

# Management Discussion and Analysis 3<sup>rd</sup> Quarter 2023

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## Executive Summary

**“ Net profit for 3<sup>rd</sup> quarter 2023 of Baht 1,006.8 million, growing 11.7% (YoY)  
with continuous growth in lending and insurance businesses and effective asset quality control”**

Ngern Tid Lor Public Company Limited (“TIDLOR” or “the Company”) recorded a net profit of Baht 1,006.8 million for the third quarter of 2023, an increase of 11.7% (YoY) from Baht 901.1 million in the same period of last year. Additionally, for the first nine months of the year 2023, the Company achieved a net profit of Baht 2,889.2 million, representing a 2.3% increase (YoY).

By the end of the third quarter of 2023, the Company had an outstanding loan portfolio of Baht 91,888.0 million, expanding by 21.1% (YoY). TIDLOR card continued to be one of the key drivers for the growth of the lending business, with card usage volume expanding favorably. Concurrently, the insurance brokerage business maintained its growth trend, with non-life insurance premium for this quarter increasing by 25.6% (YoY). Furthermore, the Company had effectively preserved the quality of the total loan portfolio, with the non-performing loan (NPL) ratio standing at 1.51%, slightly decreasing from 1.54% in the previous quarter.

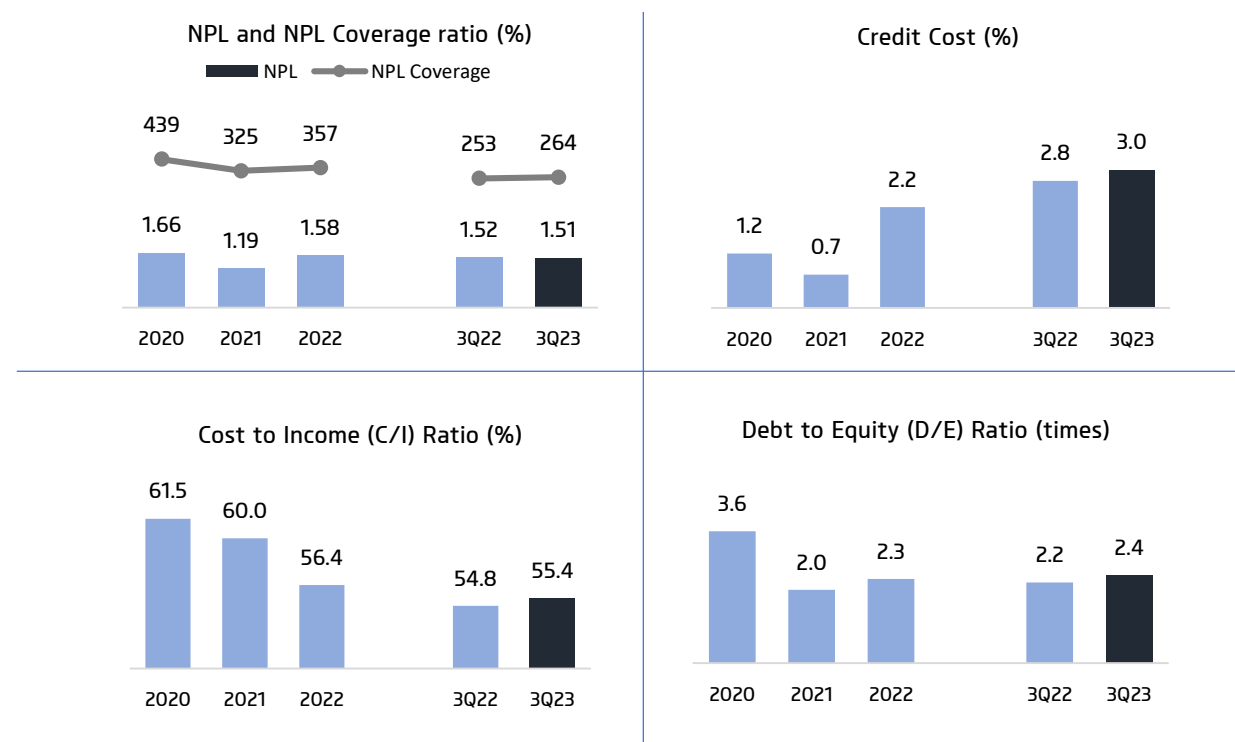
The Company had a total revenue of Baht 4,834.3 million, increasing by 23.0% (YoY). The main revenue was derived from the interest income from loans and hire-purchase receivables, which experienced 22.7% growth (YoY), and fee and service income, which rose by 24.6% (YoY). The total expenses amounted to Baht 3,574.2 million, primarily due to increasing service and administrative expenses resulting from business expansion and financial costs resulting from adjustments made on the policy rates. However, the cost-to-income ratio remained stable at 55.4%, consistent with the previous quarter, reflecting effective expense management.

