



Thaicredit Bank

Management Discussion and Analysis

For the Year Ending December 31, 2022

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Management's discussion and analysis (MD&A)
Key performance indicators
1. Loans to customers
Table 1 Breakdown of loans to customers, based on the types of borrowers.

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	Percent	(million baht)	Percent	(million baht)	Percent
MSME Loans ⁽¹⁾	46,131.0	67.3%	68,184.3	69.8%	82,198.5	67.8%
Nano and Micro Finance Loans ⁽²⁾	11,019.0	16.1%	14,265.7	14.6%	19,181.9	15.8%
Home Loans ⁽³⁾	11,006.0	16.0%	14,489.1	14.8%	18,522.4	15.3%
Personal revolving loans ⁽⁴⁾	7.9	0.0%	439.1	0.4%	1,092.7	0.9%
Other retail loans ⁽⁵⁾	398.5	0.6%	350.5	0.4%	302.5	0.2%
Total loans to customers ⁽⁶⁾	68,562.4	100.0%	97,728.7	100.0%	121,298.0	100.0%

Remarks: (1) MSME Loans include Micro SME loans, SME loans, Soft Loans, and other loans.

(2) Nano and Micro Finance Loans includes Nano Finance, Nano SS Finance, Micro Finance, and Micro Plus loans.

(3) Home Loans include Home for Cash, and Mortgage Refinance Loans.

(4) Personal revolving loans include personal revolving loans.

(5) Other retail loans include mortgage reducing term assurance (MRTA) loan, multi-purpose loans, loans with gold as collateral and other retail loans that are not the key products.

(6) Loans to customers refer to loans to customers before accumulated accrued interest receivables and undue interest receivables and before deducting expected ECL

Thai Credit's loans to borrowers can be categorized into five product groups: (1) MSME Loans; (2) Nano and Micro Finance Loans; (3) Home Loans; (4) personal revolving loans; and (5) other retail loans.

For the years ended 31 December 2020, 2021 and 2022, Thai Credit's loans to customers stood at THB 68,562.4 million, THB 97,728.7 million, and THB 121,298.0 million, respectively, with a CAGR of 32.7 percent, on account of growth in all major loan product categories, including MSME Loans, Nano and Micro Finance Loans, and Home Loans.

(1) MSME Loans
Table 2 MSME Loans

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Micro SME Loans ⁽¹⁾	40,993.2	88.9%	62,277.0	91.3%	76,611.6	93.2%
SMEs loans ⁽²⁾	5,137.8	11.1%	5,907.3	8.7%	5,586.9	6.8%
Total MSME Loans	46,131.0	100.0%	68,184.3	100.0%	82,198.5	100.0%

Remarks: (1) Micro SME Loans include loan for micro SME, MSME loans for medical professionals, loans for the purchase of a place of business, loans for gold shop business, SMEs loans with gold as collateral, hire-purchase loans, and soft loans.

(2) SMEs Loans include SMEs loans, hire-purchase loans, and soft loans.

Thai Credit's Micro SME Loans increased by 23.0 percent, from THB 62,277.0 million for the year ended 31 December 2021, to THB 76,611.6 million for the year ended 31 December 2022, primarily due to growth in Klahai SME loan with new products, including Klahai Tem Speed, Klahai Tem 100, and Klahai Gern 100, introduced to meet customers' needs. Thai Credit also increased credit limit to the qualified customers as well as providing loans and credit facilities with the intention of supporting its customers in their post-pandemic recovery and expansion while focusing on credit quality control. More online marketing campaigns were launched, resulting in the broader awareness of Thai Credit and its loan products. This drove the growth of Thai Credit's Micro SME Loans.

Thai Credit's SMEs loans decreased by 5.4 percent, from THB 5,907.3 million for the year ended 31 December 2021, to THB 5,586.9 million for the year ended 31 December 2022, primarily due to the Bank's strategy to reduce exposure to SMEs loans.

(2) Nano and Micro Finance Loans

Thai Credit's Nano and Micro Finance Loans increased by 34.5 percent, from THB 14,265.7 million for the year ended 31 December 2021, to THB 19,181.9 million for the year ended 31 December 2022, primarily due to its strong market position which resulted in the continued increase in these loans. The continued growth in Micro Plus loans from last year, and the launch of a new product called Micro Plus Enhancement, resulted in a higher proportion of Micro Finance loans and Micro Plus loans which offer higher loan amounts than those offered by the Nano Finance loan or Nano SS Finance loan. In addition, following positive response from customers on the Micro Pay e-Wallet application which allows convenient loan disbursements and repayments, this contributed to greater customer experience which further supported the loan growth.

(3) Home Loans

Home Loans increased by 27.8 percent, from THB 14,489.1 million for the year ended 31 December 2021, to THB 18,522.4 million for the year ended 31 December 2022, primarily due to the attractive value proposition of the Home for Cash loans. Thai Credit also launched new products, such as the Refinance Plus loan, which offers a zero rate in the first seven months, and increased the loan-to-value ratio (LTV) to 100 percent in accordance with BoT's policy to relax home loan criteria. In addition, additional multi-purpose loans were offered along with a Mortgage Refinance Loans.

(4) Personal revolving loans

Thai Credit's personal revolving loans increased by 148.8 percent, from THB 439.1 million for the year ended 31 December 2021, to THB 1,092.7 million for the year ended 31 December 2022, in line with the increase in the number of Thai Credit branches in order to reach out to more general customers. At the moment, Thai Credit is developing loan products and an online platform on which its financial products and services will be provided, including the loan application process with an aim to improve the turnaround time.

(5) Other retail loans

Other retail loans provided by Thai Credit decreased by 13.7 percent, from THB 350.5 million for the year ended 31 December 2021, to THB 302.5 million for the year ended 31 December 2022. The decline was primarily due to Thai Credit's strategy to reduce the focus on other retail loans.

Collateral value, based on the types of borrowers.

Table 3 Collateral value, based on the types of borrowers

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
MSME Loans	67,428.4	146.2%	64,167.2	94.1%	71,464.6	86.9%
Nano and Micro Finance Loans	-	-	-	-	-	-
Home Loans and Other retail loans	19,087.5	167.4%	23,585.6	158.9%	28,731.8	152.6%
Personal revolving loans	-	-	-	-	-	-
Total collateral value	86,515.9	150.4%	87,752.8	105.7%	100,196.4	99.2%

Remarks: Percent refers to the percentage of the collateral value to total gross loans.

For the years ended 31 December 2021 and 2022, collateral value regarding Thai Credit's loans granted to customers stood at THB 87,752.8 million, and THB 100,196.4 million, respectively; and the collateral value to total gross loans was 105.7 percent, and 99.2 percent, respectively. The growth in collateral value was consistent with the loan growth. However, the collateral value to total gross loans ratio decreased, primarily due to the launch of new loan products, such as unsecured loans and under-collateralized loans, in response to collateral limitations among micro SME and small enterprises. Nonetheless, given the Bank's focus on credit quality control, Thai Credit will introduce these products only to qualified customers. In addition, according to the information and analysis undertaken by T Thai Credit on loans granted to businesses, there is no material difference between performance by borrowers of unsecured loans and under-collateralized loans, and performance by borrowers of over-collateralized loans. Moreover, some MSME Loans and most Nano and Micro Finance Loans are guaranteed by TCG. These guarantees alleviate default risks, as the entire outstanding balance, excluding any accrued interest, will be guaranteed by TCG. In addition, Thai Credit reviews its loan limits, and the qualification and financial status of its borrowers based on their repayment history, on annual basis. Borrowers with good repayment history may request for higher credit limits, according to the criteria of each type of loan. Likewise, most Nano and Micro Finance Loans are guaranteed by TCG, which helps alleviate default risks, as the entire outstanding balance, excluding any accrued interest, will be guaranteed by TCG. As of 31 December 2022, TCG-guaranteed loans provided to micro SME customers accounted for approximately 69 percent of total gross MSME Loans, and TCG-guaranteed Nano and Micro Finance Loans accounted for approximately 82 percent of total gross Nano and Micro Finance Loans.

