ธนาคารทหารไทยธนชาต จำกัด (มหาชน)
TMBThanachart Bank Public Company Limited

Management Discussion and Analysis

For the 3rd quarter and 9-month period ended 30 September 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 3Q23: Thai economy modestly recovered even with an increased support from incoming foreign tourists as reflected by the average monthly inbound figures in July and August 2023 of 2.48 million persons per month, compared to 2.15 million persons in the previous quarter, assisting the improved recovery in tourism-related businesses. Regarding domestic economy, private consumption had steadily recovered from the previous quarter. Meantime, the growth of public and private investment both expressed a continuous deceleration in line with decline in imports of capital goods and delays in economic recovery. With respect to living cost, price pressure had continuously subsided as shown in the deceleration of inflation rate to be at 0.30% in September 2023, in accordance with a steady decline in fresh foods and energy prices as well as a high base effect last year. However, the majority of merchandise exports continued to drop especially exports of capital goods amid a subdued recovering path of key trading partners' economies. The average monthly value of merchandise exports in July and August 2023 was at 23.2 billion US dollar per month, slightly softened compared to the previous quarter of 23.6 billion US dollar.

Financial market & banking industry: The Monetary Policy Committee (MPC) decided to raise the policy rate by another 0.25% to recently stand at 2.50% in September 2023, regarding as the eighth consecutive hiking decision since the onset of pandemic crisis and being the highest level over the last 10-year period. The decision based on the assessment that Thai economy would continue to expand. The recent decline in foreign demands is about to further rebound in the coming periods. Headline inflation has been decelerating and would remain within the target range with a possibility of an upward forecast revision in future. 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 gradually rise in association with increasing financial cost. Regarding Thai baht in the third quarter 2023, it was on an average of 35.18 baht per US dollar, depreciated by 2.0% from the previous quarter and by 1.8% as compared to the end of 2022. Regarding commercial banking, total loans in July 2023 contracted by 0.3% (YoY), continuously decelerating in line with economic slowdown and bank's stringent loan standard. Likewise, deposit declined by 0.3% (YoY).

Economic outlook for 4Q23: Thai economy is projected to improve from the previous quarter. Regarding tourism sector, the annual figure of foreign tourist arrivals in 2023 stands at 27.5 million persons as number of foreign tourist arrivals tend to accelerate in the last quarter of the year, which is partly attributable to the entering of tourism season in Thailand and stimulus measure in the tourism sector; that is, Free Visa for key foreign tourists. Headline inflation would somewhat heighten as the government's measures in subsidizing costs of living and high base effects from the previous year subside. The growth of merchandise exports is expected to moderately recover as merchandise orders would increase during holiday periods and the trading partners' inventory stocks decline. Primarily, the projection of annual merchandise export value in 2023 is slightly contract by 1.1%. With respect to private investment, its momentum is projected to be decline in line with softening domestic demands as well as uncertainties pertaining to the government's economic stimulus policies. With the prospective of economic components, ttb analytics estimates that the growth figure of Thai economy in 2023 would be at 2.8%. However, this comes with the possibility of further revising down the current projection should foreign demands and private investment clearly weakened than expected. With respect to financial market, Monetary policy committee would maintain the policy rate at 2.50% as the current policy rate is deemed appropriate for sustaining the long-term economic growth. Going forward, the monetary policy would consider as suitable for economic prospects and inflation dynamics, which would be further supported by the government policy, Meantime, Thai baht in the fourth quarter of 2023 would marginally appreciate and would move within the range of 35.50-36.50 baht per US dollar.

Research by ttb | analytics

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Summary of TMBThanachart's operating performance

Amid economic headwinds from both global economic slowdown and Thailand's moderate recovery, TMBThanachart Bank (TTB) has optimized balance sheet structure and prudently managed asset-liability to ensure business efficiency. As a result, TTB continued to report a positive performance with 9-month net profit of THB13,596 million, an increase of 31% YoY. Such improvement was backed by core operating income and efficient cost management as TTB pursued 3 key strategic business directions: recycling liquidity strategy by redeploying low yield assets to higher yield for better return, efficient cost discipline and prudent risk management. With all these strategies, TTB managed to improve earnings, build healthy balance sheet, and withstand pressures and economic risk.

Striking a balance between deposit level and loan growth: As TTB has built a strong funding base from pre-funding deposit strategy since 1Q22 ahead of the rate hike cycle, it allowed the Bank to efficiently manage funding cost. As of Sep 23, total deposit reported at THB1,329 billion, which decreased by 5% QoQ as short-term deposit such as saving and No-Fixed shifted to TD and alternative investments for higher rates. Still, our key strategic products, led by TD-Up and Up and All-Free deposit, continued to grow as planned, increasing by 14% and 2% QoQ, respectively. The Bank will selectively grow and bring up deposit base while ensuring well-managed cost and utilizing on high yield assets to secure margin going forward.

Conservative loan growth pace with loan mix shift towards high-yield retail loans: TTB has been selectively growing loans, focusing on quality loan and freeing up low-yield loan to redeploy in higher yield in retail segment especially consumer lending. As of Sep 2023, total loan to customers was at THB1,363 billion, flat QoQ. The change was in the loan mix as the low-yield commercial loans decreased while high-yield retail loans grew as planned. Zooming in retail portfolio, the focus high yield products grew on track: Cash Your Car (CYC) +7% QoQ, Cash Your Home +7% QoQ, personal loans +6% QoQ, and credit cards +5% QoQ. As penetrating high-yield lending space, TTB aims to keep asset quality in balance by growing new loan on existing customer base and utilizing digital platform to sustainably enhance loan yield and overall risk-adjusted returns.

9-month performance on track supported by core operating income: The Bank's flexibility and healthy balance sheet structure allowed TTB to free up low yield liquidity towards higher yield which in turn benefited from interest rate rising environment. As a result, 9M23 NII regained a good traction with +12% YoY growth from improving earning asset yield and well-managed funding cost. NIM also expanded 32 bps to 3.21% compared to 9M22 at 2.89% thanks to loan mix shift, investment portfolio management, and pre-funding deposit strategy which helped maintained margin. Non-NII moderately grew by +1% YoY driven by net fees and service income and dividend income. Net fees growth mainly came from loan related fees, IB project fee and credit card fees, new strategic fee product, while BA and MF fee remained soft during challenging market environment. Total operating income, therefore, increased by 10% YoY to THB52,630 million in 9M23.

Well-controlled OPEX with cost discipline leading to improving PPOP: For 9M23, TTB reported OPEX at THB22,944 million, an increase of 6% YoY due mainly to higher staff cost and selling and marketing expenses following business expansion plan. To ensure the efficiency of cost management, expense and investment plans were aligned with the business direction and revenue generation. Thus, cost-to-income ratio could improve to 43% for 9M23 compared to 45% of 9M22. As a result, Pre-provision operating profit (PPOP) increased by 12% YoY which recorded at THB29,733 million for the 9-month of 2023.

