



Thaicredit Bank

Management Discussion and Analysis

For the Nine-Months Period Ending September 30, 2023

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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.

	As of 31 December						As of 30 September	
	2020 ⁽⁷⁾		2021		2022		2023	
	(million baht)	Percent	(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%	93,786.9	67.7%
Nano and Micro Finance Loans ⁽²⁾	11,019.0	16.1%	14,265.7	14.6%	19,181.9	15.8%	21,181.0	15.3%
Home Loans ⁽³⁾	11,006.0	16.0%	14,489.1	14.8%	18,522.4	15.3%	21,036.1	15.2%
Personal revolving loans ⁽⁴⁾	7.9	0.0%	439.1	0.4%	1,092.7	0.9%	2,165.7	1.6%
Other retail loans ⁽⁵⁾	398.5	0.6%	350.5	0.4%	302.5	0.2%	265.4	0.2%
Total loans to customers⁽⁶⁾	68,562.4	100.0%	97,728.7	100.0%	121,298.0	100.0%	138,435.1	100.0%

- Notes: (1) MSME Loans include Micro SME loans, SME loans, Soft Loans, and other loans.
 (2) Nano and Micro Finance Loans include 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.
 (7) The balance as of 31 December 2020 was based on the gross carrying amount of financial assets.

Thai Credit's loans to borrowers can be categorised 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.

As of 31 December 2020, 2021 and 2022, and as of 30 September 2023, Thai Credit's loans to customers stood at THB 68,562.4 million, THB 97,728.7 million, THB 121,298.0 million, and THB 138,435.1 million, respectively, with a CAGR between 2020 and 2022 of 33.0%, 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

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(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%	88,196.8	94.0%

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
SMEs loans ⁽²⁾	5,137.8	11.1%	5,907.3	8.7%	5,586.9	6.8%	5,590.1	6.0%
Total MSME Loans	46,131.0	100.0%	68,184.3	100.0%	82,198.5	100.0%	93,786.9	100.0%

Notes: (1) Micro SME Loans include loans 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 15.1%, from THB 76,611.6 million as of 31 December 2022, to THB 88,196.8 million as of 30 September 2023, primarily due to the acceleration of loan portfolio expansion to support customers in their post-COVID-19 pandemic recovery and to improve their business liquidity, and due to positive response from customers towards the 0% special interest rate promotion for a three-month period for the Klahai SMEs loan products.

Thai Credit's SMEs loans slightly increased by 0.1%, from THB 5,586.9 million as of 31 December 2022, to THB 5,590.1 million as of 30 September 2023, primarily due to a slight increase in outstanding revolving credit balances of the overdrafts (OD). The trend of SME Loans remain in a stable or decreasing trend in line with Thai Credit's strategy of prioritising the growth on loans in which Thai Credit has expertise and the ability to compete thereby decreasing the focus on growth of SMEs loans and on finding new loans.

(2) Nano and Micro Finance Loans

Thai Credit's Nano and Micro Finance Loans increased by 10.4%, from THB 19,181.9 million as of 31 December 2022, to THB 21,181.0 million as of 30 September 2023, primarily due to Thai Credit's participation in the Portfolio Guarantee Scheme 10 established by the Thai Credit Guarantee Corporation ("**TCG**"), which also contributed to the positive growth in Thai Credit's new loans as Thai Credit can leverage benefits from such guarantee program in its risk management which is one of the factors that helps in the consideration and approval of Thai Credit's new loans, as well as due to the loan growth resulting from positive responses from customers on the loan disbursement through the Micro Pay e-Wallet application.

(3) Home Loans

Home Loans increased by 13.6%, from THB 18,522.4 million as of 31 December 2022, to THB 21,036.1 million as of 30 September 2023, primarily due to the adjustment to the loan-to-value ratio (LTV) back to the BoT's original policy (Notification of the Bank of Thailand No. SorNorSor. 1/2563) which is at the rate of 90% - 100% for the first agreement, at the rate of 80% - 90% for the second agreement, and at the rate of 70% for the third agreement which was attributable to the declining growth on the Home Loans, compared to the growth in 2022. However, Thai Credit still received positive feedback from customers on the sale promotion offering a zero interest rate for the first three months of the Refinance Plus loan, and marketing promotions offering zero collateral appraisal fee.

(4) Personal revolving loans

Thai Credit's personal revolving loans increased by 98.2%, from THB 1,092.7 million as of 31 December 2022, to THB 2,165.7 million as of 30 September 2023, primarily due to the launch of a special collaboration project with Ascend Nano Company Limited and True Money Company Limited. Thai Credit expanded its personal revolving loans products to new target groups (apart from customers with fixed income) by entering into the Right of Claims Purchase Agreement and relevant agreements with Ascend Nano Co., Ltd. ("**Ascend Nano**") to purchase right of claims under loan agreements that Ascend Nano enters into with debtors. Additionally, for existing customers who are employees with regular income, Thai Credit introduced a sales promotion targeted at customers who are permanent employees of well-known companies, and received continually positive response from customers. This sales promotion included an 8.88% interest rate per annum for a maximum of 8 months.