2. Deposits

Table 4 Breakdown of deposits, based on the types of deposits

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Current deposits	73.7	0.1%	99.0	0.1%	40.1	0.0%
Savings	17,432.1	27.0%	31,429.6	35.5%	37,383.8	33.0%
Term deposits	47,004.3	72.9%	56,986.2	64.4%	76,020.2	67.0%
Total deposits	64,510.1	100.0%	88,514.8	100.0%	113,444.1	100.0%
One year and less	57,431.1	89.0%	80,215.0	90.6%	107,314.9	94.6%
More than one year	7,079.0	11.0%	8,299.8	9.4%	6,129.2	5.4%
CASA ratio		27.1%		35.6%		33.0%
Loan-to-deposit ratio⁽¹⁾		106.3%		110.4%		106.9%

Remark: (1) Loan-to-deposit ratio is calculated by dividing loans by deposits as at the end of each accounting period.

(1) Current deposits

Current deposits decreased by 59.5 percent, from THB 99.0 million for the year ended 31 December 2021, to THB 40.1 million for the year ended 31 December 2022, primarily due to the current deposit turnover of customers' regular deposits and withdrawals.

(2) Savings

Savings increased by 18.9 percent, from THB 31,429.6 million for the year ended 31 December 2021, to THB 37,383.8 million for the year ended 31 December 2022, primarily due to Thai Credit's continued strategy to launch attractive deposit products that could meet customers' needs. In addition, the Bank has modified the conditions of Tem Krapook Saving Account, which was formerly available only to customers who have or previously had a Tanjai Fixed Deposit Account, by extending the availability of the service to all customers. This type of deposit account comes with higher interest rates for deposits not exceeding THB 500,000.

(3) Term deposits

Term deposits increased by 33.4 percent, from THB 56,986.2 million for the year ended 31 December 2021, to 76,020.2 million for the year ended 31 December 2022, primarily due to Thai Credit's continued strategy to launch attractive deposit products to meet customers' needs. This has helped Thai Credit to maintain the existing customer base while attracting new customers. These products include the 22.2.22 Surprise Day program which offered a 22-month fixed deposit that pays interest at the rate of 2.0 percent per annum, a special 15-month fixed deposit program offering interest at the rate of 1.45 percent per annum to existing customers, and a special 17-month fixed deposit program offering interest at the rate of 1.7 percent per annum to new customers who never had a deposit account at Thai Credit. Thai Credit also opened new deposit branches in shopping malls. Thai Credit depositors continued maintaining deposits at Thai Credit, with the term deposit rollover rate as high as 95.8 percent in 2022.

Current deposits and savings account (CASA) to total deposits ratio (CASA ratio) and loan-to-deposit ratio

Thai Credit's CASA ratio decreased by 2.6 percentage points, from 35.6 percent for the year ended 31 December 2021, to 33.0 percent for the year ended 31 December 2022, primarily due to the higher growth rate of term deposits than the growth rate of CASA, as more term deposit products were launched than savings products in order to attract more deposits from customers, and these deposits will help improve Thai Credit's liquidity. Thai Credit's loan-to-deposit ratio decreased by 3.5 percentage points, from 110.4 percent for the year ended 31 December 2021, to 106.9 percent for the year ended 31 December 2022. Despite the slight decrease, the ratio was higher than the ratio recorded by majority of the other commercial banks in Thailand.

3. Relationship between the sources of funding and spending
Table 5 Earning financial assets and interest-bearing financial liabilities

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Earning financial assets						
Interbank and money market items	7,521.4	9.5%	10,948.8	9.6%	19,184.5	13.4%
Investments	3,463.3	4.3%	5,695.8	5.0%	2,922.8	2.0%
Loans to customers	68,562.4	86.2%	97,728.7	85.4%	121,298.0	84.6%
Total	79,547.1	100.0%	114,373.3	100.0%	143,405.3	100.0%
Interest-bearing financial liabilities						
Deposits	64,510.1	91.9%	88,514.8	86.7%	113,444.1	90.2%
Interbank and money market items	5,675.6	8.1%	12,737.8	12.5%	11,398.5	9.1%
Debt issued and borrowings	-	-	869.9	0.8%	889.9	0.7%
Total	70,185.7	100.0%	102,122.5	100.0%	125,732.5	100.0%

As of 31 December 2022, Thai Credit's main source of funding was deposits, which stood at THB 113,444.1 million, accounting for 90.2 percent of all sources of funding. Other sources of funding included interbank and money market items, which stood at THB 11,398.5 million, accounting for 9.1 percent, and debt issued and borrowings, which stood at THB 889.9 million, accounting for 0.7 percent. As of 31 December 2022, the main earning financial assets was loans to customers, which stood at THB 121,298.0 million, accounting for 84.6 percent of total earning financial assets. The remaining amount was invested into liquid assets, including THB 19,184.5 million, or 13.4 percent, in interbank and money market items, and THB 2,922.8 million, or 2.0 percent, in other investment securities.

As of 31 December 2021, Thai Credit's main source of funding was deposits, which stood at THB 88,514.8 million, accounting for 86.7 percent of all sources of funding. Other sources of funding included interbank and money market items, which stood at THB 12,737.8 million, accounting for 12.5 percent, and debt issued and borrowings, which stood at THB 869.9 million, accounting for 0.8 percent. To strengthen its capital position, in 2021, Thai Credit also raised fund through the issuance of perpetual subordinated debentures, with interest at the rate of 5 percent per annum, together with warrants, which were issued for shareholders who purchased the perpetual subordinated debentures. As of 31 December 2021, main earning financial assets was loans to customers, which stood at THB 97,728.7 million, accounting for 85.4 percent of total earning financial assets. The remaining amount was invested into

liquid assets, including THB 10,948.8 million, or 9.6 percent, in interbank and money market items, and THB 5,695.8 million, or 5.0 percent, in other investment securities.

4. Interest rate differentials

Table 6 Returns on earning financial assets, financial costs, and interest rate differentials

	For the year ended 31 December		
	2020 percent	2021 percent	2022 percent
Return on interbank and money market items ⁽¹⁾	0.73%	0.61%	0.79%
Return on investment ⁽²⁾	0.70%	0.49%	0.63%
Return on loans to customers ⁽³⁾	12.20%	11.05%	10.93%
Average return on earning financial assets⁽⁴⁾	10.84%	10.02%	9.86%
Costs of deposits ⁽⁵⁾	1.93%	1.60%	1.55%
Costs of interbank and money market items ⁽⁶⁾	0.19%	0.10%	0.05%
Costs of debt issued and borrowings ⁽⁷⁾	-	9.02%	8.81%
Average financial costs⁽⁸⁾	1.83%	1.55%	1.45%
Net interest rate differential⁽⁹⁾	9.01%	8.47%	8.41%
Rate of contributions to the Deposit Protection Agency	0.01%	0.01%	0.01%
Rate of contributions to the Financial Institutions Development Fund	0.23%	0.23%	0.23%

- Remarks: (1) Return on interbank and money market items is calculated by dividing interest income from interbank and money market item (assets) by average daily remaining balance of interbank and money market items (assets).
- (2) Return on investment is calculated by dividing interest income from investments by average daily remaining balance of investment.
- (3) Return on loans to customers is calculated by dividing interest income from loans to customers by average daily remaining balance of loans to customers.
- (4) Average return on earning financial assets is calculated by dividing interest income from earning financial assets by average daily remaining balance of earning financial assets.
- (5) Costs of deposits are calculated by dividing interest expenses from deposits by average daily remaining balance of deposits.
- (6) Costs of interbank and money market items are calculated by dividing interest income from interbank and money market items by average daily remaining balance of interbank and money market items.
- (7) Costs of debt issued and borrowings are calculated by dividing interest expenses from debt issued and borrowings by average daily remaining balance of debt issued and borrowings.
- (8) Average financial costs are calculated by dividing interest expenses by average daily remaining balance of interest-bearing financial liabilities.
- (9) Interest rate differential is calculated by deducting financial costs from average returns on earning financial assets.

Return on loans to customers

Thai Credit's average return on loans to customers decreased by 0.12 percentage point, from 11.05 percent for the year ended 31 December 2021, to 10.93 percent for the year ended 31 December 2022. Although the proportion of Nano and Micro Finance Loans increased against total loans, substantial growth was seen in the Micro Plus loans, which offered a lower interest rate than the rates of nano finance products. Besides, Thai Credit maintained its loan interest rates despite the BoT's raising the policy interest rate in 2022.

Average return on earning financial assets

Thai Credit's average return on earning financial assets decreased by 0.16 percentage point, from 10.02 percent for the year ended 31 December 2021, to 9.86 percent for the year ended 31 December 2022, primarily due to the decrease in return on loans to customers.

