rate uptrend as well as loan mix shift toward high yield retail loan space.
- Interest expenses increased by 33.7% QoQ to THB4,973 million due primarily to higher cost of funds following FIDF contribution fee resumption and the interest rate uptrend.

On a year-on-year basis: net interest income increased by 8.8% YoY from THB12,409 million. Details are as follows:

- Interest income rose by 17.8% YoY from THB15,677 million. The rise was primarily due to better yield on earning assets following rising rate environment amidst conservative loan growth.
- Interest expenses increased by 52.2% YoY from THB3,268 million, mainly owing to FIDF contribution resumption and an increase in deposit volume together with the interest rate hike.

NIM stood at 3.08% in 1Q23 from 3.10% in 4Q22

NIM was at 3.08% in 1Q23 which slightly decreased by 2 bps from 3.10% in 4Q22 but increased by 17 bps from 2.91% in 1Q22. The QoQ decrease was mainly from the pressure on cost of deposit from the FIDF contribution resumption, alleviated by the improvement in yield on earning assets. However, the impact from FIDF reversion was limited thanks to the Bank's pre-emptive asset-liability management that helps manage cost of fund and improve yield on earning asset. If excluded PPA impact, NIM was recorded at 3.13% in 1Q23. For YoY increase, it was mostly owing to better yield on earning asset a result of balance sheet management and interest rate rise cycle. Moreover, the Bank's strategy to adjust loan mix towards selective high-yield retail loan area while ensure appropriate risk-adjusted return would help lessen the impact of FIDF onwards and enhance asset yield sustainably.

Figure 2: Net interest income (NII)

(THB million)	1Q23	4Q22	% QoQ	1Q22	% YoY
Interest income	**18,475**	**17,546**	**5.3%**	**15,677**	**17.8%**
Interest on interbank and money market items	815	550	48.0%	253	221.5%
Investments and trading transactions	11	8	35.5%	7	42.9%
Investments in debt securities	639	599	6.7%	340	88.3%
Interest on loans	11,267	10,627	6.0%	9,367	20.3%
Interest on hire purechase and financial lease	5,743	5,761	-0.3%	5,709	0.6%
Others	0.4	0.5	-15.6%	0.7	-39.0%
Interest expenses	**4,973**	**3,720**	**33.7%**	**3,268**	**52.2%**
Interest on deposits	2,456	2,046	20.0%	1,799	36.5%
Interest on interbank and money market items	266	195	36.3%	80	232.8%
Contributions to the Deposit Protection Agency	1,630	824	97.8%	796	104.7%
Interest on debt issued and borrowings	607	640	-5.2%	580	4.7%
Borrowing fee	6	6	-5.6%	7	-15.5%
Others	9	8	12.4%	7	26.4%
Net interest income (NII)	**13,502**	**13,826**	**-2.3%**	**12,409**	**8.8%**

Note: Consolidated financial statements

Figure 3: Yields and cost

(Annualized percentage)	1Q23	4Q22	3Q22	2Q22	1Q22
Yield on loans	5.05%	4.69%	4.46%	4.42%	4.47%
Yield on earning assets	4.21%	3.94%	3.72%	3.63%	3.68%
Cost of deposit	1.18%	0.82%	0.79%	0.81%	0.78%
Cost of funds	1.31%	0.96%	0.91%	0.91%	0.88%
Net interest margin (NIM)	3.08%	3.10%	2.92%	2.83%	2.91%

Note: Consolidated financial statements

Non-interest income (Non-NII)

For the 1st quarter of 2023: The Bank posted THB3,368 million of non-interest income in 1Q23, which declined by 16.1% QoQ mainly from special one-time gain from AT1 partial buyback in 4Q22 and soft net fees and service income. Details are as follows:

- Net fees and service income was reported at THB2,559 million which decreased 6.9% QoQ. Such QoQ decrease was from both retail fees and commercial fees. For the key strategic fees, bancassurance fees (BA) softened from the high season in 4Q22 while mutual fund fees moderately improved amid unstable market condition. In terms of credit card fees, it continued positive momentum aligned with increasing credit card volume. For key commercial fees, trade finance slowed its pace aligned with export environment while credit related fees were stable.

- Gain on financial instruments measured at fair value through profit or loss was THB474 million which increased by 19.1% QoQ. The FX fee regained a good traction following service remodeling toward hedging consultation to limit impact from slow overseas trading activities.
- Share of profit from investment using equity method increased by 25.8% QoQ and recorded at THB75 million.

On a year-on-year basis: Non- NII was quite flat compared to THB3,365 million in 1Q22 due to an increase in net fees and service income, offset with less gain on financial instruments measured at fair value through profit or loss. Key items are as follows:

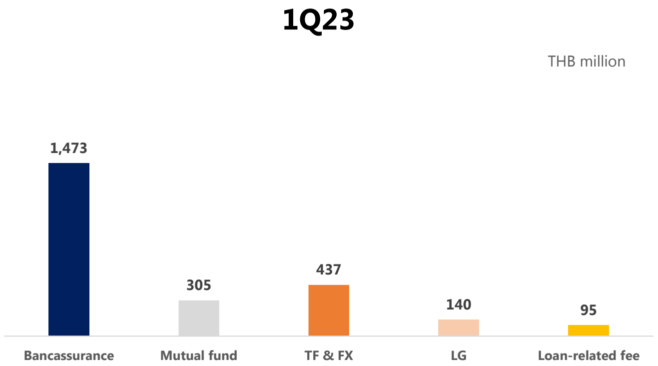
- Net fees and service income increased by 3.9% YoY from THB2,462 million, mainly attributed to both auto BA fees and non-auto BA fees from the business remodeling and credit related fees, offset with lower mutual fund fee.
- Gain on financial instruments measured at fair value through profit or loss decreased by 7.8% YoY from THB515 million.
- Share of profit from investment using equity method decreased by 18.1% YoY from THB92 million.