Continuing efforts of prudent risk management resulting in manageable asset quality: Over the past 9 months, TTB has tightened ECL model to be more conservative as well as considered forward-looking risks thru management overlay against unforeseen economic recovery. the Bank, therefore, set aside expected credit loss (ECL) and management overlay of THB12,874 million for 9M23, equivalent to a credit cost of 126 bps, which decreased 5% YoY. Such ECL level reflected stringent ECL model and asset quality of current loan portfolio which became more in control. The coverage ratio has been strengthened further up to 144% as of Sep 23 from 135% as of Sep 22. Moreover, stage 3 loan at the ended of Sep 23 totaled to THB40,279 million which decreased from Dec 22, and NPL ratio stood at 2.67% which was in line with the target guidance.

After provision and tax, TTB reported THB13,596 million of net profit for 9-month of 2023 which increased by 31% YoY, representing improving ROE of 8.2% from 6.5% of 9M22.

Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income

(THB million)	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Interest income	20,217	19,441	4.0%	16,519	22.4%	58,134	48,081	20.9%
Interest expenses	5,552	5,349	3.8%	3,550	56.4%	15,875	10,290	54.3%
Net interest income	**14,665**	**14,093**	**4.1%**	**12,968**	**13.1%**	**42,259**	**37,791**	**11.8%**
Fees and service income	3,416	3,545	-3.7%	3,438	-0.7%	10,462	10,293	1.6%
Fees and service expenses	910	886	2.8%	904	0.7%	2,738	2,652	3.2%
Net fees and service income	**2,505**	**2,659**	**-5.8%**	**2,534**	**-1.1%**	**7,724**	**7,641**	**1.1%**
Other operating income	830	1,008	-17.7%	847	-2.1%	2,646	2,581	2.6%
Non-interest income	**3,335**	**3,668**	**-9.1%**	**3,381**	**-1.4%**	**10,370**	**10,221**	**1.5%**
Total operating income	**18,000**	**17,760**	**1.3%**	**16,349**	**10.1%**	**52,630**	**48,012**	**9.6%**
Total other operating expenses	**7,777**	**7,863**	**-1.1%**	**7,447**	**4.4%**	**22,944**	**21,696**	**5.8%**
Expected credit loss	4,354	4,244	2.6%	4,361	-0.2%	12,874	13,551	-5.0%
Profit before income tax expense	**5,868**	**5,653**	**3.8%**	**4,541**	**29.2%**	**16,812**	**12,765**	**31.7%**
Income tax expense	1,133	1,087	4.3%	827	37.1%	3,217	2,417	33.1%
Profit for the period	**4,735**	**4,566**	**3.7%**	**3,715**	**27.5%**	**13,596**	**10,348**	**31.4%**
Profit (loss) to non-controlling interest of subsidiaries	**0.006**	**0.007**	**-14.3%**	**0.003**	**100.0%**	**0.017**	**0.000**	**N/A**
Profit to equity holders of the Bank	**4,735**	**4,566**	**3.7%**	**3,715**	**27.5%**	**13,596**	**10,348**	**31.4%**
Other comprehensive income	-256	-174	47.1%	3	-10084.7%	844	-1,009	N/A
Total comprehensive income	**4,478**	**4,392**	**2.0%**	**3,717**	**20.5%**	**14,440**	**9,339**	**54.6%**
Basic earnings per share (THB/share)	**0.0489**	**0.0472**	**3.6%**	**0.0384**	**27.2%**	**0.1404**	**0.1071**	**31.1%**

Note: Consolidated financial statement

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

For the 3rd quarter of 2023: TTB recorded THB14,665 million of net interest income (NII) in 3Q23, increased by 4.1% compared to previous quarter (QoQ) and 13.1% compared to previous year (YoY). Details are as follows:

- Interest income increased by 4.0% QoQ and 22.4% YoY to THB20,217 million mainly from improving yield on earning assets following bond yield and interest rate policy uptrend. Despite the conservative asset growth, the Bank still focuses on recycling liquidity plan by redeploying the free-up liquidity towards high-yield assets while ensuring appropriate risk-adjusted returns amid rising interest rate trend.

- Interest expenses increased by 3.8% QoQ and 56.4% YoY to THB5,552 million. The QoQ change was attributable to higher funding costs following the rising trend of interest rate. For YoY change, the increase came from FIDF contribution resumption and the interest rate upward trend.

For the 9-month of 2023: net interest income increased by 11.8% YoY to THB42,259 million. Details are as follows:

- Interest income rose by 20.9% YoY to THB58,134 million. The rise was primarily due to improving yield on earning assets following liquidity utilization plan and the rising interest rate cycle amidst conservative loan growth.

- Interest expenses increased by 54.3% YoY to THB15,875 million, mainly owing to FIDF contribution resumption together with the interest rate hike.

NIM improved to 3.34% in 3Q23 from 3.18% in 2Q23.

NIM was at 3.34% in 3Q23 which increased by 16 bps from 3.18% in 2Q23 and by 42 bps from 2.92% in 3Q22. NIM continued to expand, benefiting from the shift in loan mix and rising interest rate environment which supported earning asset yield, while the pre-funding deposit initiative helped contain costs against pressures from higher deposit interest rates and borrowing costs from the competition in the market.

For 9M23, NIM also rose by 32 bps to 3.21% from 2.89% in 9M22. The Bank's pre-managed balance sheet strategy ahead of interest rate hike cycle is one of key contributions to NIM improvement. As a result, the funding costs were efficiently managed against deposit rate rise and FIDF resumption in 2023. On the upside, earning asset yield recovered from both well-managed loan and investment portfolios and grew at the faster pace than the cost side. Therefore, the current NIM exceeded the upper bound of our target guidance (3.0%-3.1%).

Still, our business direction remained conservative and selective by growing in the areas where give justified risk-adjusted returns during high interest rate environment.

Figure 2: Net interest income (NII)

(THB million)	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Interest income	**20,217**	**19,441**	**4.0%**	**16,519**	**22.4%**	**58,134**	**48,081**	**20.9%**
Interest on interbank and money market items	1,103	1,137	-2.9%	368	200.0%	3,054	939	225.4%
Investments and trading transactions	16	16	-0.1%	7	134.4%	42	20	113.0%
Investments in debt securities	777	684	13.6%	498	55.9%	2,100	1,183	77.5%
Interest on loans	12,596	11,953	5.4%	9,923	26.9%	35,817	28,865	24.1%
Interest on hire purchase and financial lease	5,725	5,653	1.3%	5,723	0.0%	17,121	17,073	0.3%
Others	0.3	0.4	-18.2%	0.6	-48.5%	1.1	1.9	-43.3%
Interest expenses	**5,552**	**5,349**	**3.8%**	**3,550**	**56.4%**	**15,875**	**10,290**	**54.3%**
Interest on deposits	2,827	2,692	5.0%	1,932	46.3%	7,975	5,676	40.5%
Interest on interbank and money market items	479	380	25.8%	119	303.1%	1,125	287	292.1%
Contributions to the Deposit Protection Agency	1,593	1,639	-2.8%	826	92.8%	4,862	2,455	98.0%
Interest on debt issued and borrowings	639	622	2.8%	659	-3.0%	1,868	1,828	2.2%
Borrowing fee	5	6	-4.0%	7	-20.3%	17	21	-20.7%
Others	9	9	-4.1%	7	24.7%	28	22	26.5%
Net interest income (NII)	**14,665**	**14,093**	**4.1%**	**12,968**	**13.1%**	**42,259**	**37,791**	**11.8%**