Costs of deposits

Thai Credit's average costs of deposits decreased by 0.05 percentage point, from 1.60 percent for the year ended 31 December 2021, to 1.55 percent for the year ended 31 December 2022, primarily due to mild deposit competition, and therefore there was no need for Thai Credit to raise its deposit interest rates, despite the BoT's gradual increase of the policy interest rate in the latter half of 2022, which drove Thai Credit's average deposit interest rate closer to the rate offered in the previous year.

Average financial costs

Thai Credit's average financial costs decreased slightly by 0.10 percentage point, from 1.55 percent for the year ended 31 December 2021, to 1.45 percent for the year ended 31 December 2022, primarily due to the lower average deposit interest rate.

Net interest rate differential

For the reasons given above, Thai Credit's net interest rate differential decreased by 0.06 percentage point, from 8.47 percent for the year ended 31 December 2021, to 8.41 percent for the year ended 31 December 2022.

5. Loan classification and allowance for expected credit loss

Pursuant to the Thai Financial Reporting Standards No. 9 (TFRS9), Thai Credit classifies credit quality into three classes, based on changes occurring to the credit quality after the date of its initial recognition. Loans and allowance for expected credit loss were classified as detailed below.

Table 7 Breakdown of loans and allowance for expected credit loss, based on loan classification.

Loans and allowance for expected credit loss, based on loan classification	For the years ended 31 December					
	2020		2021		2022	
	Loans	Allowance for expected credit loss	Loans	Allowance for expected credit loss	Loans	Allowance for expected credit loss
	(million baht)					
Class 1	64,492.9	1,670.2	89,709.1	3,095.5	110,861.0	3,718.9
Class 2	3,862.3	1,127.0	8,100.0	887.8	9,501.1	1,497.3
Class 3	2,011.9	747.2	3,312.5	1,625.5	5,491.4	3,180.4
Total	70,367.1	3,544.4	101,121.6	5,608.8	125,853.5	8,396.6

Remarks: Loans refer to loans to borrowers, accrued interest receivables, and undue interest receivables

Table 8 Credit quality

Credit quality	For the year ended 31 December		
	2020	2021	2022
Gross non-performing loans (Gross NPLs) (million baht)			
Breakdown of NPLs, based on the types of businesses			
MSME Loans	874.1	1,606.0	2,672.6
Nano and Micro Finance Loans	886.5	1,027.5	1,857.9
Home Loans	110.8	155.3	173.1
Personal revolving loans	0.0	3.7	17.4
Other retail loans	8.4	15.3	13.4
Gross NPLs	1,879.8	2,807.8	4,734.4
Non-performing loan to total loan ratio (Gross NPL ratio)			
Gross NPL ratio ⁽¹⁾	2.7%	2.9%	3.9%
Gross NPL ratio, based on the types of businesses			
MSME Loans	1.9%	2.4%	3.3%
Nano and Micro Finance Loans	8.0%	7.2%	9.7%
Home Loans	1.0%	1.1%	0.9%
Personal revolving loans	0.0%	0.8%	1.6%
Other retail loans	2.1%	4.4%	4.4%
Allowance for expected credit loss			
Expected credit loss (ECL) (million baht)	1,729.8	2,610.6	3,835.4
Allowance for expected credit loss (million baht)	3,544.4	5,608.8	8,396.6
Allowance for expected credit loss against non-performing loans ratio (percent) ⁽²⁾	188.6%	199.8%	177.4%
Allowance for expected credit loss against total gross loans ratio (percent) ⁽³⁾	5.2%	5.7%	6.9%

Remarks: (1) Gross NPL ratio is calculated by dividing loans with credit impairment by total gross loans for each accounting period.
(2) Allowance for expected credit loss against non-performing loans ratio is calculated on allowance for expected credit loss against non-performing loans before allowance for expected credit loss for each accounting period.
(3) Allowance for expected credit loss against total gross loans ratio is calculated by dividing allowance for expected credit loss by loans to customers for each accounting period.

Gross NPLs before allowance for expected credit loss and gross NPL ratio before allowance for expected credit loss

Gross NPLs before allowance for expected credit loss increased by 68.6 percent, from THB 2,807.8 million for the year ended 31 December 2021, to THB 4,734.4 million for the year ended 31 December 2022. The gross NPL ratio before allowance for expected credit loss increased from 2.9 percent for the year ended 31 December 2021, to 3.9 percent for the year ended 31 December 2022, primarily due to worsening economic condition from macro factors, such as the conflict between Russia and Ukraine, resulting in higher costs of production inputs, which had effects on various economic sectors. Business continued to feel ongoing impacts from the COVID-19 crisis, which caused customers' repayment capacity to drop. In addition, the delay in the claim process regarding the non-performance of loans guaranteed by TCG caused the gross NPLs before allowance for expected credit loss and the gross NPL ratio before allowance for expected credit loss to increase in 2022. The delay was due to the budget allocation of the government. However, as for the credit loss, Thai Credit remains active in dealing with any NPLs through debt restructuring, disposal of NPLs, and write-offs of bad debts.

As described above, it resulted in the gross NPLs ratio before allowance for expected credit loss for the year ended 31 December 2021, 31 December 2022 being 2.9 percent, and 3.9 percent, respectively.

Ratio of allowance for expected credit loss against gross NPLs (coverage ratio)

The coverage ratio decreased from 199.8 percent for the year ended 31 December 2021 to 177.4 percent for the year ended 31 December 2022, primarily due to higher gross NPLs before deducting allowance for expected credit loss.

6. Loans restructured under BoT measures

Table 9 Loans restructured under BoT measures

	For the year ended 31 December		
	2020	2021	2022
Proportion of total gross loans receiving assistance under BoT measures	29.1%	27.8%	20.3%

The COVID- 19 pandemic causes widespread effects on all business sectors and customers all over Thailand. Since 2020, the BoT has issued a series of relief measures, including payment moratoriums, government guarantees, and loan repayment holidays, to help affected borrowers and industries that were exposed to short-term cash flow problems to resume their business. Thai Credit's relief measures include the following.

- Repayment holiday, lower instalments, or extended instalment period, subject to the terms and conditions established by Thai Credit.
- Asset warehousing and debt moratoriums.

The preventive restructuring of loans for non-NPL debtors focuses on reducing repayment burden rather than extending the repayment term alone. On the other hand, the restructuring of loans for NPL debtors focuses solely on extending the repayment term.

For the years ended 31 December 2021 and 2022, loans that were granted restructuring from Thai Credit accounted to 27.8 percent and 20.3 percent, of the carrying amount of loans, respectively.

7. Maintenance of statutory capital fund

Table 10 Maintenance of statutory capital fund

Statutory capital fund	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Common Equity Tier 1 capital (CET1)	7,235.9	92.1%	8,595.2	81.2%	12,488.3	85.3%
Additional Tier 1 capital (financial instruments)	-	-	1,150.0	10.9%	1,150.0	7.8%
Total Tier 1 capital	7,235.9	92.1%	9,745.2	92.1%	13,638.3	93.1%
Tier 2 capital	621.9	7.9%	836.9	7.9%	1,003.3	6.9%
Total capital	7,857.8	100.0%	10,582.1	100.0%	14,641.6	100.0%

Statutory capital fund	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Risk weighted assets	59,469.3	-	79,425.9	-	96,496.2	-

Table 11 Capital adequacy ratio (CAR) against total risk-weighted assets

CAR against total risk-weighted assets	For the year ended 31 December		
	2020	2021	2022
	percent	percent	percent
CET1 to total risk-weighted asset ratio	12.2%	10.8%	12.9%
Tier 1 capital to total risk-weighted asset ratio	12.2%	12.3%	14.1%
Total capital to total risk-weighted asset ratio	13.2%	13.3%	15.2%

As of 31 December 2022, Thai Credit's capital, as required under applicable law, pursuant to the principles of Basel III, stood at THB 14,641.6 million, consisting of THB 13,638.3 million of Tier 1 capital, of which THB 12,488.3 million was Common Equity Tier 1 capital and THB 1,150.0 million was Additional Tier 1 capital; and THB 1,003.3 million of Tier 2 capital. The total capital to total risk-weighted asset ratio was 15.2 percent. The Tier 1 capital to total risk-weighted asset ratio was 14.1 percent. The CET1 to total risk-weighted asset ratio was 12.9 percent. These ratios were higher than the minimum ratios required by the BoT (at 11.0 percent, 8.5 percent, and 7.0 percent, respectively). The year-on-year increase in the Tier 1 capital was driven by the accumulation of net profit, and the capital increase by existing shareholders.