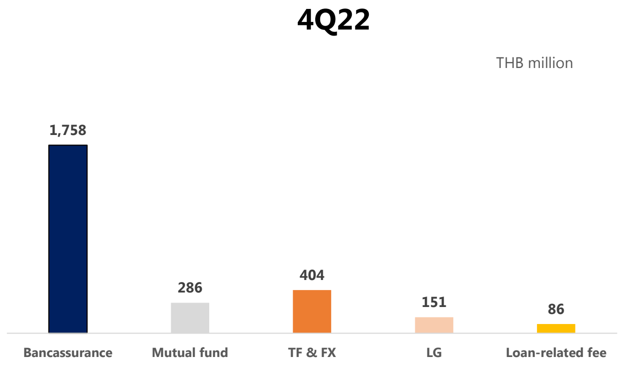
Figure 4: Non-interest income (Non-NII)

(THB million)	1Q23	4Q22	% QoQ	1Q22	% YoY
Fees and service income	**3,500**	**3,733**	**-6.2%**	**3,327**	**5.2%**
Acceptance, Aval & Guarantee	145	157	-7.4%	151	-3.7%
Other fee and service income	3,355	3,576	-6.2%	3,176	5.6%
Fees and service expenses	**941**	**982**	**-4.2%**	**865**	**8.8%**
Net fees and service income	**2,559**	**2,750**	**-6.9%**	**2,462**	**3.9%**
Gain on financial instrument measured at fair value through profit or loss	474	398	19.1%	515	-7.8%
Gain (loss) on investments, net	-11	3	-502.9%	11	-203.8%
Share of profit from investment using equity method	75	60	25.8%	92	-18.1%
Gain on sale of properties foreclosed, assets & other assets	52	117	-55.3%	49	7.6%
Dividend income	2	27	-93.2%	0	N/A
Others	216	659	-67.2%	237	-8.7%
Non-interest income	**3,368**	**4,014**	**-16.1%**	**3,365**	**0.1%**

Note: Consolidated financial statements

Figure 5: Strategic non-interest income





Note: Consolidated financial statements
**Bancassuarance is included fees from TMBThanachart Broker, ttb broker, our fully owned subsidiary and operating non-life brokerage business, is becoming an important role to auto car insurance. TTB has moved car insurance renewal to service at ttb broker and improve sale efficiency in branch staff.*

Non-interest expenses

For the 1st quarter of 2023: The Bank recorded THB7,303 million of total non-interest expenses which decreased by 11.5% QoQ. Key items are as follows:

- Employee expenses declined by 4.5% QoQ to THB4,082 million, largely came from higher staff cost and incentives in 4Q22.
- Premises and equipment expenses dropped by 5.0% QoQ to THB1,206 million from repair and maintenance expenses.
- Other expenses decreased by 30.4% QoQ to THB1,589 million. Such decrease was due mainly to seasonally higher selling and marketing expenses in 4Q22 and professional fees.

On a year-on-year basis: Non-interest expenses increased by 4.5% YoY from THB6,987 million. Key factors are as follows:

- Employee expenses rose by 10.0% YoY from THB3,711 million because of higher staff cost and incentives aligning with growing business volume.
- Premises and equipment expenses decreased by 6.6% YoY from THB1,291 million, mainly resulted from lower depreciation expense.
- Other expenses declined by 2.0% YoY from THB1,622 million, mainly owing to lower selling and marketing expenses.

Figure 6: Non-interest expenses

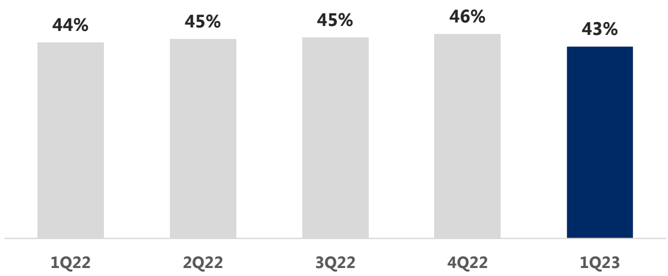
(THB million)	1Q23	4Q22	% QoQ	1Q22	% YoY
Employee expenses	4,082	4,272	-4.5%	3,711	10.0%
Directors' remuneration	10	12	-16.5%	9	8.4%
Premises and equipment expenses	1,206	1,270	-5.0%	1,291	-6.6%
Taxes and duties	417	419	-0.6%	355	17.4%
Other expenses	1,589	2,283	-30.4%	1,622	-2.0%
Non-interest expenses	**7,303**	**8,256**	**-11.5%**	**6,987**	**4.5%**

Note: Consolidated financial statements

1Q23 Cost to income ratio was maintained at 43%, improved from the previous quarter

In 1Q23, cost to income ratio was at 43%, down from 46% in 4Q22 and 44% in 1Q22. The cost to income ratio continuously improved thanks to cost discipline and revenue recovery. The C/I ratio excluded PPA impact was 42%. The Bank remained prudent in cost control in order to manage costs from the business expansion and digital transformation initiative efficiently. Moreover, to achieve low-40s C/I in the next 3 year, the key drivers are cost discipline and revenue boosting from potential growth in our selected business area and leveraging digital capabilities.

Figure 7: **Cost to income ratio**

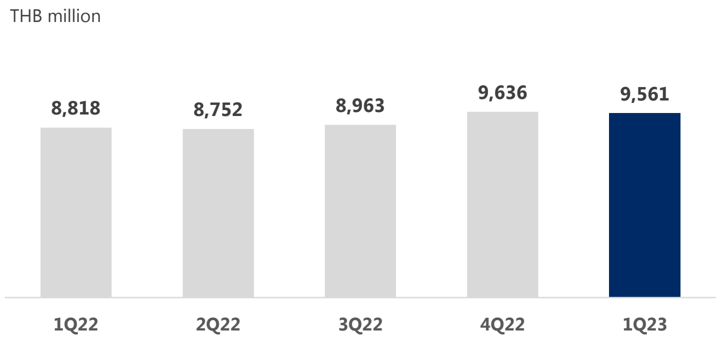


Note: Consolidated financial statements

Operating profit and Expected Credit Loss

Pre-provision operating profit (PPOP): PPOP amounted to THB9,561 million in 1Q23, decreased by 0.8% QoQ but increased 8.4% YoY.