In the overview of the nine months of 2023, the total loan portfolio and insurance brokerage business have shown continuous growth, with non-performing loans (NPL) and credit costs that are moving in with the direction of the set targets. The Company demonstrated strong revenue growth, efficient cost management, and rigorous asset quality control. Furthermore, appropriate and sufficient reserves have been set aside to support business expansion and risks arising from uncertain geopolitical and economic conditions. The Company remained to focus on healthy-quality portfolio growth under an effective risk management policy, enabling the Company to generate decent profit while maintaining a strong financial position.

## Financial Highlights

Unit: THB million	3Q22	3Q23	% YoY Increase/ (Decrease)	9M22	9M23	% YoY Increase/ (Decrease)
Interest income on loans and hire-purchase receivables	3,260.1	4,000.5	22.7%	9,012.2	11,311.7	25.5%
Fee and service income	660.1	822.5	24.6%	1,874.3	2,359.4	25.9%
Other income	10.1	11.3	11.9%	20.7	38.2	84.5%
<b>Total revenues</b>	<b>3,930.3</b>	<b>4,834.3</b>	<b>23.0%</b>	<b>10,907.2</b>	<b>13,709.3</b>	<b>25.7%</b>
Service and administrative expenses	(1,982.5)	(2,409.3)	21.5%	(5,584.5)	(6,798.8)	21.7%
Finance costs	(313.5)	(483.7)	54.3%	(868.5)	(1,305.1)	50.3%
<b>Profit before credit loss</b>	<b>1,634.3</b>	<b>1,941.3</b>	<b>18.8%</b>	<b>4,454.2</b>	<b>5,605.4</b>	<b>25.8%</b>
Credit loss	(512.9)	(681.2)	32.8%	(936.7)	(1,985.7)	112.0%
Loss arising from derecognition of financial assets measured at amortized cost	(242.3)	(588.4)	142.8%	(600.8)	(1,473.1)	145.2%
Impairment loss determined in accordance with TFRS 9	(270.6)	(92.8)	(65.7%)	(335.9)	(512.6)	52.6%
<b>Profit before income tax expense</b>	<b>1,121.4</b>	<b>1,260.1</b>	<b>12.4%</b>	<b>3,517.5</b>	<b>3,619.7</b>	<b>2.9%</b>
Income tax expenses	(220.3)	(253.3)	15.0%	(694.6)	(730.5)	5.2%
<b>Net profit for the period</b>	<b>901.1</b>	<b>1,006.8</b>	<b>11.7%</b>	<b>2,822.9</b>	<b>2,889.2</b>	<b>2.3%</b>
Earnings per Share (Baht)	0.36	0.36	0.0%	1.17	1.08	-7.7%

### Key financial ratio



## Operating Result for 3<sup>rd</sup> Quarter 2023

**“ The total loan portfolio grew by 21.1% YoY, with NIM at an appropriate level  
while non-life insurance premiums increased by 25.6% YoY ”**

At the end of the third quarter of 2023, the total lending portfolio had demonstrated consistent growth, expanding by 21.1% (YoY). This brought the total value of portfolio to Baht 91,888.0 million, divided into two categories: Baht 81,657.6 million from loans to customers and accrued interest receivables, and Baht 10,230.4 million hire-purchase receivables. Additionally, the allowance for expected credit loss amounted to Baht 3,677.7 million.

The growth trajectory of loan portfolio had been consistent with the Company's targets, complemented by a rigorous loan approval policy that ensured portfolio risks were kept at an appropriate risk level. The expansion of loan portfolio had been facilitated through multiple channels, encompassing 1,662 branches nationwide network, and non-branch channels like telesales, online platforms, and mobile applications. Additionally, TIDLOR card retained its pivotal role in driving the growth of lending businesses, enhancing customer convenience by enabling 24-hour cash access. This underlined the Company's dedication to distinctive service quality through various channels, reflecting a sustained increase in TIDLOR card user base, reaffirming the Company's capacity to deliver exceptional financial solutions. At the end of September 2023, the Company had served TIDLOR card more than 613,000 cards, witnessing a user growth of 23.1% compared to the end of 2022.