Analysis of Thai Credit's results of operations

Table 12 Income statement

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Interest income	7,480.5	113.7%	9,801.0	112.1%	12,684.7	112.9%
Interest expenses	(1,109.6)	-16.9%	(1,307.4)	-14.9%	(1,632.4)	-14.5%
Net interest income	6,370.9	96.8%	8,493.6	97.2%	11,052.3	98.4%
Fee and service income	403.1	6.1%	435.6	5.0%	528.1	4.7%
Fee and service expenses	(392.9)	-6.0%	(483.3)	-5.5%	(587.4)	-5.2%
Net fee and service income (expense)	10.2	0.1%	(47.7)	-0.5%	(59.3)	-0.5%
Net loss from foreign exchange transactions	-	0.0%	-	0.0%	-	0.0%
Net (loss) gain on investments	(0.1)	0.0%	0.1	0.0%	0.1	0.0%
Other operating income	201.0	3.1%	296.2	3.4%	238.6	2.1%
Non-interest income	211.1	3.2%	248.6	2.8%	179.4	1.6%
Total operating income	6,582.0	100.0%	8,742.2	100.0%	11,231.7	100.0%
Other operating expenses						
Employee expenses	2,272.6	34.5%	2,591.9	29.6%	3,040.4	27.1%
Directors' remuneration	10.9	0.2%	15.3	0.2%	16.5	0.1%
Premises and equipment expenses	493.5	7.5%	520.2	5.9%	602.9	5.4%
Taxes	218.0	3.3%	304.3	3.5%	411.4	3.7%

Others	292.4	4.4%	267.0	3.1%	365.2	3.3%
Total other operating expenses	3,287.4	49.9%	3,698.7	42.3%	4,436.4	39.6%
Expected credit loss	1,729.8	26.3%	2,610.6	29.9%	3,835.4	34.1%
Profits before income tax expenses	1,564.8	23.8%	2,432.9	27.8%	2,959.9	26.3%
Income tax	191.9	2.9%	497.9	5.7%	607.4	5.4%
Profit for the year	1,372.9	20.9%	1,935.0	22.1%	2,352.5	20.9%

Table 13 Interest income, interest expenses, and net interest income

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Interest income						
Interbank and money market items	36.0	0.5%	39.6	0.4%	71.5	0.6%
Investments in debt instruments	22.8	0.3%	15.0	0.2%	27.5	0.2%
Loans to customers	7,284.8	97.4%	9,614.7	98.1%	12,466.9	98.3%
Hire-purchase	136.9	1.8%	131.7	1.3%	118.8	0.9%
Total interest income	7,480.5	100.0%	9,801.0	100.0%	12,684.7	100.0%
Interest expenses						
Deposits	963.9	86.9%	1,063.3	81.3%	1,308.3	80.1%
Interbank and money market items	7.1	0.6%	7.6	0.6%	5.8	0.4%
Debt issued and borrowings - perpetual subordinated debentures	-	0.0%	45.5	3.5%	77.5	4.7%
Contributions to the Deposit Protection Agency and the BoT	138.6	12.5%	191.0	14.6%	240.8	14.8%
Total interest expenses	1,109.6	100.0%	1,307.4	100.0%	1,632.4	100.0%
Net interest income	6,370.9		8,493.6		11,052.3	

Interest income

Thai Credit's interest income increased by 29.4 percent from THB 9,801.0 million for the year ended 31 December 2021, to THB 12,684.7 million for the year ended 31 December 2022, primarily due to the increase in interest income from loans to customers as a result of the growth in volume of all Thai Credit's key loan product groups, in particular the Nano and Micro Finance Loans and Home Loans.

Interest expenses

Thai Credit's interest expenses increased by 24.9 percent from THB 1,307.4 million for the year ended 31 December 2021, to THB 1,632.4 million for the year ended 31 December 2022, primarily due to higher interest expenses from the increase in amount of deposits and interest expenses arising from the issuance of perpetual subordinated debentures of which the full-year expenses were recognized in 2022.

Net interest income

For the reasons given above, Thai Credit's net interest income increased by 30.1 percent from THB 8,493.6 million for the year ended 31 December 2021, to THB 11,052.3 million for the year ended 31 December 2022.

Table 14 Non-interest income

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Fee and service income						
Acceptances, avals and guarantees	1.7	0.4%	2.8	0.6%	2.3	0.4%
Management fees	33.8	8.4%	19.0	4.4%	32.8	6.2%
Brokerage fees	346.4	85.9%	378.3	86.8%	455.0	86.2%
Others ⁽¹⁾	21.2	5.3%	35.5	8.2%	38.0	7.2%
Total fee and service income	403.1	100.0%	435.6	100.0%	528.1	100.0%
Fee and service expenses						
Fee and service expenses on ATM cards	11.2	2.8%	21.7	4.5%	37.6	6.4%
Loan guarantee commission expenses	298.9	76.1%	342.0	70.8%	376.1	64.0%
Legal fees	17.1	4.4%	6.5	1.3%	10.5	1.8%
Collection and recovery expenses	36.1	9.2%	86.4	17.9%	127.2	21.7%
Others ⁽²⁾	29.6	7.5%	26.7	5.5%	36.0	6.1%
Total fee and service expenses	392.9	100.0%	483.3	100.0%	587.4	100.0%
Net fee and service income	10.2		(47.7)		(59.3)	
Other operating income	201.0	100.0%	296.2	100.0%	238.6	100.0%
Net gain (loss) from foreign exchange transactions	(0.0)		0.0		0.0	
Net gain (loss) on investments	(0.1)		0.1		0.1	
Total non-interest income	211.1		248.6		179.4	

Remarks: (1) Other fees and service income includes stamp duty received from customers, and income arising from cheque issuance fees.

(2) Other fees and service expenses include expenses arising from the engagement of third parties for the registration works, and for the survey and appraisal of collateral.

Fee and service income

Thai Credit's fee and service income increased by 21.2 percent, from THB 435.6 million for the year ended 31 December 2021, to THB 528.1 million for the year ended 31 December 2022, primarily due to the increase in insurance brokerage fees through the sales of loan protection insurance to individual-person customers, in line with the increase in volume of loans granted and the increase in management fee due to the higher prepayment fees received by Thai Credit.

Fee and service expenses

Thai Credit's fee and service expenses increased by 21.5 percent, from THB 483.3 million for the year ended 31 December 2021, to THB 587.4 million for the year ended 31 December 2022, primarily due to the increase in loan guarantee commissions and debt collection expenses, in line with the increase in volume of loans, as well as, the increase in fee and service expenses on ATM cards as a result of the higher amount of deposits, and the higher number of depositors.

Other operating income

Thai Credit's other operating income decreased by 19.4 percent, from THB 296.2 million for the year ended 31 December 2021, to THB 238.6 million for the year ended 31 December 2022, primarily due to no income recognized as a result of the adjustment of bad debts recovered.

Non-interest income

For the reasons given above, Thai Credit's non-interest income decreased by 27.8 percent, from THB 248.6 million for the year ended 31 December 2021, to THB 179.4 million for the year ended 31 December 2022.

Table 15 Other operating expenses

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Employee expenses	2,272.6	69.1%	2,591.9	70.1%	3,040.4	68.5%
Directors' remuneration	10.9	0.3%	15.3	0.4%	16.5	0.4%
Premises and equipment expenses	493.5	15.0%	520.2	14.1%	602.9	13.6%
Taxes	218.0	6.6%	304.3	8.2%	411.4	9.3%
Others ⁽¹⁾	292.4	9.0%	267.0	7.2%	365.2	8.2%
Total	3,287.4	100.0%	3,698.7	100.0%	4,436.4	100.0%
Cost-to-income ratio	49.9%		42.3%		39.5%	

Remarks: (1) Other expenses include messenger costs, and marketing expenses.