Figure 8: **Pre-provision operating profit (PPOP)**



Note: Consolidated financial statements

Setting aside 1Q23 ECL of THB4,276 million under prudent ECL model

Expected Credit Loss (ECL): Asset quality management remained key challenging area amid economic recovery environment. The Bank has maintained a prudent approach and closely monitored asset quality with prudent ECL model and considered forward-looking risks through Management Overlay.

In this quarter, the Bank set aside expected credit loss and management overlay of THB4,276 million, equivalent to a credit cost of 127 bps, which decreased by 11.0% QoQ and 11.1% YoY. Such ECL level was a result of the Bank's stringent risk management model based on our strict principle-based relief schemes which took qualitative assessment into account and complied with BoT guideline. The reduction in ECL reflected well-controlled asset quality as a result of proactive clean-up and de-risking loan portfolio. Moreover, the customers' repayment behavior also continued to improve, resulting in better NPL formation. The coverage ratio was built up further to 140% from 138% in 4Q22.

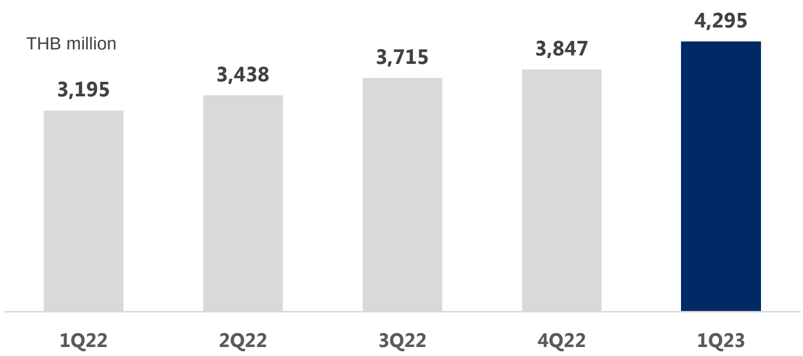
Figure 9: Expected Credit Loss (ECL) and credit cost

(THB million)	1Q23	4Q22	% QoQ	1Q22	% YoY
Expected credit loss	**4,276**	4,802	-11.0%	4,808	-11.1%
Credit cost (bps) - annualized	**127**	138		142	

Note: Consolidated financial statements

Net profit: After provision and tax, net profit in 1Q23 was THB4,295 million which increased by 11.6% QoQ and 34.4% from the same period last year. It was represented the ROE of 7.9%, improved from 7.0% in 4Q22 and 6.1% in 1Q22.

Figure 10: Net Profit (to equity holder of the Bank)



Note: Consolidated financial statements

Please see the next session for the discussion of financial position.

Discussion of financial position

Figure 11: Selected financial position (Consolidated)

(THB million)	Mar-23	Dec-22	%QoQ
Cash	13,998	15,506	-9.7%
Interbank and money market items, net	231,232	187,563	23.3%
Financial assets measured at fair value through profit or loss	2,162	1,533	41.0%
Derivative assets	7,656	10,376	-26.2%
Investments, net	189,472	211,432	-10.4%
Investments in subsidiaries and associate, net	8,649	8,574	0.9%
Total loans to customers	1,358,053	1,376,118	-1.3%
Add accrued interest receivables and undue interest receivables*	8,169	7,777	5.0%
Less allowance for expected credit loss	58,730	57,390	2.3%
Total loans to customers and accrued interest receivables, net	1,307,493	1,326,505	-1.4%
Properties for sale, net	12,417	12,152	2.2%
Premises and equipment, net	21,488	19,788	8.6%
Goodwill and other intangible assets, net	23,288	22,890	1.7%
Deferred tax assets	206	830	-75.2%
Other assets, net	8,891	9,131	-2.6%
Total Assets	**1,826,952**	**1,826,279**	**0.0%**
Deposits	1,402,305	1,399,247	0.2%
Interbank and money market items	82,884	84,770	-2.2%
Financial liabilities measured at fair value through profit or loss	516	438	17.8%
Debts issued and borrowings, net	60,539	59,644	1.5%
Deferred revenue	17,646	17,950	-1.7%
Other liabilities	38,467	45,222	-14.9%
Total Liabilities	**1,602,356**	**1,607,271**	**-0.3%**
Equity attributable to equity holders of the Bank	224,594	219,006	2.6%
Non-controlling interest	1	1	0.4%
Total equity	**224,596**	**219,008**	**2.6%**
Total liabilities and equity	**1,826,952**	**1,826,279**	**0.0%**
Book value per share (Baht)	2.32	2.26	2.6%

Note: Consolidated financial statements

** For credit impaired loans to customers and accrued interest are presented net from allowances for expected credit loss*