Note: Consolidated financial statements

Figure 3: Yields and cost

(Annualized percentage)	3Q23	2Q23	1Q23	4Q22	3Q22	9M23	9M22
Yield on loans	5.33%	5.19%	5.05%	4.69%	4.46%	5.18%	4.45%
Yield on earning assets	4.60%	4.39%	4.21%	3.94%	3.72%	4.41%	3.68%
Cost of deposit	1.28%	1.24%	1.18%	0.82%	0.79%	1.24%	0.79%
Cost of funds	1.46%	1.39%	1.31%	0.96%	0.91%	1.39%	0.90%
Net interest margin (NIM)	3.34%	3.18%	3.08%	3.10%	2.92%	3.21%	2.89%

Note: Consolidated financial statements

Non-interest income (Non-NII)

For the 3rd quarter of 2023: The Bank posted THB3,335 million of non-interest income in 3Q23, which decreased by 9.1% QoQ and 1.4% YoY mainly from dividend income stream in 2Q23 and soft net fees and service income. Details are as follows:

- Net fees and service income was reported at THB2,505 million which declined by 5.8% QoQ and 1.1% YoY. The QoQ decrease in fees was mainly due to IB fee from the project in 2Q23. Amid challenging environment for fee growth, the key strategic fees still maintained moderate growth pace. However, bancassurance fees

(BA) had a positive momentum backed by non-auto BA products while auto BA product growth became soft due to seasonality. The mutual fund growth remained challenging under unfavorable market condition but slightly improved from new MF product such as structured note. Moreover, credit card fees continued to show good traction aligned with the consumer lending focus strategy which helped boost credit card spending. For commercial fees, trade finance and loan related fees regained positive momentum following the business recovery. The YoY change was mainly from IB fees, softer BA, and mutual fund offset by improving credit card fees.

- Gain on financial instruments measured at fair value through profit or loss was THB378 million which reduced by 10.4% QoQ and 12.7% YoY. However, the FX fee recovered from 2Q23 due to an increase in hedging transactions against Thai Baht volatility but declined YoY aligned with the slower overseas trading activities and global economic slowdown.
- Share of profit from investment using equity method increased by 59.5% QoQ and 74.0% YoY, recorded at THB81 million.

For the 9-month of 2023: Non-NII reported at THB10,370 million increased 1.5% YoY due to an increase in net fees and service income and dividend income. Key items are as follows:

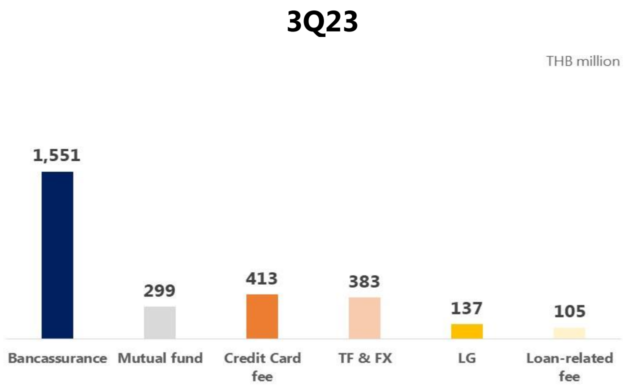
- Net fees and service income increased by 1.1% YoY to THB7,724 million, mainly attributed to loan related fees, IB project fee and credit card fees, new strategic fee product, but BA and MF fee remained soft during challenging market environment.
- Gain on financial instruments measured at fair value through profit or loss decreased by 1.6% YoY to THB1,275 million.
- Share of profit from investment using equity method increased by 3.2% YoY to THB208 million.
- Dividend income increased YoY based on business performance of strategic investments.

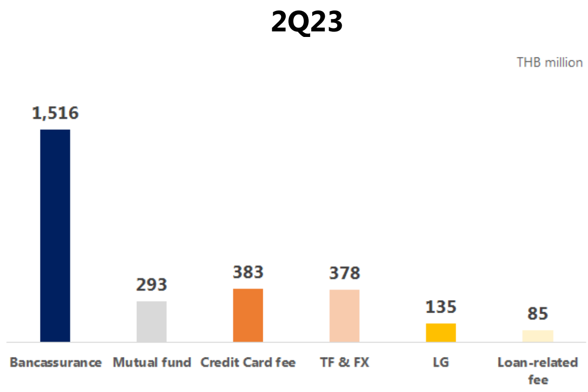
Figure 4: Non-interest income (Non-NII)

(THB million)	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Fees and service income	**3,416**	**3,545**	**-3.7%**	**3,438**	**-0.7%**	**10,462**	**10,293**	**1.6%**
Acceptance, Aval & Guarantee	141	140	0.1%	154	-9.0%	426	460	-7.4%
Other fee and service income	3,275	3,405	-3.8%	3,284	-0.3%	10,035	9,832	2.1%
Fees and service expenses	**910**	**886**	**2.8%**	**904**	**0.7%**	**2,738**	**2,652**	**3.2%**
Net fees and service income	**2,505**	**2,659**	**-5.8%**	**2,534**	**-1.1%**	**7,724**	**7,641**	**1.1%**
Gain on financial instrument measured at fair value through profit or loss	378	422	-10.4%	433	-12.7%	1,275	1,295	-1.6%
Gain (loss) on investments, net	13	50	-73.7%	-9	-254.6%	52	4	1228.9%
Share of profit from investment using equity method	81	51	59.5%	47	74.0%	208	201	3.2%
Gain on sale of properties foreclosed, assets & other assets	89	92	-3.9%	107	-17.5%	233	219	6.5%
Dividend income	0	203	-100.0%	9	-99.6%	205	147	39.2%
Others	268	190	41.4%	260	3.2%	674	714	-5.6%
Non-interest income	**3,335**	**3,668**	**-9.1%**	**3,381**	**-1.4%**	**10,370**	**10,221**	**1.5%**

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 3rd quarter of 2023: The Bank recorded THB7,777 million of total non-interest expenses which dropped by 1.1% QoQ but rose by 4.4% YoY. Key items are as follows:

- Employee expenses decreased by 1.1% QoQ but increased by 1.5% YoY to THB4,199 million. The QoQ change largely came from lower staff cost and incentives compared to 2Q23. The YoY increase was aligned with business expansion.
- Premises and equipment expenses was flat QoQ but slightly rose 0.8% YoY to THB1,186 million. Such expenses were general depreciation cost which were quite stable from the cost synergy after the merger.
- Other expenses slightly decreased by 0.5% QoQ but increased by 7.7% YoY to THB1,889 million. Such QoQ decrease was due mainly to process improvement causing efficiency gain, offset with higher selling and marketing expenses.

For the 9-month of 2023: Non-interest expenses increased by 5.8% YoY to THB22,944 million. Key factors are as follows:

- Employee expenses rose by 6.7% YoY to THB12,525 million due to higher staff cost, incentives, and employee program (EJIP) aligned with employee management plan and growing business volume.
- Premises and equipment expenses slightly decreased by 0.4% YoY to THB3,581 million, mainly resulted from lower depreciation expense.
- Other expenses increased by 2.8% YoY to THB5,377 million, owing to selling and marketing and software expenses.