Table 16 Operational efficiency

	For the year ended 31 December		
	2020	2021	2022
Number of lending branches	500	500	500
Number of deposit branches	21	25	26
Cost to income ratio (percent)	49.9%	42.3%	39.5%
Operating income per branch ⁽¹⁾ (million baht)	12.7	16.8	21.7
Loan amount per lending branch ⁽²⁾ (million baht)	138.5	202.2	251.7
Deposits per branch ⁽³⁾ (million baht)	3,071.9	3,848.5	4,448.8
Number of customers (accounts)	239,639	265,060	294,630

- Remarks:
- (1) Operating income per branch is calculated by dividing operating income by the average number of branches each year, which takes the number of branches at the beginning of the year and the number of branches at the end of the year and divides by two.
 - (2) Loan amount per lending branch is calculated by dividing loans to customers, accrued interest receivables, and ECL by the average number of lending branches each year, which takes the number of lending branches at the beginning of the year and the number of lending branches at the end of the year and divides by two.
 - (3) Deposits per branch are calculated by dividing the deposit by the number of deposit branches each year, which takes the number of deposit branches at the beginning of the year and the number of deposit branches at the end of the year and divides by two.

Other operating expenses

Thai Credit's other operating expenses increased by 19.9 percent, from THB 3,698.7 million for the year ended 31 December 2021, to THB 4,436.4 million for the year ended 31 December 2022, primarily due to the higher employee expenses following the addition of new branches and the increased number of relationship managers (RMs), in order to boost its loan and deposit expansion capacity, and be more accessible to customers; higher premises and equipment expenses, as a result of Thai Credit's investment in the continued development of IT systems and equipment to improve its work efficiency; and higher taxes, in line with the increase in contractual transactions and online marketing activities. However, cost to income ratio decreased by 2.8 percent, from 42.3 percent for the year ended 31 December 2021, to 39.5 percent for the year ended 31 December 2022, primarily due to improved work efficiency, as reflected through the continued increase in operating income per branch, loans per branch and the deposit amount per branch.

Table 17 Expected credit loss (ECL)

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Expected credit loss						
Investments in debt instruments measured at FVOCI	39.4	2.3%	0.0	0.0%	0.00	0.0%
Loans to customers, accrued interest receivables, and undue interest receivables	1,668.9	96.5%	2,605.0	99.8%	3,728.6	97.2%
Other financial assets	1.1	0.0%	3.8	0.1%	9.6	0.3%
Undrawn loan commitments and financial guarantee contracts	19.1	1.1%	1.7	0.1%	0.3	0.0%
Others	1.3	0.1%	0.0	0.0%	96.9	2.5%
Total expected credit loss	1,729.8	100.0%	2,610.5	100.0%	3,835.4	100.0%
Management overlay	486.3		445.0		382.0	
Expected Credit Loss to Average Loan (credit cost) ⁽¹⁾ (bps)	285		304		338	

Remark: (1) Expected credit loss to average loan (credit cost) (bps) is calculated by dividing expected credit loss by average total loans to customers plus average accrued interest receivables and average undue interest receivables at the beginning and the end of accounting period.

Expected credit loss (ECL)

Thai Credit set its expected credit loss at THB 3,835.4 million, for the year ended 31 December 2022, an increase by 46.9 percent, from the THB 2,610.5 million expected credit loss set for the year ended 31 December 2021, primarily due to (i) the higher expected credit loss regarding loans to customers, which was set at THB 3,728.6 million for the year ended 31 December 2022, and (ii) the expected credit loss, which was set at THB 96.9 million due to the amendment to the BoT's criteria for rescue measures in 2022, which requires Thai Credit to categorize the rescue measures into two types: the Blue policy (calculating by using New EIR); and the Orange policy (calculating by using Old EIR). In 2022, Thai Credit assisted the debtors that fell under criteria of the Orange policy resulting in the increase in the expected credit loss.

For the years ended 31 December 2021, and 2022, an excess reserve of THB 445.0 million and THB 382.0 million, respectively, was set by the management (management overlay) for any non-performing loans that may occur

after the expiration of the relief measures on debt restructuring. This increase in reserve raised the expected credit loss to average loan to increase to 304 bps and 338 bps for the year ended 31 December 2021, and 2022.

Profits before income tax expenses

For the reasons given above, Thai Credit's profits before income tax expenses increased by 21.7 percent, from THB 2,432.9 million for the year ended 31 December 2021, to THB 2,959.9 million for the year ended 31 December 2022.

Tax expenses

Thai Credit's tax expenses increased by 22.0 percent, from THB 497.9 million for the year ended 31 December 2021, to THB 607.4 million for the year ended 31 December 2022.

Profit for the year

For the reasons given above, Thai Credit's profit for the year increased by 21.6 percent, from THB 1,935.0 million for the year ended 31 December 2021, to THB 2,352.5 million for the year ended 31 December 2022.

Analysis of financial position

1. Assets

Table 18 Assets

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Cash	521.1	0.7%	464.4	0.4%	504.1	0.4%
Net interbank and money market items	7,521.4	9.3%	10,948.8	9.5%	19,184.5	13.4%
Net investment	3,463.3	4.3%	5,695.8	4.9%	2,922.8	2.1%
Net loans to customers and accrued interest receivables	66,822.7	82.9%	95,512.8	82.8%	117,456.9	82.0%
Net properties for sale	156.5	0.2%	341.9	0.3%	770.7	0.5%
Net premises and equipment	1,126.5	1.4%	1,221.6	1.0%	1,002.2	0.7%
Net intangible asset	162.0	0.2%	173.8	0.2%	185.4	0.1%
Deferred tax assets	259.7	0.3%	335.9	0.3%	412.5	0.3%
Net other assets	544.9	0.7%	638.4	0.6%	750.3	0.5%
Total assets	80,578.1	100.0%	115,333.4	100.0%	143,189.4	100.0%

Cash

As of 31 December 2021 and 2022, Thai Credit's cash stood at THB 464.4 million and THB 504.1 million, respectively, primarily due to the increase or decrease in net cash flow from operating activities, investing activities, and funding activities. Please see more details in section entitled "Cash Flow".

Net interbank and money market items (assets)
Table 19 Net interbank and money market items (assets)

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Domestic						
Bank of Thailand	1,401.3	18.6%	3,847.8	35.1%	9,614.5	50.1%
Commercial banks	3,719.9	49.5%	4,700.8	43.0%	6,069.0	31.6%
Specialized financial institutions	2,400.0	31.9%	2,400.0	21.9%	3,000.0	15.7%
Other financial institutions	-	-	-	-	500.0	2.6%
Total	7,521.2	100.0%	10,948.6	100.0%	19,183.6	100.0%
Plus accrued interest receivables and undue interest receivables	0.2	0.0%	0.2	0.0%	1.0	0.0%
Total	7,521.4	100.0%	10,948.8	100.0%	19,184.5	100.0%

Net interbank and money market items increased by 75.2 percent, from THB 10,948.8 million as of 31 December 2021, to THB 19,184.5 million as of 31 December 2022, primarily due to the growth rate of deposits outpacing the growth rate of loans, higher equity financing from the issuance of newly issued ordinary shares to shareholders in late December, and the management of liquidity through adjustment of net investment to net interbank and money market items in conformity with the market trends for interest rate.

Net investment
Table 20 Net investment

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Investments in debt instruments measured at FVOCI						
Government and state enterprise securities	3,460.7	99.9%	5,693.4	99.9%	2,920.4	99.9%
Private enterprises debt instruments	-	-	-	-	-	-
Total	3,460.7	99.9%	5,693.4	99.9%	2,920.4	99.9%
Allowance for expected credit loss	(40.5)	-1.2%	(40.5)	-0.7%	(40.5)	-1.4%
Investments in equity securities designated at FVOCI						
Domestic non-marketable equity securities	2.6	0.1%	2.4	0.1%	2.4	0.1%
Total	2.6	0.1%	2.4	0.1%	2.4	0.1%
Total net investment	3,463.3	100.0%	5,695.8	100.0%	2,922.8	100.0%

Thai Credit's net investment decreased by 48.7 percent, from THB 5,695.8 million for the year ended 31 December 2021, to THB 2,922.8 million for the year ended 31 December 2022, primarily due to the reduction of net investment through the move of net investment to net interbank and money market items to reduce the risk of loss from investment valuation (mark to market loss) following the increase in policy interest rates by the BoT.