Assets

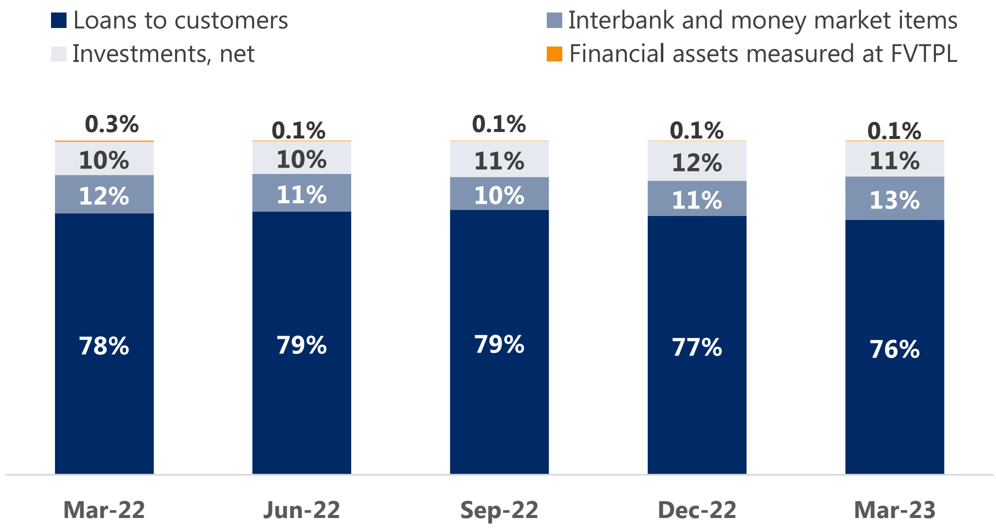
As of 31 March 2023, total assets on consolidated basis were THB1,826,952 million, relatively stable YTD. Key items are as follows;

- Total loans to customers and accrued interest receivables net decreased by 1.4% YTD to THB 1,307,493 million. (Details in the following section).

- Net interbank and money market items increased by 23.3% YTD to THB231,232 million largely due to an increase in money market lending which was aligned with liquidity management in preparation for headroom of potential high yield lending.
- Net investments and financial asset measured at fair value through profit and loss declined by 10.0% YTD to THB191,634 million, mainly due to maturity of some investments in debt securities measured at FVOCI.
- Net premise and equipment rose by 8.6% YTD to THB21,488 million due to fixed asset revaluation assessment.

After the merger, loans to customers were still the largest portion of earning assets. As of 31 March 2023, loans to customers represented 76.3% of earning assets. This was followed by interbank and money market of 13.0%, investments of 10.6%, and financial assets measured at fair value through profit or loss of 0.1%, respectively.

Figure 12: Earning assets



Note: Consolidated financial statements

Investment Classification

Under TFRS9, investment items are classified into 3 categories; fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) and measured at amortized cost. As of 31 March 2023, investments were classified as follows:

(THB million)	31 Mar 2023	31 Dec 2022
Financial assets measured at FVTPL	**2,162**	**1,533**
Investments in debt securities measured at amortized cost	50,557	49,106
Investments in debt securities measured at FVOCI	136,628	159,470
Investments in equity securities measured at FVOCI	2,287	2,856
Net Investment*	**189,472**	**211,432**
Total Investment	**191,634**	**212,965**

Note: Consolidated financial statements

* *Net investments comprised of investments measured at amortized cost and measured at FVOCI*

Total loans to customers and accrued interest receivables

As of 31 March 2023, TTB recorded total loans to customers and accrued interest receivables-net on consolidated basis of THB1,307 billion, a decrease of 1.4% from December 2022.

In terms of total loan to customers on consolidated basis (excluded allowance for ECL), the figure amounted to THB1,358 billion, declined by 1.3% YTD, mainly due to large repayment in corporate lending. Such growth was aligned with the Bank's direction to re-deploy liquidity from low-yield corporate lending to selectively grow towards higher-yield space, in turn, improving risk-adjusted returns and asset yields. During this quarter, the Bank continued to see positive momentum in high yield products especially Home Equity, Cash Your Car (CYC), and personal loans. Details are as follows:

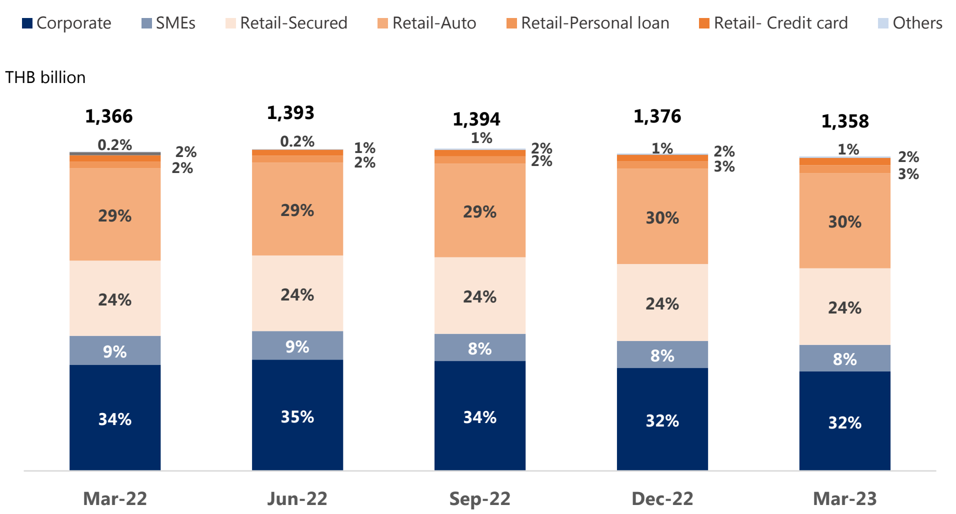
- Retail lending on consolidated basis declined slightly by 0.2% YTD, mainly attributable to mortgage loans which decreased by 0.6% YTD from lower new bookings amid unfavorable interest rate environment for homebuyers. On the other hand, hire purchase loan growth stayed flat YTD with positive momentum in CYC which is one of the key focus areas of the Bank in 2023. Moreover, personal loans continued to grow by 2.6% YTD, in consequence of our effort to gain more fair share in consumer lending area through ttb consumer while credit card declined by 3.9% YTD due to seasonality of spending.
- Corporate lending on consolidated basis contracted by 3.2% YTD due partly to the recycling loan strategy to higher yield in retail segment and the repayment in working capital (OD) and term loans as well as lower demand amid the rising rate environment.
- SME segment (Small and Medium SME) declined by 1.8% YTD as the Bank maintains its conservative position by de-risking SME portfolio.