Figure 6: **Non-interest expenses**

(THB million)	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Employee expenses	4,199	4,244	-1.1%	4,138	1.5%	12,525	11,734	6.7%
Directors' remuneration	22	68	-67.9%	10	121.5%	99	48	107.5%
Premises and equipment expenses	1,186	1,189	-0.2%	1,177	0.8%	3,581	3,594	-0.4%
Taxes and duties	482	463	4.1%	368	31.1%	1,361	1,091	24.7%
Other expenses	1,889	1,899	-0.5%	1,754	7.7%	5,377	5,228	2.8%
Non-interest expenses	**7,777**	**7,863**	**-1.1%**	**7,447**	**4.4%**	**22,944**	**21,696**	**5.8%**

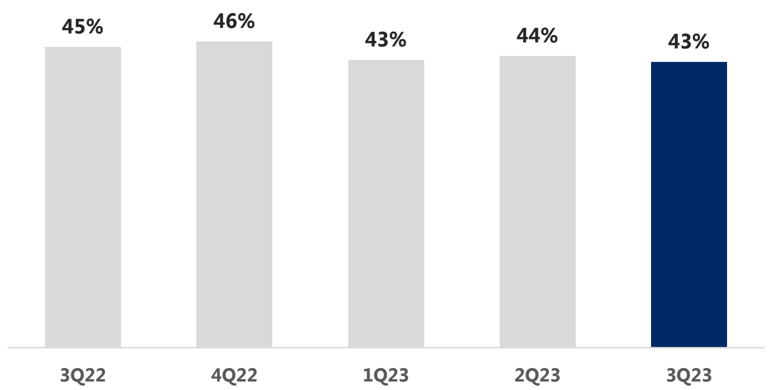
Note: Consolidated financial statement

3Q23 Cost to income ratio was maintained at 43%, improved from the same period last year.

In 3Q23, cost to income ratio (C/I ratio) was at 43%, slightly dropped from 2Q23 at 44% and improved from 45% in 3Q22. With cost discipline, the expense side was well-managed leading to the cost side growing at slower pace than revenue improvement. Thus, the C/I ratio could improve further.

For 9M23, C/I ratio was at 43% improved from 45% in 9M22. Thanks to cost saving synergies, the costs have decreased since the merger time which improved C/I overtime. Moving into the next stage, cost efficiency and revenue enhancement will come from the digital transformation strategy. The Bank expects such digital-fist business direction would help us achieve aspired low-40s C/I in the next 3 years.

Figure 7: **Cost to income ratio**

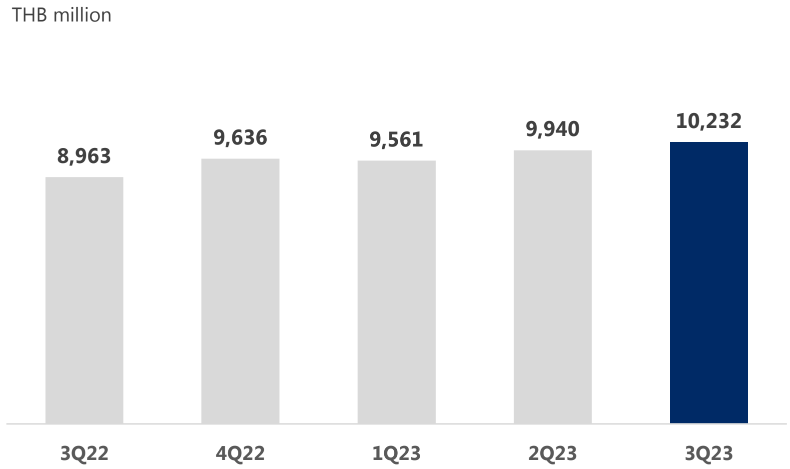


Note: Consolidated financial statements

Operating profit and Expected Credit Loss

Pre-provision operating profit (PPOP): PPOP amounted to THB10,232 million in 3Q23, increased by 2.9% QoQ and 14.2% YoY. PPOP for 9-month of 2023 was at THB29,733 million, grew by 12.1% YoY.

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



Note: Consolidated financial statements

Setting aside 3Q23 ECL of THB4,354 million under prudent ECL model

Expected Credit Loss (ECL): Asset quality management remained key challenging area amid economic recovery environments. 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 totaling THB4,354 million, equivalent to a credit cost of 127 bps, which increased by 2.6% QoQ but slightly declined by 0.2% YoY. The current ECL level was a result of our stringent 7 schemes guiding principle-based risk model, which assesses the true customer repayment capabilities, as well as ECL cushion thru MO for future risks.

For the 9-month of 2023, ECL amounted to THB12,874 million, a decrease of 5.0% YoY. The Bank stays prudent and conservative on risk management due to lingering economic headwinds. Thanks to the quality loan growth and de-risked loan portfolio strategy over the past few years, the loan portfolio quality remained manageable, and the coverage ratio was strengthened at the level of 144%.

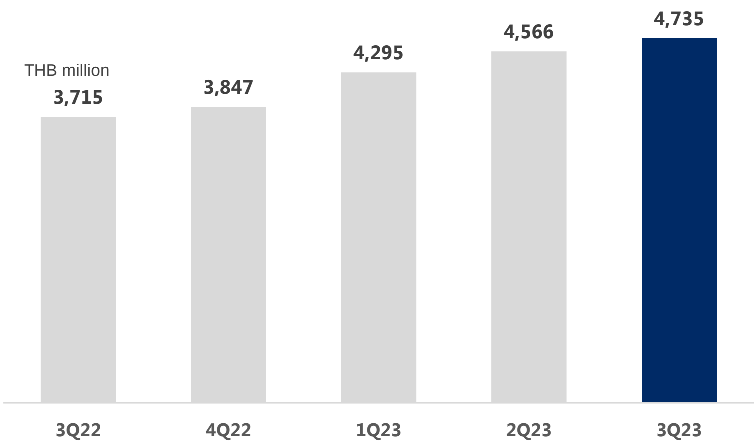
Figure 9: Expected Credit Loss (ECL) and credit cost

(THB million)	3Q23	2Q23	% QoQ	3Q22	% YoY	9M23	9M22	% YoY
Expected credit loss	**4,354**	4,244	2.6%	4,361	-0.2%	**12,874**	13,551	-5.0%
Credit cost (bps) - annualized	**127**	125		124		**126**	131	

Note: Consolidated financial statements

Net profit: After provision and tax, net profit in 3Q23 was THB4,735 million which increased by 3.7% QoQ and 27.5% from the same period last year. It was represented the ROE of 8.4%, improved from 8.2% in 2Q23 and 6.9% in 3Q22. For the 9-month of 2023, net profit stood at THB13,596 million, represented ROE of 8.2%.