Net loans to customers and accrued interest receivables
Table 21 Breakdown of net loans to customers and accrued interest receivables, based on the types of loans

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Overdrafts	247.9	0.4%	285.1	0.3%	511.9	0.4%
Loans	66,240.6	99.1%	95,445.7	99.9%	118,991.9	101.3%
Notes	450.7	0.7%	357.3	0.4%	210.6	0.2%
Hire-purchase receivables	1,623.2	2.4%	1,640.6	1.7%	1,583.6	1.3%
Total loans to customers	68,562.4	102.6%	97,728.7	102.3%	121,298.0	103.2%
Plus accrued interest receivables and undue interest receivables	1,804.7	2.7%	3,392.9	3.6%	4,555.5	3.9%
Total loans to customers, accrued interest receivables, and undue interest receivables	70,367.1	105.3%	101,121.6	105.9%	125,853.5	107.1%
Less allowance for expected credit loss	(3,544.4)	-5.3%	(5,608.8)	-5.9%	(8,396.6)	-7.1%
Total net loans to customers and accrued interest receivables	66,822.7	100.0%	95,512.8	100.0%	117,456.9	100.0%

Thai Credit's net loans to customers and accrued interest receivables increased by 23.0 percent, from THB 95,512.8 million for the year ended 31 December 2021, to THB 117,456.9 million for the year ended 31 December 2022, primarily due to growth in all key loan product groups, including MSME Loans, Nano and Micro Finance Loans, and Home Loans.

Net properties for sale
Table 22 Net properties for sales

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Immovable assets	158.0	101.0%	341.9	100.0%	770.7	100.0%
Movable assets	-	-	-	-	-	-
Total	158.0	101.0%	341.9	100.0%	770.7	100.0%
Less allowance for impairment losses	(1.5)	-	-	-	-	-
Net properties for sale	156.5	100.0%	341.9	100.0%	770.7	100.0%

Thai Credit's net properties for sale increased by 125.4 percent, from THB 341.9 million as of 31 December 2021, to THB 770.7 million as of 31 December 2022, primarily due to transfers by debtors of their assets to repay debts under the asset warehousing program, which continued from the previous year.

Net premises and equipment
Table 23 Net premises and equipment

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Premises	56.3	5.0%	53.7	4.4%	51.0	5.1%
Leasehold improvements	137.0	12.2%	117.1	9.6%	109.9	11.0%
Decorations and office supplies	57.6	5.1%	56.3	4.6%	45.5	4.5%
Computer and peripherals	64.5	5.7%	66.0	5.4%	108.7	10.8%
Right-of-use asset	810.8	72.0%	919.8	75.3%	681.2	68.0%
Others	0.3	0.0%	8.7	0.7%	5.9	0.6%
Total net premises and equipment	1,126.5	100.0%	1,221.6	100.0%	1,002.2	100%

Net premises and equipment decreased by 18.0 percent, from THB 1,221.6 million as of 31 December 2021, to THB 1,002.2 million as of 31 December 2022, primarily due to the decrease in the right-of-use assets under lease agreements caused by the change in the conditions and assumptions regarding the term of the lease used to calculate the present value of the assets that should be recognized as right-of-use assets in the financial statements. As a result, certain lease agreements were not recognized as right-of-use assets because their present value was smaller than the specified amount. However, the decrease in the right-of-use assets was partially offset by the increase in computers and equipment as a result of Thai Credit's investment in the upgrades of its work systems to improve work efficiency.

Net intangible assets
Table 24 Net intangible asset

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Computer software	112.3	69.3%	104.9	60.3%	112.6	60.7%
Up-front fees for the ITMX service	32.6	20.1%	32.6	18.8%	32.6	17.6%
Computer software in development	17.1	10.6%	36.3	20.9%	40.2	21.7%
Total net intangible assets	162.0	100.0%	173.8	100.0%	185.4	100.0%

Net intangible assets increased by 6.7 percent, from THB 173.8 million as of 31 December 2021, to THB 185.4 million as of 31 December 2022, primarily due to the continued development of software to improve work efficiency and customer services, and the continued development of Thai Credit's mobile applications.

Net deferred tax assets

Net deferred tax assets increased by 22.8 percent, from THB 335.9 million as of 31 December 2021, to THB 412.5 million as of 31 December 2022, primarily due to changes in an excess reserve made by the management (management overlay).

Net other assets
Table 25 Net other assets

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Prepaid expenses - TCG	180.8	33.2%	208.7	32.7%	184.8	24.6%
Receivables eligible for government reimbursement	4.6	0.8%	48.9	7.7%	101.3	13.5%
Suspense debtors	14.6	2.7%	49.5	7.8%	93.3	12.4%
Accrued fee income	94.8	17.4%	52.8	8.3%	89.8	12.0%
Advance to customers	41.1	7.5%	56.3	8.8%	89.4	11.9%
Net other receivables	46.0	8.4%	77.7	12.2%	76.5	10.2%
Deposits and guarantees	55.7	10.2%	65.1	10.2%	65.1	8.7%
Receivables - Counter Service	68.9	12.6%	42.0	6.6%	24.2	3.2%
Supplies	6.1	1.1%	5.6	0.9%	5.4	0.7%
Accrued interest receivables	3.7	0.8%	8.4	1.2%	1.9	0.2%
Others	28.6	5.3%	23.4	3.6%	18.6	2.6%
Total	544.9	100.0%	638.4	100.0%	750.3	100.0%

Net other assets increased by 17.5 percent from THB 638.4 million as of 31 December 2021, to THB 750.3 million as of 31 December 2022, primarily due to the THB 52.4 million increase in receivables eligible for government reimbursement as part of a relief program (from THB 48.9 million in 2021 to THB 101.3 million in 2022); the THB 43.8 million increase in suspense debtors mainly driven by the increase in debtors who have deferred loan payments through PromptPay channel; and the THB 37 million increase in accrued fee income driven by receivables from activities with related companies, for example, marketing promotions from Thai Health Insurance Public Company Limited (from THB 27.7 million in 2021 to THB 55.1 million in 2022). Additionally, prepaid expenses - TCG, decreased by THB 23.9 million due to a return of THB 7.3 million from TCG as a result of the adjustment in the guarantee amount.

2. Liabilities
Table 26 Liabilities

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Deposits	64,510.1	89.2%	88,514.8	84.4%	113,444.1	88.1%
Interbank and money market items	5,675.6	7.8%	12,737.8	12.2%	11,398.5	8.8%
Liabilities payable on demand	63.3	0.1%	88.9	0.1%	72.6	0.1%
Debt issued and borrowings	-	0.0%	869.9	0.8%	889.9	0.7%
Provisions	169.0	0.2%	215.5	0.2%	255.0	0.2%
Other liabilities	1,919.9	2.7%	2,443.5	2.3%	2,747.8	2.1%

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Total liabilities	72,337.9	100.0%	104,870.4	100.0%	128,807.9	100.0%

Deposits

Thai Credit's deposits increased by 28.2 percent, from THB 88,514.8 million for the year ended 31 December 2021, to THB 113,444.1 million for the year ended 31 December 2022, primarily due to the increase in savings and term deposits, driven by the opening of new branches and the continued expansion of its depositor base.

Table 27 Net interbank and money market items (liabilities)

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Domestic						
Bank of Thailand	1,329.0	23.4%	9,056.2	71.1%	10,855.8	95.2%
Specialized financial institutions	3,729.8	65.7%	2,977.7	23.4%	80.4	0.7%
Others	616.8	10.9%	703.9	5.5%	462.3	4.1%
Total	5,675.6	100.0%	12,737.8	100.0%	11,398.5	100.0%

Net interbank and money market items decreased by 10.5 percent, from THB 12,737.8 million as of 31 December 2021, to THB 11,398.5 million as of 31 December 2022, primarily due to Thai Credit's repayment to the Government Savings Bank for borrowings taken in the previous year for lending to borrowers at low rates; and the decrease in deposits from insurance companies. However, these decreases were offset by funds obtained from the BoT for lending to customers under the soft loan program.

Liabilities payable on demand

Liabilities payable on demand decreased by 18.3 percent, from THB 88.9 million as of 31 December 2021, to THB 72.6 million as of 31 December 2022. The change depended on the amount and size of transactions the Bank undertakes with customers and counterparties.

Debt issued and borrowings

Debt issued and borrowings increased by 2.3 percent, THB from 869.9 million as of 31 December 2021, to THB 889.9 million as of 31 December 2022, primarily due to gradual recognition of the discount on the perpetual subordinated debentures issued.