In terms of loan breakdown by customer segments, the loan portfolio has diversified and shifted to retail segment since the merger. As of 31 March 2023, retail loans accounted for 60% while corporate loans were 32% and SME were 8% of total portfolio.

In terms of key products, 30% of total loan was hire purchase, followed by mortgage of 24%, term loan of 18%, working capital (OD) of 16%, trade finance of 6%, unsecured & credit card of 5%, and others 1%, respectively.

As of 31 March 2023, HP portfolio consisted of new car 70%, used car 15%, cash your car (CYC) 15%, and cash your book (CYB) of 0.1%, respectively.

Figure 13: Total loan to customers breakdown by customer segment

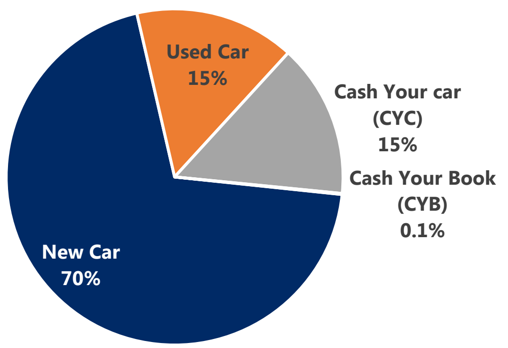


Note: Consolidated financial statements

There was the reclassification of retail-other to mortgage loan in Jan 2023 after internal annual review loan portfolio and, for comparison purpose, we reclassified retrospectively.

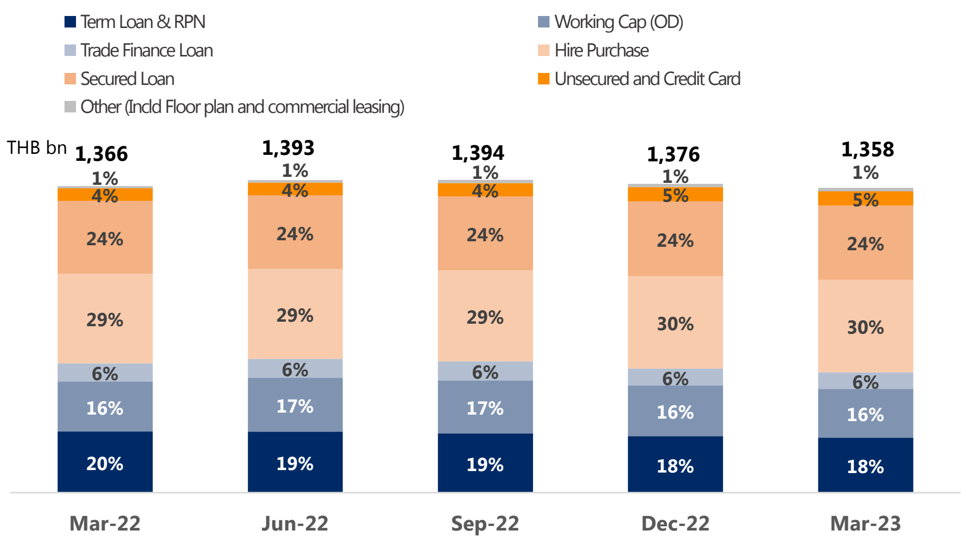
Segment definition:
Corporate: customers with annual sales volume more than THB400 million
SME: small and medium SME customers with annual sales volume up to THB400 million, including owner operators

Figure 14: Hire purchase breakdown



Note: Consolidated financial statements

Figure 15: Total loan to customer breakdown by product



Note: Consolidated financial statements

Total modified loan portfolio

As the Bank's has proactively assisted customers who were affected from Covid-19 situation thru the debt relief program to ensure that they received proper assistance and could sustainably service their debts, the debt relief portfolio has decreased overtime on the expiry schedule. Currently, the debt relief was migrated to a comprehensive debt restructuring program and the Bank continues to give proper aids to customers amidst rising interest rate environment. As of March 2023, TTB's total modified portfolio (which included legacy restructured loans (before Covid-19) and all types of modified loan under debt restructuring program) was at 11% of total loans, decreased from 12% as of December 2022 and 13% as of March 2022. We continue to proactively monitor this portfolio ensuring prudent asset quality control. Under the modified portfolio, approx. 7% of total loans was light modified terms which comparable to BoT's orange scheme and approx. 4% of total loans in deep modification which comparable to BoT's blue scheme.

Asset Quality

Under TFRS9, loans are classified into 3 stages based on changes in credit quality identified since initial recognition. The expected credit loss (ECL) framework is based on the requirements of the Thai Financial Reporting Standard No. 9 Financial Instruments (TFRS 9) which became effective from January 1, 2020 onwards.

The Bank calculated and reported impairment based on our ECL model-based calculation which is a probability-weighted estimate of credit loss over the expected life of financial instruments, adjusted with forward looking assumptions to take into account the expectation of future macro-economic outlook and potential impacts on our loan portfolio.

As of 31 March 2023, Loans and allowance for expected credit loss were classified as follows:

Figure 16: Loan and accrued interest receivables classification and allowance for expected credit loss*

	31 Mar 2023	
(THB million)	**Loans to customer and accrued interest receivables**	**Allowance for expected credit Loss**
Stage 1 (Performing)	1,208,214	13,163
Stage 2 (Under-performing)	116,003	25,229
Stage 3 (Non-performing)	42,006	20,338
Total	**1,366,223**	**58,730**

	31 Dec 2022	
(THB million)	**Loans to customer and accrued interest receivables**	**Allowance for expected credit Loss**
Stage 1 (Performing)	1,225,348	13,325
Stage 2 (Under-performing)	116,840	24,469
Stage 3 (Non-performing)	41,707	19,596
Total	**1,383,895**	**57,390**

Note: Consolidated financial statement, Loan and accrued interest receivable of stage 3 is presented on a net basis

Stage 3 loans (Non-performing loan) and NPL ratio, excluded accrued interest receivables

According to the new accounting standard under TFRS9 which implemented on 1 January 2020, non-performing loans is classified as stage 3.