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)	Sep-23	Jun-23	%QoQ	Dec-22	%YTD
Cash	13,572	14,045	-3.4%	15,506	-12.5%
Interbank and money market items, net	170,250	212,194	-19.8%	187,563	-9.2%
Financial assets measured at fair value through profit or loss	979	1,432	-31.6%	1,533	-36.1%
Derivative assets	11,331	10,381	9.1%	10,376	9.2%
Investments, net	183,019	193,556	-5.4%	211,432	-13.4%
Investments in subsidiaries and associate, net	8,661	8,579	1.0%	8,574	1.0%
Total loans to customers	1,362,578	1,363,679	-0.1%	1,376,118	-1.0%
Add accrued interest receivables and undue interest receivables*	8,579	8,213	4.5%	7,777	10.3%
Less allowance for expected credit loss	57,874	58,558	-1.2%	57,390	0.8%
Total loans to customers and accrued interest receivables, net	1,313,284	1,313,333	0.0%	1,326,505	-1.0%
Properties for sale, net	12,520	12,480	0.3%	12,152	3.0%
Premises and equipment, net	20,836	21,074	-1.1%	19,788	5.3%
Goodwill and other intangible assets, net	23,373	23,373	0.0%	22,890	2.1%
Deferred tax assets	1,599	787	103.1%	830	92.7%
Other assets, net	12,620	10,981	14.9%	9,131	38.2%
Total Assets	**1,772,044**	**1,822,215**	**-2.8%**	**1,826,279**	**-3.0%**
Deposits	1,329,428	1,395,314	-4.7%	1,399,247	-5.0%
Interbank and money market items	93,823	82,595	13.6%	84,770	10.7%
Financial liabilities measured at fair value through profit or loss	1,133	809	40.1%	438	158.6%
Debts issued and borrowings, net	59,975	61,579	-2.6%	59,644	0.6%
Deferred revenue	17,050	17,296	-1.4%	17,950	-5.0%
Other liabilities	46,995	40,724	15.4%	45,222	3.9%
Total Liabilities	**1,548,403**	**1,598,316**	**-3.1%**	**1,607,271**	**-3.7%**
Equity attributable to equity holders of the Bank	223,640	223,898	-0.1%	219,006	2.1%
Non-controlling interest	1	1	-0.3%	1	0.2%
Total equity	**223,641**	**223,899**	**-0.1%**	**219,008**	**2.1%**
Total liabilities and equity	**1,772,044**	**1,822,215**	**-2.8%**	**1,826,279**	**-3.0%**
Book value per share (Baht)	2.31	2.31	-0.2%	2.26	2.0%

Note: Consolidated financial statements

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

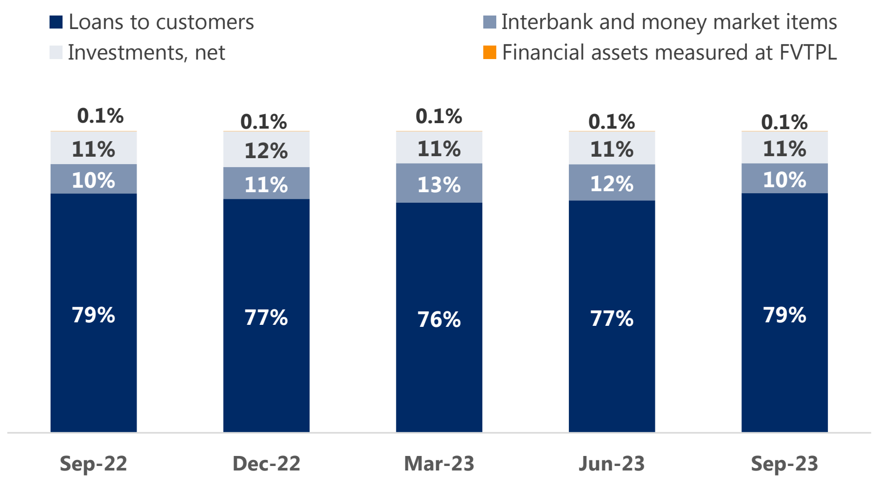
Assets

As of 30 September 2023, total assets on consolidated basis were THB1,772,044 million, declining by 2.8% QoQ and 3.0% YTD. Key items are as follows:

- Total loans to customers and accrued interest receivables net were relatively stable QoQ but declined by 1.0% YTD to THB1,313,284 million. (Details in the following section).
- Net interbank and money market items dropped by 19.8% QoQ and 9.2% YTD to THB170,250 million. Such decline was aligned with liquidity management preparing for growing selective assets especially high-yield retail loans.
- Net investments and financial asset measured at fair value through profit and loss declined by 5.6% QoQ and 13.6% YTD to THB183,998 million, mainly due to maturity of some investments in debt securities measured at FVOCI.

After the merger, loans to customers were still the largest portion of earning assets. As of 30 September 2023, loans to customers represented 79.4% of earning assets. This was followed by investments of 10.7%, interbank and money market of 9.9%, 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 30 September 2023, investments were classified as follows:

(THB million)	30 Sep 2023	30 Jun 2023
Financial assets measured at FVTPL	**979**	**1,432**
Investments in debt securities measured at amortized cost	55,897	55,907
Investments in debt securities measured at FVOCI	124,970	135,233
Investments in equity securities measured at FVOCI	2,152	2,416
Net Investment*	**183,019**	**193,556**
Total Investment	**183,998**	**194,988**

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 30 September 2023, TTB recorded total loans to customers and accrued interest receivables-net on consolidated basis of THB1,313 billion, relatively stable from June 2023 (QoQ) but declining by 1.0% from December 2022 (YTD).

In terms of total loan to customers on consolidated basis (excluded allowance for ECL), the figure amounted to THB1,363 billion, relatively flat compared to previous quarter (-0.1% QoQ) but declined by 1.0% YTD. This quarter, the low-yield commercial lending decelerated, while growth of high-yield retail lending in turn has been accelerating especially in Cash Your Car (CYC), Cash Your Home (CYH) and consumer loans. In addition, mortgage lending regained more strength, underpinning overall growth.

Overall loan growth momentum was consistent with our balance sheet optimization and liquidity management plan to capture better risk-adjusted returns by focusing on freeing up low-yield liquidity, then placing to high-yield assets with prudent monitoring in asset quality along the line. Details are as follows:

- Retail lending on consolidated basis increased by 0.8% QoQ and 1.1% YTD, mainly attributable to mortgage loan and high yield lending such as CYC, CYH, and consumer loans.

  In this quarter, mortgage lending regained more traction, increasing by 1.3% QoQ and 0.7% YTD on the back of the Bank's strategy to selectively targeting high-quality refinance customers, plus complementing from developers' sales promotions amid the rising interest rate environment. Cash-Your-Home (CYH) portfolio which increased by 6.6% QoQ and 13.5% YTD shored up overall mortgage portfolio as well.

  Personal loans also maintained its momentum, growing by 6.0% QoQ and 15.8% YTD. In parallel, credit card expanded by 5.3% QoQ and 5.4% YTD, substantiating our ongoing effort to build up more fair-share in consumer lending area through ttb consumer.

  On the flip side, hire purchase loans in this quarter decreased marginally by 0.5% QoQ and 0.2% YTD, aligning with the Bank's direction to conservatively grow quality portfolio considering appropriated risk-adjusted returns and market situation especially worsening used car prices. As a results, used car lending growth slowed down by tightening underwriting standards. New car also softened due to the greater market competition. Having said that, TTB still maintains its leading market position in hire purchase. In addition, the Bank could expand well towards targeting secured loan namely Cash-Your-Car (CYC); it grew by 6.9% QoQ and 17.3% YTD.