Table 28 Debt issued and borrowings

	As of 31 December		
	Maturity year	Interest rate (percent)	Amount (million baht)
Perpetual subordinated debentures ⁽¹⁾	2026 ⁽²⁾	5.00	889.9
Total			889.9

Remarks: (1) Recognised as Tier 1 capital, based on the BoT capital calculation principles.

(2) The year in which the perpetual subordinated debentures can be early redeemed.

Provisions

Table 29 Provisions

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Provision for post-employment benefits	136.4	80.7%	179.7	83.4%	218.4	85.6%
Provision for decommissioning cost of leasehold improvements	13.4	7.9%	14.9	6.9%	15.4	6.1%
Allowance for expected credit loss of undrawn loan commitments and financial guarantee contracts	19.2	11.4%	20.9	9.7%	21.2	8.3%
Total	169.0	100.0%	215.5	100.0%	255.0	100.0%

Provisions increased by 18.3 percent, from THB 215.5 million as of 31 December 2021, to THB 255.0 million as of 31 December 2022, primarily due to changes in assumptions based on which employee benefits are calculated, including longevity risk, interest rate risk and market (investment) risk.

Other liabilities

Table 30 Other liabilities

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Lease liabilities	814.2	42.4%	930.5	38.1%	688.5	25.1%
Accrued interest expenses	201.1	10.5%	254.3	10.4%	401.9	14.6%
Other payables	40.0	2.1%	132.6	5.4%	150.8	5.5%
Accrued expenses	572.4	29.8%	713.1	29.2%	948.5	34.5%
Corporate income tax payable	210.7	11.0%	311.8	12.8%	440.2	16.0%
Others	81.5	4.2%	101.2	4.1%	117.9	4.3%
Total	1,919.9	100.0%	2,443.5	100.0%	2,747.8	100.0%

Other liabilities increased by 12.5 percent, from THB 2,443.5 million as of 31 December 2021, to THB 2,747.8 million as of 31 December 2022, primarily due to the increase in accrued interest expenses resulting from an increase in term deposits; an increase in other payables resulting from customers' suspended repayment of loans, in which the customers repay via Thai Credit accounts and the Bank was unable to deduct payment from the customers' account on the same day, causing the suspension transactions to persist; an increase in accrued expenses resulting from an

increase in accrued employee expenses due to an increase in number of employees; and an increase in corporate income tax payable resulting from an increase in profit. However, the increase was offset by the decrease in liabilities under lease agreements, in line with the decrease in right-of-use asset.

3. Equity

Table 31 Equity

	As of 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Authorized share capital	5,156.3	62.6%	5,903.8	56.4%	6,598.2	45.9%
Paid-up capital	5,000.0	60.7%	5,000.0	47.8%	5,822.9	40.5%
Warrants to purchase ordinary shares	-	0.0%	288.9	2.8%	288.9	2.0%
Share premiums	-	-	-	-	768.2	5.3%
Other components of equity	38.1	0.5%	36.0	0.3%	1.2	0.1%
Retained earnings						
Appropriated						
Legal reserves	170.8	2.0%	269.4	2.6%	389.8	2.7%
Unappropriated	3,031.3	36.8%	4,868.7	46.5%	7,110.5	49.4%
Total	8,240.2	100.0%	10,463.0	100.0%	14,381.5	100.0%

As of 31 December 2022, Thai Credit's equity stood at THB 14,381.5 million, an increase of 37.5 percent from THB 10,463.0 million as of 31 December 2021, primarily due to profits made during the period and the issuance of 66.67 million newly issued ordinary shares to existing shareholders, with the total value of THB 1,400 million.

4. Liquidity and sources of funding

Table 32 Cash flow

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Net cash inflow (outflow) from operating activities	2,203.9	423.0%	1,260.4	271.4%	(3,999.5)	-793.4%
Net cash inflow (outflow) from investing activities	(1,874.1)	-359.7%	(2,347.2)	-505.4%	2,634.1	522.6%
Net cash inflow (outflow) from financing activities	(282.4)	-54.2%	1,030.2	221.8%	1,405.1	278.7%
Net cash and cash equivalents increase (decrease)	47.4	9.1%	(56.6)	-12.2%	39.7	7.9%
Cash and cash equivalents at the beginning of the year	473.6	90.9%	521.0	112.2%	464.4	92.1%
Cash and cash equivalents at the end of the year	521.0	100.0%	464.4	100.0%	504.1	100.0%

Net cash inflow (outflow) from operating activities

Net cash flow from Thai Credit's operating activities decreased by 417.3 percent, from THB 1,260.4 million for the year ended 31 December 2021, to THB (3,999.5) million for the year ended 31 December 2022, primarily due to the management of excess liquidity by utilizing in the operating activities by increasing interbank and money market items (assets).

Net cash inflow (outflow) from investing activities

Net cash flow spent on Thai Credit's investing activities increased by 212.2 percent, from THB (2,347.2) million for the year ended 31 December 2021, to THB 2,634.1 million for the year ended 31 December 2022, primarily due to the redemption of the investment and disposal of investment including the reduction of the size of investment portfolios to lend money in the money markets, in line with the situation in money markets.

Net cash inflow (outflow) from financing activities

Net cash flow from Thai Credit's financing activities increased by 36.4 percent, from THB 1,030.2 million for the year ended 31 December 2021, to THB 1,405.1 million for the year ended 31 December 2022, primarily due to the issuance of newly issued ordinary shares to existing shareholders.

Capital expenditure

	For the year ended 31 December					
	2020		2021		2022	
	(million baht)	percent	(million baht)	percent	(million baht)	percent
Premises	-	0.0%	-	0.0%	-	0%
Leasehold improvements	10.1	2.2%	25.2	7.9%	15.9	4.9%
Office supplies	14.5	3.2%	25.6	8.0%	16.8	5.1%
Computer and peripherals	24.8	5.4%	26.3	8.2%	75.3	23.0%
Right-of-use asset	395.7	86.4%	233.9	72.9%	209.0	63.7%
Others	13.0	2.8%	9.7	3.0%	10.8	3.3%
Total capital expenditure	458.1	100.0%	320.7	100.0%	327.8	100%

Most of Thai Credit's planned capital expenditure involves investment regarding new branch, in line with Thai Credit's aim to reach out to, and engage, more customers in order to increase the volume of loans and deposits. This capital expenditure also include the purchase and installation of information technology equipment for Thai Credit's operations, with an aim to develop and transform itself into a strategic data-driven organization.

Indebtedness

As of 31 December 2022, Thai Credit's interest-bearing debts included perpetual subordinated debentures, with a total face value of THB 1,150 million which carry a fixed interest rate of 5 percent per annum payable twice a year, in May and November of every year. Thai Credit has the right to redeem these perpetual subordinated debentures from 2026 onwards.

Contractual encumbrances and obligations

	As of 31 December 2022			
	Payable in the period			
	(million baht)			
	Total	In one year	More than one year up to five years	More than five years
Obligations arising from operating leases				
Obligations arising from operating leases	86.2	46.2	40.0	-
Obligations arising from capital expenditure				

	As of 31 December 2022			
	Payable in the period			
	<i>(million baht)</i>			
	Total	In one year	More than one year up to five years	More than five years
Premises and other structures	55.3	55.3	-	-
Other obligations				
Consultancy and service fees regarding computer systems	71.8	33.5	38.3	-
Employment agreements and other service fees	43.6	29.6	14.0	-
Total	256.9	164.6	92.3	-

Items not included in the statement of financial position

As of 31 December 2021, and 2022, no items are excluded from the statement of financial position in material respects.

Events after the reporting period

On 22 February 2023, the Extraordinary General Meeting of Shareholders of Thai Credit No. 1/2023 resolved to approve the buyback and cancellation of 74.75 million units of warrants (to purchase ordinary shares of Thai Credit), and resolved to approve the decrease in Thai Credit's registered capital of THB 747.5 million, from THB 6,598.17 (comprising 659.82 million shares, with the par value of THB 10 per share), to THB 5,850.67 million (comprising 585.07 million shares, with the par value of THB 10 per share) to accommodate the cancellation of the said warrants.