As of 31 March 2023, Stage 3 loans (NPLs), excluded accrued interest receivables on consolidated basis, was reported at THB42,006 million which increased from THB41,707 million at the end of December 2022 but decreased from THB42,144 million at the end of March 2022. Stage 3 loans (NPLs) on bank-only basis amounted to THB37,253 million, increased slightly from THB37,208 million in December 2022 but decreased from THB41,397 million as of 31 March 2022. As the Bank has prudently monitored the NPLs situation, and we saw that the repayment behavior of borrowers in modified portfolio has improved alongside with economic recovery. In addition, with our de-risking and quality loan-focusing strategy, overall NPL inflow was on the improving momentum. As a results, in this quarter, the Bank and its subsidiaries wrote off NPLs amounting to approximately THB2.9 billion, declining from THB3.3 billion in 4Q22, and sold THB1.4 billion of NPLs compared to THB4.5 billion previous quarter.

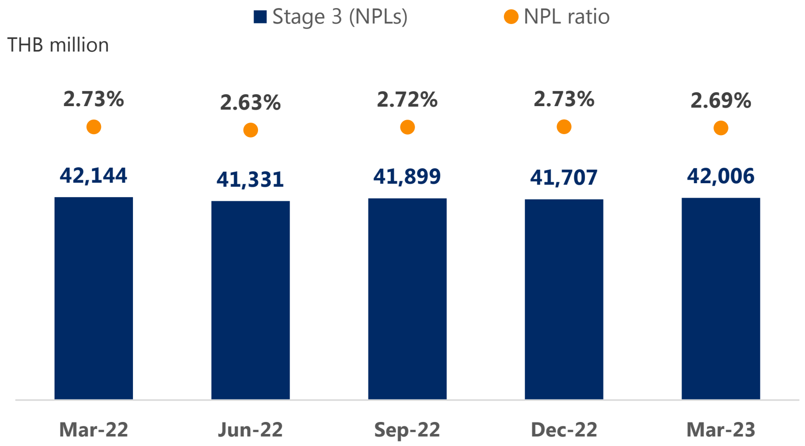
As of 31 March 2023, NPL ratio on consolidated basis was recorded at 2.69%, well-contained compared with 2.73% at the end of December 2022 and March 2022. Meanwhile, NPL ratio on bank-only basis stood at 2.39% when compared with 2.44% as of 31 December 2022 and 2.68% at the end of March 2022. Overall, NPL and asset quality remained manageable and in-line with target.

Allowance for expected credit loss

Given the current unfavorable economic conditions and the prolonged COVID-19 pandemic, the Bank remains prudent in setting provision and proactively reviews and set aside management overlay to cover both Probability of default (PD) and Loss given default (LGD) shift. Moreover, the Bank closely monitors customers payment ability in order to reflect real behavior in ECL model and offers further assistance to those in need in timely manner. The allowance for expected credit loss was set at the prudent level, preparing for the future uncertainties.

As of 31 March 2023, the Bank and its subsidiaries reported the allowance for expected credit loss at THB58,730 million, which increased by 2.3% YTD. The level of allowance still reflected the Bank's current loan portfolio nature, which 54% are retail secured loan, and more manageable asset quality after the debt relief ended. The Bank continues to manage and de-risk weak loan to enhance quality of loan portfolio, as a result, SME represented only 8% of total portfolio as of March 2023. Therefore, coverage ratio increased to 140% in 1Q23 improved from 138% in 4Q22.

Figure 17: Stage 3 loan (NPLs) and NPL ratio



Note: Consolidated financial statement, non-performing loans classified as stage 3

Liabilities and Equity

As of 31 March 2023, total liabilities and equity on consolidated basis was reported at THB1,826,952 million, relatively stable from the end of December 2022.

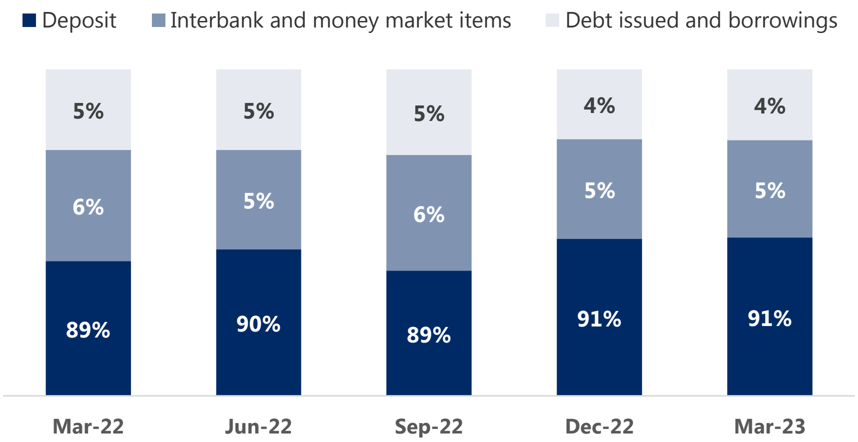
Total consolidated liabilities were THB1,602,356 million, slightly decreased by 0.3% from 31 December 2022. Details of key figures are as follows;

- Total deposits were THB1,402,305 million which slightly grew by 0.2% YTD. (see details in following section)
- Net interbank and money market items amounted to THB82,884 million which declined by 2.2% YTD, mainly due to the Bank's liquidity management.
- Borrowings was recorded at THB60,539 million which increased by 1.5% YTD. (see details in following section)

The consolidated equity was THB224,596 million, increased by 2.6% YTD mainly due to the accumulation of the net profit and other reserve from asset revaluation though equity.