- Corporate lending on consolidated basis decelerated by 0.7% QoQ and 3.3% YTD, partially due to demand of alternative funding source, namely bond market. However, this was aligned with recycling liquidity strategy from low yield portfolio, and selectively grow towards secured higher yield loan space.

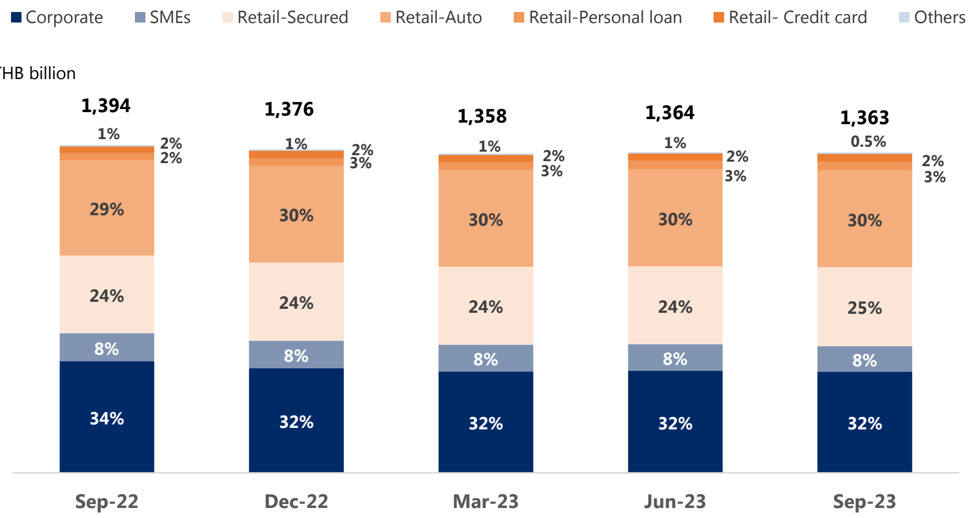
- SME segment (Small and Medium SME) declined by 4.1% QoQ and 6.6% YTD, aligned with our stance to maintain conservative position by de-risking SME portfolio.

In terms of loan breakdown by customer segments, the loan portfolio has diversified and shifted to retail segment since the merger. As of 30 September 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 25%, term loan of 18%, working capital (OD&RPN) of 16%, trade finance of 5%, unsecured & credit card of 5%, and others 1%, respectively.

As of 30 September 2023, HP portfolio consisted of new car 68%, cash your car (CYC) 17%, used car 15%, and cash your book (CYB) of 0.2%, respectively.

Figure 13: Total loan to customers breakdown by customer segment



Note: Consolidated financial statements

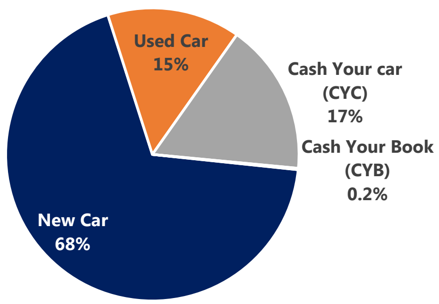
There was the reclassification of retail-other to mortgage loan in Jan 2023 after internal annual review loan portfolio and, for comparison purpose, we reclassified retrospectively.

Segment definition:

Corporate: customers with annual sales volume more than THB400 million

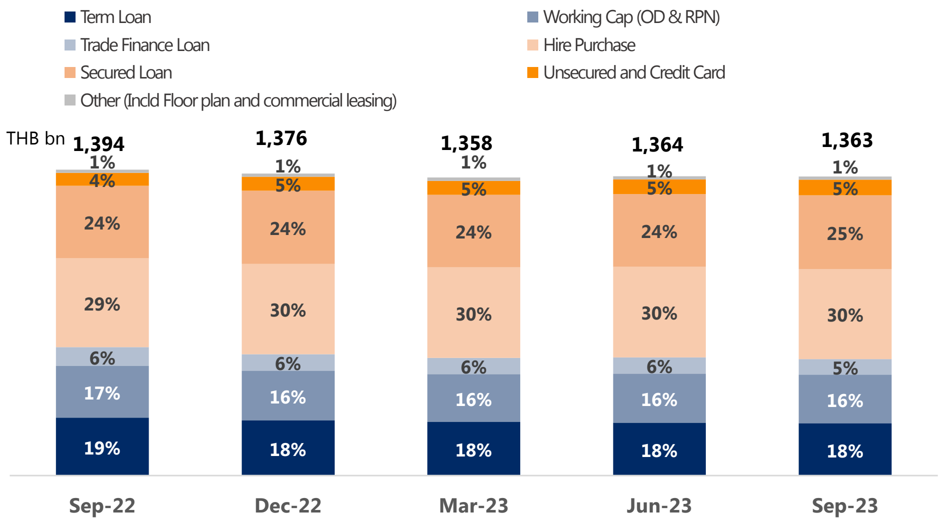
SME: small and medium SME customers with annual sales volume up to THB400 million, including owner operators

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 September 2023, TTB's total modified portfolio (which included legacy restructured loans before Covid-19 and all types of modified loan under debt restructuring program) stood at 11% of total loans, relatively stable from June 2023 and September 2022.

Under the modified portfolio, approx. 7% of total loans was light modified terms which was comparable to BoT's orange scheme and approx. 4% of total loans in deep modification which was comparable to BoT's blue scheme. We have continued to proactively monitor this portfolio to ensure prudent asset quality control.

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 30 September 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*

	30 Sep 2023	
(THB million)	**Loans to customer and accrued interest receivables**	**Allowance for expected credit Loss**
Stage 1 (Performing)	1,210,491	13,576
Stage 2 (Under-performing)	120,388	25,949
Stage 3 (Non-performing)	40,279	18,349
Total	**1,371,158**	**57,874**

	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 30 September 2023, Stage 3 loans (NPLs), excluded accrued interest receivables on consolidated basis, was reported at THB40,279 million, which decreased from THB40,719 million at the end of June 2023 and from THB41,707 million at the end of December 2022. Stage 3 loans (NPLs) on bank-only basis amounted to THB35,660 million, declined from THB36,543 million in June 2023 and from THB37,208 million in December 2022.

Overall industry situation has seen sign of portfolio quality deterioration given global economic slowdown from geopolitical risk and cost-push inflation. However, with our ongoing stringent risk management principles and quality growth strategy, overall portfolio quality of the Bank remained well under control. In addition, we will continue to monitor the portfolio quality and debt serviceability especially highly leveraged households attentively ensuring the stability and financial soundness of the Bank.

On top of the Bank's conservative loan staging approach, we have continued to prudently monitor the NPL situation as well as resolve weak loans out of the balance sheet. As a results, in this quarter, the Bank and its subsidiaries wrote off NPLs amounting to approximately THB5.2 billion, increasing from THB4.3 billion in 2Q23, and sold THB1.1 billion of NPLs compared to THB1.8 billion previous quarter.

As of 30 September 2023, NPL ratio on consolidated basis was recorded at 2.67%, well-contained compared with 2.63% at the end of June 2023 and 2.73% at the end of December 2022. Meanwhile, NPL ratio on bank-only basis stood at 2.37%, relatively stable compared to end of June 2023 and declining from 2.44% as of December 2022. Overall, NPL ratio remained within the target.