In the third quarter of 2023, the company secured an interest income rate from lending business at 17.9%, marking a modest increase from the same period in the previous year at 17.8%. Conversely, funding costs experienced an increase, rising to 2.2% from 1.7% in the third quarter of 2022. The primary drivers behind this uptrend were higher market interest rates and adjustments in policy rates. Nonetheless, the Company had consistently endeavored to its strategy of maintaining diversified funding, incorporating borrowing from both financial institutions and debt instruments, to support the business expansion. Additionally, significant emphasis was placed on aligning asset-liability durations and maintaining fixed-rate borrowing to preserve a steady interest rate spread, thereby enabling the Company to generate profits consistently

A detailed breakdown of the lending portfolio:

Unit: THB million	Loans to customers and accrued interest receivables	Hire-purchase receivables*	Total
Stage 1 (Performing)	68,884.2	6,410.0	75,294.2
Stage 2 (Under-performing)	11,659.5	3,543.5	15,203.0
Stage 3 (Non-performing)	1,113.9	276.9	1,390.8
Total loans and hire purchase receivables and accrued interest receivables	81,657.6	10,230.4	91,888.0
Less Allowance for expected credit loss	(3,270.5)	(407.2)	(3,677.7)
Net total loans and hire purchase receivables and accrued interest receivables	78,387.1	9,823.2	88,210.3

\*after deduction of unearned interest income

Apart from the lending business, another significant segment that greatly bolstered the Company's strong performance was the insurance brokerage business. In the third quarter of 2023, non-life insurance premium continued to expand consistently as per the set target, increasing up to 25.6% (YoY), amounting to a value of Baht 2,063.2 million baht. Furthermore, in the first nine months of 2023, total non-life insurance premium reached Baht 6,051.8 million. This growth was evident across various channels, including offline, digital channels, and Areegator platforms.

**“ Effective portfolio quality management with a low NPL at 1.51%,  
while remaining a robust NPL Coverage Ratio at a high level of 264.4% ”**

The quality of the Company's loan portfolio was well-controlled. As of September 30, 2023, the non-performing loans (NPL) ratio was at 1.51%, showing a slight decrease from the previous quarter's level of 1.54%, despite having faced economic uncertainties and geopolitical circumstances, inflation rates and the expiration of debt moratorium measures. This reflected efficient asset quality management.

Furthermore, the Company maintained a commitment to preserving asset quality and conducting comprehensive risk management as well as continued to strengthen and enhance the loan approval process for customer segments deemed to have high risk, including directly affected by external uncertainties. This strategic approach aimed to maintain the overall portfolio quality at an appropriate level, aligned to the Company's rigorous risk management policy.

At the end of the third quarter of 2023, the NPL coverage ratio had slightly increased from the same period of the previous year, standing at 264.4%, which reflects the Company's commitment to meticulous risk management policies and prudent business operating.

**“ D/E ratio was low at 2.4 times,  
remaining the strategy of diversified funding structure ”**

By the end of the third quarter of 2023, the Company's total borrowing and debentures amounted to Baht 63,836.2 million, increasing by 25.0% (YoY). The funding structure was distributed in a ratio of 53:47 between bank loans both domestic and international and debentures. The Company continued to emphasize a strategy of diversifying funding sources, involving borrowing from financial institutions and utilizing debt instruments. This multifaceted approach enhanced the Company's financial flexibility and reduced concentration risk. Furthermore, the debt-to-equity ratio remained at a low level of 2.4 times, indicating prudent financial management and the ability to sustain strong debt and equity proportions.

## Revenue and Expense

**“Strong revenue growth, both in interest and fees and service income, while expenses increased,  
aligning with business expansion and interest rate adjustments ”**

**Revenue:** In the third quarter of 2023, the Company achieved total revenue of Baht 4,834.3 million, representing 23.0% (YoY) increase. Interest income accounted for 82.8% of the total revenue, which was divided into interest income from hire-purchase receivables of Baht 376.5 and interest income from loans of Baht 3,624.0 million. The growth in interest income resulted from the expansion of the total loan portfolio and increased demand for loans due to the gradual economic recovery, particularly supported by the tourism and private consumption sectors.