Financial ratios

	As of or for the year ended 31 December		
	2020	2021	2022
	<i>Presented in percent, unless otherwise specified</i>		
Liquidity ratios			
Liquid asset ratio ⁽¹⁾	16.4%	16.9%	18.1%
Liquidity ratio ⁽²⁾ (times).....	0.18	0.29	0.19
Average cash flow liquidity ⁽³⁾ (times).....	0.04	0.02	-0.04
Profitability ratios			
Net profit margin ⁽⁴⁾	20.9%	22.1%	20.9%
Return on average equity ⁽⁵⁾	18.0%	20.7%	18.9%
Return on average investments ⁽⁶⁾	0.7%	0.4%	0.5%
Average return on earning financial assets ⁽⁷⁾	10.84%	10.02%	9.86%
Average financial costs ⁽⁸⁾	1.83%	1.55%	1.45%
Interest rate differential ⁽⁹⁾	9.01%	8.47%	8.41%
Efficiency ratios			
Ratio of net interest income to average assets ⁽¹⁰⁾	9.3%	8.7%	8.6%
Ratio of non-interest income to average total assets ⁽¹¹⁾	0.3%	0.3%	0.1%
Return on average assets ⁽¹²⁾	2.00%	1.98%	1.82%
Average asset turnover ratio ⁽¹³⁾	9.6%	8.9%	8.7%

Financial ratios

Ratio of liabilities to average equity ⁽¹⁴⁾ (times)	8.0	9.5	9.4
Loan to borrowing ratio ⁽¹⁵⁾	106.2%	109.2%	106.0%
Loan to deposit ratio ⁽¹⁶⁾	106.3%	110.4%	106.9%
Ratio of deposits to total liabilities ⁽¹⁷⁾	89.2%	84.4%	88.1%
Dividend payout ratio ⁽¹⁸⁾	-	-	-

Asset quality ratios

NPL coverage ratio ⁽¹⁹⁾	188.6%	199.8%	177.4%
Ratio of allowance for expected credit losses to total loans ⁽²⁰⁾	5.2%	5.7%	6.9%
Ratio of bad debts to total loans ⁽²¹⁾	n.a.	n.a.	n.a.
Ratio of non-performing loans to total loans ⁽²²⁾	n.a.	n.a.	n.a.
Ratio of accrued interest receivables and undue interest receivables to total loans ⁽²³⁾	2.6%	3.4%	3.6%

Other ratios

Capital adequacy ratio (CAR) ⁽²⁴⁾	13.2%	13.3%	15.2%
Ratio of Tier 1 capital to risk-weighted assets ⁽²⁵⁾	12.2%	12.3%	14.1%
Ratio of CET1 to risk-weighted assets ⁽²⁶⁾	12.2%	10.8%	12.9%
Ratio of operating expenses to total operating income ⁽²⁷⁾	49.9%	42.3%	39.5%
Ratio of expected credit losses to average loans ⁽²⁸⁾ (bps)	285	304	338
Gross NPLs ratio ⁽²⁹⁾	2.7%	2.9%	3.9%

Remarks:

- (1) Liquid asset ratio is calculated by dividing the sum of cash, net interbank and money market items (assets), and net investments, by the sum of deposits and interbank and money market items (liabilities) at the end of each accounting period.
- (2) Liquidity ratio is calculated by dividing total current assets by total current liabilities at the end of each accounting period. Total current assets include cash, net interbank and money market items (assets), and net investments, while total current liabilities include deposits for a period not exceeding one year, and interbank and money market items (liabilities).
- (3) Average cash flow liquidity is calculated by dividing cash flows received from operations by average current liabilities at the beginning and at the end of each accounting period. Total current liabilities include deposits for a period not exceeding one year, and interbank and money market items (liabilities).
- (4) Net profit margin is calculated by dividing net profit by total operating income for each accounting period.
- (5) Return on average equity is calculated by dividing net profit for each accounting period by average total equity at the beginning and at the end of the period.
- (6) Return on average investments is calculated by dividing the sum of interest income from interbank and money market items, interest income from investments, and gains (losses) on investments, by the sum of net interbank and money market items (assets), and average net investments at the beginning and at the end of each accounting period.
- (7) Average return on earning financial assets is calculated by dividing interest income from earning financial assets by average daily remaining balance of earning financial assets. Earning financial assets are calculated from the sum of loans to customers, net interbank and money market items (assets), and net investments.
- (8) Average financial costs are calculated by dividing interest expenses by average daily remaining balance of interest-bearing financial liabilities. Interest-bearing financial liabilities are calculated from the sum of deposits, interbank and money market items (liabilities), and debt instruments issued and borrowings.
- (9) Interest rate differential is calculated by deducting average financial costs from average return on earning financial assets for each accounting period.
- (10) Ratio of net interest income to average assets is calculated by dividing net interest income by average total assets at the beginning and at the end of each accounting period.
- (11) Ratio of non-interest income to average total assets is calculated by dividing net non-interest income by average total assets at the beginning and at the end of each accounting period. Non-interest income includes net fee and service income, net loss from foreign exchange transactions, net gain on investments and other operating income.

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- (12) Return on average assets is calculated by dividing net profit by average total assets at the beginning and at the end of each accounting period.
 - (13) Average asset turnover ratio is calculated by dividing total income by average total assets at the beginning and at the end of each accounting period.
 - (14) Ratio of liabilities to average equity is calculated by dividing total liabilities by average equity at the beginning and at the end of each accounting period.
 - (15) Loan to borrowing ratio is calculated by dividing loans to customers by the sum of deposits, liabilities payable on demand, and debt instruments issued and borrowings at the end of each accounting period.
 - (16) Loan to deposit ratio is calculated by dividing loans to customers by deposits at the end of each accounting period.
 - (17) Ratio of deposits to total liabilities is calculated by dividing deposits by total liabilities at the end of each accounting period.
 - (18) Dividend payout ratio is calculated by dividing dividends by net profit at the end of each accounting period.
 - (19) NPL coverage ratio is calculated by dividing allowance for expected credit losses (ECL) by non-performing loans (NPLs) for each accounting period.
 - (20) Ratio of allowance for expected credit losses to total loans is calculated by dividing allowance for ECL by loans to customers for each accounting period.
 - (21) This ratio cannot be calculated due to the changes in the BoT's notification on loan classification.
 - (22) This ratio cannot be calculated due to the changes in the BoT's notification on loan classification.
 - (23) Ratio of accrued interest receivables and undue interest receivables to total loans is calculated by dividing accrued interest receivables and undue interest receivables by loans to customers plus accrued interest receivables and undue interest receivables for each accounting period.
 - (24) Capital adequacy ratio (CAR) is calculated by dividing the sum of Tier 1 capital and Tier 2 capital by risk-weighted assets for each accounting period.
 - (25) Ratio of Tier 1 capital to risk-weighted assets is calculated by dividing the sum of Common Equity Tier 1 (CET1) capital and Tier 1 capital (financial instruments), by risk-weighted assets for each accounting period.
 - (26) Ratio of CET1 capital to risk-weighted assets is calculated by dividing CET1 capital by risk-weighted assets for each accounting period.
 - (27) Ratio of operating expenses to total operating income is calculated by dividing the sum of employee-related expenses, remuneration for directors, expenses relating to buildings and equipment, taxes, and other expenses, by total operating income.
 - (28) Ratio of expected credit losses to average loans (bps) is calculated by dividing ECL by loans to customers plus accrued interest receivables and undue interest receivables at the beginning and at the end of each accounting period.
 - (29) Gross NPLs ratio is calculated by dividing loans with credit impairment by total gross loans to customers for each accounting period.

Profitability ratios

Thai Credit's interest rate differentials were 8.5 percent, and 8.4 percent for the years ended 31 December 2021 and 2022, respectively. The decrease in Thai Credit's interest rate differential in 2022, primarily driven by the decrease in returns on earning financial assets resulting from the decrease in return on loans to customers.

Thai Credit's net profit margin was 22.1 percent, and 20.9 percent for the years ended 31 December 2021 and 2022, respectively. Thai Credit's net profit margin decreased in 2022 primarily due to the allocation of higher allowance for ECL.

Thai Credit's return on equity (ROE) was 20.7 percent, and 18.9 percent for the years ended 31 December 2021 and 2022, respectively. ROE decreased in 2022, primarily due to the issuance of newly issued and paid-up ordinary shares of Thai Credit.

Operational efficiency ratio

Thai Credit's return on average assets (ROAA) was 2.0 percent, and 1.8 percent for the years ended 31 December 2021 and 2022, respectively. Thai Credit's ROAA decreased in 2022, primarily due to the increase in assets resulting from the increase in interbank and money market items (assets) and loans to customers.