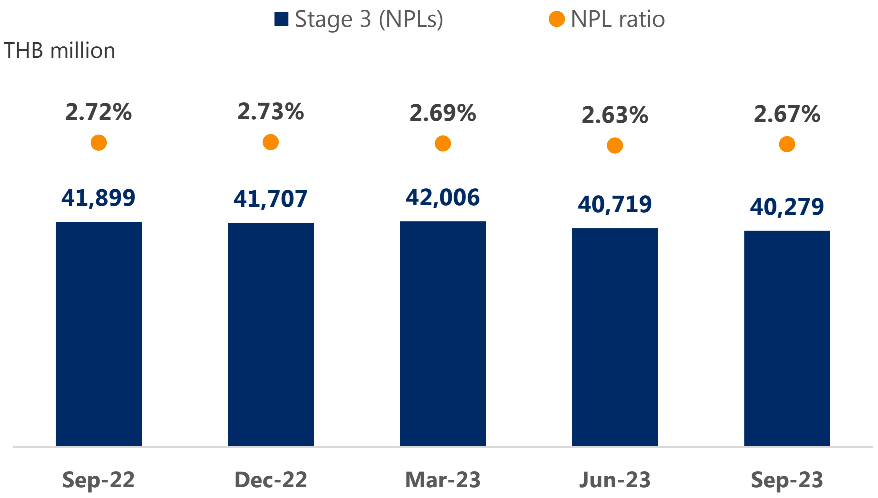
Allowance for expected credit loss

Given the current unfavorable economic conditions and unforeseen risks, 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 30 September 2023, the Bank and its subsidiaries reported the allowance for expected credit loss at THB57,874 million, which decreased by 1.2% QoQ but increased slightly by 0.8% YTD. The level of allowance still reflected the Bank's current loan portfolio nature, in which 55% are retail secured loan, and manageable asset quality.

The Bank has strictly and prudently classified loan staging and set aside the provision based on the actual risk profiles while managing asset quality along the line. Given that NPL has remained broadly stable, coverage ratio maintained at 144%.

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 30 September 2023, total liabilities and equity on consolidated basis was reported at THB 1,772,044 million, decreasing by 2.8% QoQ and 3.0% from the end of December 2022.

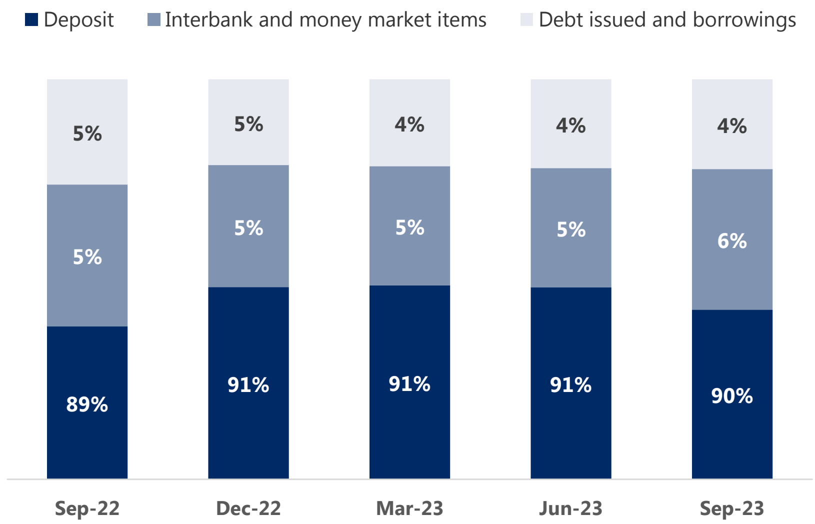
Total consolidated liabilities were THB1,548,403 million, decreased by 3.1% from June 2023 and 3.7% from December 2022. Details of key figures are as follows;

- Total deposits were THB1,329,428 million, which contracted by 4.7% QoQ and 5.0% YTD. (see details in following section)
- Interbank and money market items amounted to THB93,823 million which increased by 13.6% QoQ and 10.7% YTD, mainly due to the Bank's liquidity management.
- Borrowings was recorded at THB59,975 million which decreased by 2.6% QoQ but increased marginally by 0.6% YTD. (see details in following section)

The consolidated equity was THB223,641 million, decreased marginally by 0.1% QoQ but increased by 2.1% YTD. Such marginal QoQ decline was mainly due to dividend payment and other reserve from asset revaluation though equity offsetting accumulation of the net profit.

Deposit was the largest composition of interest-bearing liabilities. As of 30 September 2023, deposit represented 90% of interest-bearing liabilities. This was followed by interbank and money market items of 6% and debt issued and borrowings of 4%.

Figure 18: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

As of 30 September 2023, the Bank and its subsidiaries reported total deposits on consolidated basis of THB1,329,428 million which decelerated by 4.7% QoQ and 5.0% from the end of 2022, mainly due to shifting in short-term deposits to reinvest in long-term products like TD and alternative products which offer higher yields in the light of rate hike cycle.

Despite higher deposit competition following several MPC rate hikes, the Bank continues to strategically strike a balance between pace of the loan growth and deposit growth, concurrently with the efficient funding cost management.

Deposit breakdown by products

With our well-planned asset-liability management, TTB has optimized the liquidity during the rising rate environment to be aligned and sufficient for accommodating pace of the loan growth, while managed deposit growth during higher deposit competition. Furthermore, since 1Q22, the Bank strategically pursued pre-funding TD deposit strategy ahead of the rate hike cycle. With such pre-emptive move, it allows the Bank to manage funding cost efficiently and optimize net interest margin, as well as securing sufficient liquidity on hand.

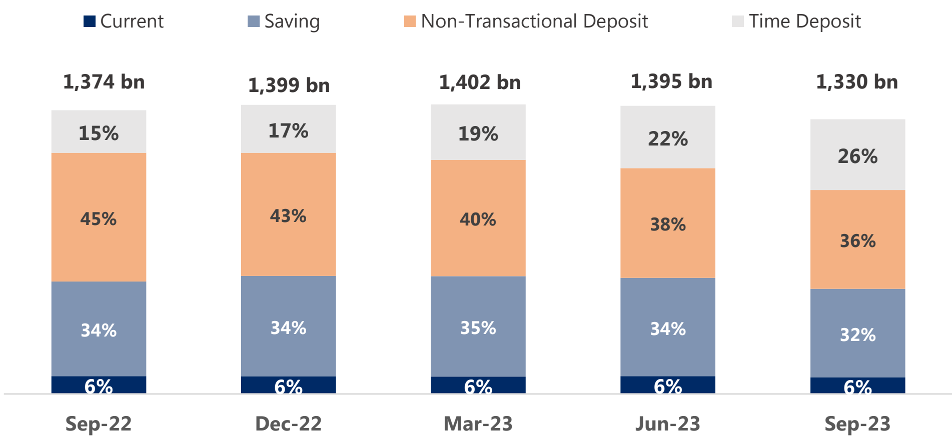
Given the rising rate environment, we continued to see the short-term deposit like saving and No-Fixed shifting to TD and alternative investments; Saving deposit and No-fixed deposit decelerated by 9.9% QoQ and 10.7% QoQ, respectively. TD Up and Up in turn expanded by 13.6% QoQ. However, our key strategic products like All-Free deposit continued to grow as planned, increasing by 2.0% QoQ.