Moreover, in the third quarter of 2023, fee and service income amounted to Baht 822.5 million, a 24.6% (YoY) increase, constituting 17.0% of the total revenue. This rise was mainly attributed to the robust and continuous performance of insurance brokerage businesses, both in terms of non-life and life insurance.

Unit: THB million	3Q22	% Total Revenue	3Q23	% Total Revenue	% YoY Increase/ (Decrease)
Interest income on hire-purchase receivables	383.2	9.7%	376.5	7.8%	(1.7%)
Interest income on loans	2,876.9	73.2%	3,624.0	75.0%	26.0%
Fee and service income	660.1	16.8%	822.5	17.0%	24.6%
Other income	10.1	0.3%	11.3	0.2%	11.9%
<b>Total revenues</b>	<b>3,930.3</b>	<b>100%</b>	<b>4,834.3</b>	<b>100%</b>	<b>23.0%</b>

**Expense:** In the third quarter of 2023, the Company's total expenses amounted to Baht 3,574.2 million, mainly stemming from service and administrative expenses totaling Baht 2,409.3 million, indicating a 21.5% (YoY) increase. This increase was aligned with the continuous growth of lending and insurance brokerage activities. The cost-to-income ratio for this quarter stood at 55.4%, which was similar to the previous quarter.

In addition, the financial costs were at Baht 483.7 million, rising by 54.3% (YoY). This rise in funding costs was due to adjustments in policy interest rate and money market conditions. As for the credit loss, it amounted to Baht 681.2 million, marking a 32.8% (YoY) increase. This increase was in line with the expansion of total loan portfolio, write-offs, and prudent provisioning to accommodate uncertainties stemming from macroeconomic factors, geopolitical situation, and inflation. Furthermore, considerations were made regarding asset quality following the end of the debt moratorium.

Unit: THB million	3Q22	% Total Revenue	3Q23	% Total Revenue	% YoY Increase/ (Decrease)
Service and administrative expenses	1,982.5	50.4%	2,409.3	49.8%	21.5%
Finance costs	313.5	8.0%	483.7	10.0%	54.3%
Credit loss	512.9	13.0%	681.2	14.1%	32.8%
Loss arising from de-recognition of financial assets measured at amortized cost	242.3	6.2%	588.4	12.2%	142.8%
Impairment loss determined in accordance with TFRS 9	270.6	6.9%	92.8	1.9%	(65.7%)

## Financial Position

As of September 30, 2023, the total assets of the Company had reached Baht 94,522.1 million, reflecting an increase of 11.6% from the Baht 84,727.0 million reported as of December 31, 2022. This growth can be attributed to the augmentation in total lending receivables.

Total liabilities amounted to Baht 66,957.1 million, marking an increase of 12.9% from the Baht 59,305.1 million reported as of December 31, 2022. This growth was primarily fueled by the increase in debenture and borrowings, which were secured to facilitate portfolio expansion and support working capital.

The total shareholders' equity amounted to Baht 27,565.0 million, experiencing an increase of 8.4% from the Baht 25,421.9 million reported as of December 31, 2022. This growth can be attributed to the increase in net profit for the nine months ending September of the current year, deducted by dividend payments made in the second quarter of 2023.

Unit: THB million	31-Dec-22	30-Sep-23	%Increase/ (Decrease)
Cash and cash equivalents	2,191.2	1,353.5	(38.2%)
Loans and hire purchase receivables	81,265.4	91,888.0	13.1%
Allowance for expected credit loss	(3,198.9)	(3,677.7)	15.0%
Other current assets	1,263.1	1,203.7	(4.7%)
Other non-current assets	3,206.2	3,754.6	17.1%
<b>Total assets</b>	<b>84,727.0</b>	<b>94,522.1</b>	<b>11.6%</b>
Current liabilities	22,601.2	25,070.1	10.9%
Non-current liabilities	36,703.9	41,887.0	14.1%
<b>Total liabilities</b>	<b>59,305.1</b>	<b>66,957.1</b>	<b>12.9%</b>
<b>Total shareholders' equity</b>	<b>25,421.9</b>	<b>27,565.0</b>	<b>8.4%</b>
<b>Total liabilities and shareholders' equity</b>	<b>84,727.0</b>	<b>94,522.1</b>	<b>11.6%</b>