Deposit was the largest composition of interest-bearing liabilities. As of 31 March 2023, deposit represented 91% of interest-bearing liabilities. This was followed by interbank and money market items of 5% and debt issued and borrowings of 4%.

Figure 18: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

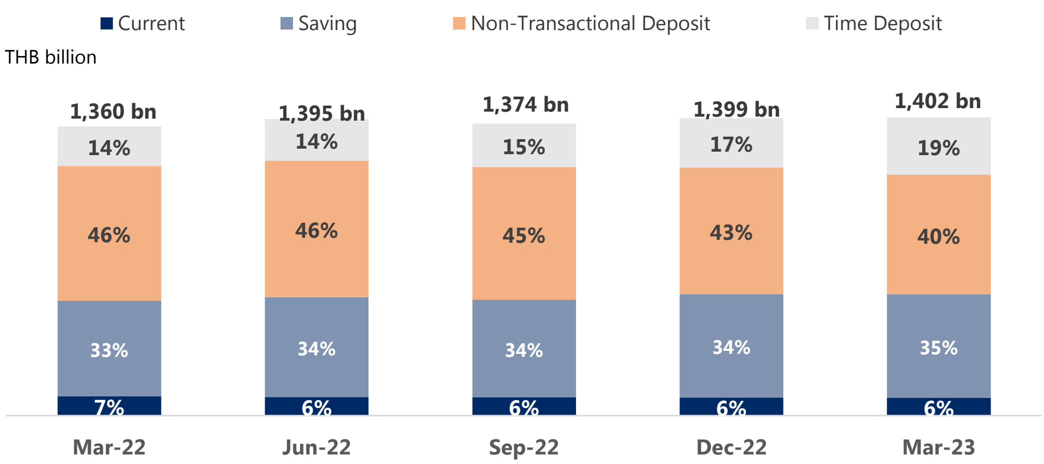
As of 31 March 2023, the Bank and its subsidiaries reported total deposits on consolidated basis of THB1,402,305 million which slightly increased by 0.2% from the end of 2022. Such YTD increase was mainly from TD and corporate transactional CASA offsetting outflow from retail CASA deposit.

Deposit breakdown by products

Since 1Q22, TTB strategically has prepared ahead for the rate hike cycle by pre-funding long-term deposit while continuing using a step-up time deposit product called "Up and Up" as a key tactical tool to retain and strengthen deposit base with an offer of competitive rates during the rising rate environment. As a result, TD rose by 16.2% YTD, accounted for 19% of total deposit, which increased from 17% at the end of December 2022. Despite some outflow from low-rate deposits in retail customers to TD; No-Fixed and All Free dropped by 6.2% YTD and 2.3% YTD, respectively, corporate deposit especially CASA still expanded, in turn, maintaining CASA level at 41%. In addition, LDR also declined to 97% in 1Q23, from 98% at the end of December 2022 and 100% at the end of March 2022, reflecting improving liquidity position of the Bank. Overall, movement of deposit flow was still in-line with the Bank's direction. The Bank also plans to leverage our ecosystem to acquire low-cost transactional deposit and CASA to optimize funding cost further effectively.

As of March 2023, retail deposit proportion represented 72% and commercial deposit represented 28% of total deposit. In terms of deposit structure, the ratio of non-transactional deposit to total deposit was reported at 40% while transactional deposit (CASA-excluded No-Fixed and ME Save) accounted for 41%, Time Deposit accounted for 19%, respectively.

Figure 19: Deposit structure by products



Note: Consolidated financial statement

Remark: "TTB No Fixed" and "ME" are classified as savings account as they are not required to maintain minimum balance and have no restriction to term of deposit, presented in this graph as non-transactional deposit.

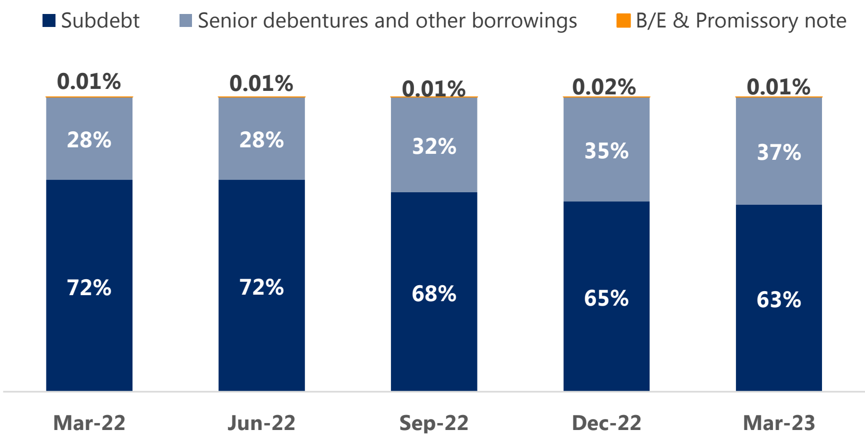
Borrowings

Borrowing increased by 1.5% YTD mainly due to PAMCO's debenture issuance, offsetting PAMCO's debenture redemption.

As of 31 March 2023, total borrowings of the Bank and its subsidiaries recorded at THB 60,539 million which increased by 1.5% YTD. Such increase was mainly due to PAMCO's debenture issuance, amounting to THB1.6 billion offsetting PAMCO's debenture redemption, amounting to THB0.5 billion.

In terms of borrowing structure, 63% was sub-debt. This was followed by senior debentures of 37% and BE of 0.01%.

Figure 20: Borrowings breakdown



Note: Consolidated financial statements

Liquidity and loan to deposit ratio

TTB has a strong liquidity position and has maintained high proportion of liquid and low-risk assets.