Overall deposit momentum remained in-line with the strategic asset-liability management resulting in well-managed cost of deposit. Furthermore, our liquidity remained ample and strong with 98% of LDR + debt and borrowing, and over 170% of liquidity coverage ratio (LCR) which is above Bank of Thailand’s minimum requirement of 100%

Going forward, the Bank will continue to selectively grow and bring up deposit base through our ecosystem initiatives, maintaining the adequate liquidity and stability of the Bank. In parallel, low-yield commercial loan portion should be tapered and replaced by high yield retail products with justified risk-adjusted returns, sustainably optimizing the long-term profitability to all stakeholders.

As of September 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 36% while transactional deposit (CASA-excluded No-Fixed and ME Save) accounted for 38%, Time Deposit accounted for 26%, 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.

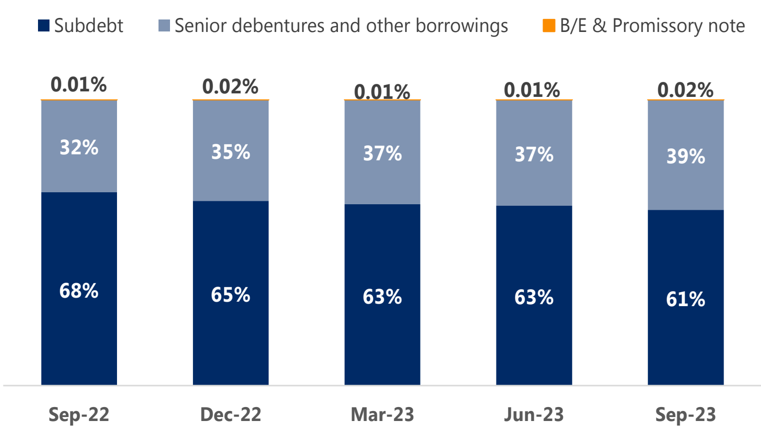
Borrowings

Borrowing decreased by 2.6% QoQ mainly due to partial repurchase of additional tier 1 capital (AT1) in alignment to the bank's capital management.

As of 30 September 2023, total borrowings of the Bank and its subsidiaries recorded at THB 59,975 million which decreased by 2.6% QoQ but increased slightly by 0.6% YTD. Such QoQ decline was mainly due to partial repurchase of additional tier 1 capital (AT1) in alignment to the bank's capital management.

In terms of borrowing structure, 61% was sub-debt. This was followed by senior debentures of 39% and BE of 0.02%.

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 30 September 2023, on consolidated basis, total liquid assets represented 13.9% of the total assets. The liquid assets consisted of cash (0.8%), interbank & money market items (9.6%), short-term investment (3.5%) and short-term financial assets measured at FVTPL (0.03%).

In terms of loan to deposit ratio (LDR), on consolidated basis was at 102%, increasing from 98% from June 2023 and December 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 98% as of September 2023.

Figure 21: Liquid asset allocation and loan to deposit ratio

Liquid assets	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
Cash	0.8%	0.8%	0.8%	0.8%	0.8%
Interbank and money market	9.6%	11.6%	12.7%	10.3%	9.4%
Short-term investment	3.5%	3.3%	2.0%	3.6%	3.1%
Short-term financial assets at FVTPL	0.03%	0.1%	0.1%	0.1%	0.1%
Liquid assets/Total assets	**13.9%**	**15.8%**	**15.6%**	**14.8%**	**13.5%**
Loan to deposit ratio (LDR)	**102%**	**98%**	**97%**	**98%**	**101%**

Note: Consolidated financial statement

Capital Adequacy

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 30 September 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 16.3% and 16.1%, 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)	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
Capital Adequacy Ratio (CAR)	**19.9%**	19.8%	19.9%	20.0%	20.0%
Tier I Ratio (Tier 1)	**16.3%**	16.1%	16.2%	16.3%	16.0%
Core Tier 1 Ratio (CET1)	**16.1%**	15.7%	15.7%	15.7%	15.1%

Note: Consolidated financial statement

TTB's Financial Summary

(THB million)	3Q23	% QoQ	% YoY	9M23	%YoY
Net interest income (NII)	**14,665**	4.1%	13.1%	**42,259**	11.8%
Non-interest income (Non-NII)	**3,335**	-9.1%	-1.4%	**10,370**	1.5%
Non-interest expenses	**7,777**	-1.1%	4.4%	**22,944**	5.8%
Pre-provision operating profit (PPOP)	**10,232**	2.9%	14.2%	**29,733**	12.1%
Expected credit loss (ECL)	**4,354**	2.6%	-0.2%	**12,874**	-5.0%
Net profit to equity holders of the Bank	**4,735**	3.7%	27.5%	**13,596**	31.4%

(THB million)	30-Sep-23	30-Jun-23	% QoQ	31-Dec-22	%YTD
Total loan to customers	**1,362,578**	1,363,679	-0.1%	**1,376,118**	-1.0%
Total assets	**1,772,044**	1,822,215	-2.8%	**1,826,279**	-3.0%
Deposit	**1,329,428**	1,395,314	-4.7%	**1,399,247**	-5.0%
Debt issued and borrowings, net	**59,975**	61,579	-2.6%	**59,644**	0.6%
Total liabilities	**1,548,403**	1,598,316	-3.1%	**1,607,271**	-3.7%
Total equity	**223,641**	223,899	-0.1%	**219,008**	2.1%

Key ratios	3Q23	2Q23	3Q22	9M23	9M22
Net interest margin (NIM)	**3.34%**	3.18%	2.92%	**3.21%**	2.89%
Non-interest income to total assets	**0.74%**	0.81%	0.74%	**0.77%**	0.76%
Cost to income ratio	**42.9%**	43.8%	45.2%	**43.3%**	44.7%
Return on equity (ROE)	**8.4%**	8.2%	6.9%	**8.2%**	6.5%
Return on asset (ROA)	**1.1%**	1.0%	0.8%	**1.0%**	0.8%
NPL / Stage 3 (THB mn)	**40,279**	40,719	41,899	**40,279**	41,899
NPL / Stage 3 ratio	**2.67%**	2.63%	2.72%	**2.67%**	2.72%
Credit cost (bps) - annualized	**127**	125	124	**126**	131
Loan to deposit ratio (LDR)	**102%**	98%	101%	**102%**	101%
LDR + Debt issued & borrowings to deposit	**98%**	94%	96%	**98%**	96%
Capital adequacy ratio (CAR)	**19.9%**	19.8%	20.0%	**19.9%**	20.0%
Tier 1 capital ratio (Tier 1)	**16.3%**	16.1%	16.0%	**16.3%**	16.0%
Core tier 1 capital ratio (CET 1)	**16.1%**	15.6%	15.1%	**16.1%**	15.1%
TTB Bank's employees	**14,401**	14,388	14,796	**14,401**	14,796
Group's employees	**15,365**	15,316	15,771	**15,365**	15,771
Domestic branches	**537**	541	589	**537**	589
ATMs, ADMs and All-in-One	**3,246**	3,308	3,379	**3,246**	3,379

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.

ttb | Make **REAL** Change