As of 31 March 2023, on consolidated basis, total liquid assets represented 15.6% of the total assets. The liquid assets consisted of cash (0.8%), interbank & money market items (12.7%), short-term investment (2.0%) and short-term financial assets measured at FVTPL (0.1%).

In terms of loan to deposit ratio (LDR), on consolidated basis was at 97%, decreased from 98% as of December 2022 and 100% as of March 2022.

With the Bank's funding strategy to diversity funding source through debt issued and borrowings, Loan to deposit and debt issue and borrowings was recorded at 93% as of March 2023.

Figure 21: Liquid asset allocation and loan to deposit ratio

Liquid assets	Mar-23	Dec-22	Sep-22	Jun-22	Mar-22
Cash	0.8%	0.8%	0.8%	0.7%	0.8%
Interbank and money market	12.7%	10.3%	9.4%	11.0%	11.2%
Short-term investment	2.0%	3.6%	3.1%	3.0%	2.6%
Short-term financial assets at FVTPL	0.1%	0.1%	0.1%	0.1%	0.3%
Liquid assets/Total assets	**15.6%**	**14.8%**	**13.5%**	**14.8%**	**14.8%**
Loan to deposit ratio (LDR)	**97%**	**98%**	**101%**	**100%**	**100%**

Note: Consolidated financial statement

Capital Adequacy

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 31 March 2023, Capital Adequacy Ratio (CAR) on consolidated basis under Basel III calculation was at 19.9%, while Tier 1 ratio and CET 1 ratio stayed at 16.2% and 15.7%, respectively. Such levels were well above the Bank of Thailand's minimum requirement (including conservation buffer and the D-SIBs buffer) of 12.0%, 9.5%, and 8.0% of CAR, Tier 1 ratio and Core Tier 1 ratio, respectively.

Figure 22: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

(as % to risk-weighted assets)	Mar-23	Dec-22	Sep-22	Jun-22	Mar-22
Capital Adequacy Ratio (CAR)	**19.9%**	20.0%	20.0%	19.9%	19.4%
Tier I Ratio (Tier 1)	**16.2%**	16.3%	16.0%	15.8%	15.4%
Core Tier 1 Ratio (CET1)	**15.7%**	15.7%	15.1%	14.8%	14.4%

Note: Consolidated financial statement

TTB's Financial Summary

(THB million)	1Q23	% QoQ	% YoY
Net interest income (NII)	**13,502**	-2.3%	8.8%
Non-interest income (Non-NII)	**3,368**	-16.1%	0.1%
Non-interest expenses	**7,303**	-11.5%	4.5%
Pre-provision operating profit (PPOP)	**9,561**	-0.8%	8.4%
Expected credit loss (ECL)	**4,276**	-11.0%	-11.1%
Net profit to equity holders of the Bank	**4,295**	11.6%	34.4%

(THB million)	31-Mar-23	31-Dec-22	% QoQ
Total loan to customers	**1,358,053**	1,376,118	-1.3%
Total assets	**1,826,952**	1,826,279	0.0%
Deposit	**1,402,305**	1,399,247	0.2%
Debt issued and borrowings, net	**60,539**	59,644	1.5%
Total liabilities	**1,602,356**	1,607,271	-0.3%
Total equity	**224,596**	219,008	2.6%

Key ratios	1Q23	4Q22	1Q22
Net interest margin (NIM)	**3.08%**	3.10%	2.91%
Non-interest income to total assets	**0.75%**	0.87%	0.77%
Cost to income ratio	**43.2%**	46.0%	44.1%
Return on equity (ROE)	**7.9%**	7.0%	6.1%
Return on asset (ROA)	**1.0%**	0.8%	0.7%
NPL / Stage 3 (THB mn)	**42,006**	41,707	42,144
NPL / Stage 3 ratio	**2.69%**	2.73%	2.73%
Credit cost (bps) - annualized	**127**	138	142
Loan to deposit ratio (LDR)	**97%**	98%	100%
LDR + Debt issued & borrowings to deposit ratio	**93%**	94%	96%
Capital adequacy ratio (CAR)	**19.9%**	20.0%	19.4%
Tier 1 capital ratio (Tier 1)	**16.2%**	16.3%	15.4%
Core tier 1 capital ratio (CET 1)	**15.7%**	15.7%	14.4%
TTB Bank's employees	**14,319**	14,620	15,089
Group's employees	**15,272**	15,556	15,586
Domestic branches	**555**	569	621
ATMs, ADMs and All-in-One	**3,259**	3,296	3,746

Note: Consolidated financial statements

Additional Information: Credit rating profile

Moody's		
	International rating	**Outlook**
Bank Deposits	Baa1/P-2	Stable
Baseline Credit Assessments (BCAs)	baa3	
Senior Unsecured	(P)Baa1	

Latest Changes: June 2020, Moody's has affirmed long-term rating and revised outlook to stable.

Standard & Poor's		
	International rating	**Outlook**
Long-Term Counterparty	BBB-	Stable
Short-Term Counterparty	A-3	
Senior Unsecured	BBB-	
Stand-Alone Credit Profile (SACP)	bb	

Latest Changes: March 2022, Standard & Poor's has downgraded long-term rating and revised outlook to stable.

Fitch Ratings		
	International rating	**Outlook**
Long-Term IDR	BBB	Stable
Short-Term IDR	F2	
Senior Unsecured	BBB	
Viability Rating	bbb-	
Support Rating Floor	BBB	
Support Rating	2	
	National Rating	
Long-Term	AA+ (tha)	
Short-Term	F1+(tha)	
Subordinated Debt	A (tha)	

Latest Changes: September 2021, Fitch Ratings has upgraded Long-term IDR and Support rating floor with stable outlook.

Make **REAL** Change

Disclaimer

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