(5) Other retail loans

As of 31 December 2022, and as of 30 September 2023, other retail loans stood at THB 302.5 million, and THB 265.4 million, respectively, accounting for 0.2%, and 0.2% of total gross loans, respectively, align with Thai Credit's strategy which was to not focus on the growth of other retail loans.

2. Deposits

Table 3 Breakdown of deposits, based on the types of deposits

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Current deposits	73.7	0.1%	99.0	0.1%	40.1	0.0%	42.8	0.0%
Savings	17,432.1	27.0%	31,429.6	35.5%	37,383.8	33.0%	37,624.1	33.3%
Term deposits	47,004.3	72.9%	56,986.2	64.4%	76,020.2	67.0%	75,487.6	66.7%
Total deposits	64,510.1	100.0%	88,514.8	100.0%	113,444.1	100.0%	113,154.5	100.0%
Up to one year	57,431.1	89.0%	80,215.0	90.6%	107,314.9	94.6%	106,066.7	93.7%
More than one year	7,079.0	11.0%	8,299.8	9.4%	6,129.2	5.4%	7,087.8	6.3%
Rollover Rate⁽¹⁾		95.1%		96.4%		95.9%		94.6%
CASA ratio		27.1%		35.6%		33.0%		33.3%
Loan-to-deposit ratio⁽²⁾		106.3%		110.4%		106.9%		122.3%

Notes: (1) Rollover Rate is the rate at which depositors continue to deposit money with the Bank after the maturity date of their existing deposit products. This Rollover Rate is calculated by the deposits from the three main product groups consisting of (1) current deposits; (2) savings; and (3) term deposits.

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

As of 31 December 2022, and as of 30 September 2023, Thai Credit's deposits stood at THB 113,444.1 million, and THB 113,154.5 million, respectively. The growth was primarily due to the substantial growth in savings and term deposit products as savings could be used as collateral for MSME Loans, such as Klahai SMEs. Depositors of the Bank continue to deposit money with the Bank continuously. The Rollover Rate of depositors for all product

groups for the years ended 31 December 2022, and for the 12-month period ended 30 September 2023 stood at 95.9%, and 94.6%, respectively.

(1) Current deposits

Current deposits increased by 6.7%, from THB 40.1 million as of 31 December 2022, to THB 42.8 million as of 30 September 2023, primarily due to the current deposit turnover of customers' regular deposits and withdrawals.

(2) Savings

Savings increased by 0.6%, from THB 37,383.8 million as of 31 December 2022, to THB 37,624.1 million as of 30 September 2023. This slight increase was due to the maintenance of deposit levels to reduce excess liquidity from the borrowings.

(3) Term deposits

Term deposits decreased by 0.7%, from THB 76,020.2 million as of 31 December 2022, to 75,487.6 million as of 30 September 2023, primarily due to Thai Credit's sufficient liquidity, which rendered it unnecessary to increase deposits during this period. As a result, there was no marketing campaign to increase the volume of term deposits.

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

Thai Credit's CASA ratio increased by 0.3 percentage point, from 33.0% as of 31 December 2022, to 33.3% as of 30 September 2023. This slight increase resulted from the growth in savings product as savings could be used as collateral for MSME Loans, such as Klahai SMEs.

3. Relationship between sources of funding and spending

Table 4 Earning financial assets and interest-bearing financial liabilities

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(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%	16,673.4	10.5%
Investments	3,463.3	4.3%	5,695.8	5.0%	2,922.8	2.0%	4,004.7	2.5%
Loans to customers	68,562.4	86.2%	97,728.7	85.4%	121,298.0	84.6%	138,435.1	87.0%
Total	79,547.1	100.0%	114,373.3	100.0%	143,405.3	100.0%	159,113.2	100.0%
Interest-bearing financial liabilities								
Deposits	64,510.1	91.9%	88,514.8	86.7%	113,444.1	90.2%	113,154.5	81.1%
Interbank and money market items	5,675.6	8.1%	12,737.8	12.5%	11,398.5	9.1%	23,720.1	17.0%
Debt issued and borrowings	-	-	869.9	0.8%	889.9	0.7%	2,606.1	1.9%
Total	70,185.7	100.0%	102,122.5	100.0%	125,732.5	100.0%	139,480.7	100.0%

As of 30 September 2023, Thai Credit's main source of funding was deposits, which stood at THB 113,154.5 million, accounting for 81.1% of total funding. Other sources of funding included interbank and money market items, which stood at THB 23,720.1 million, accounting for 17.0% of total funding, and debt issued and borrowings, which stood at THB 2,606.1 million, accounting for 1.9% of total funding. As of 30 September 2023, the main earning financial assets were loans to customers, which stood at THB 138,435.1 million, accounting for 87.0% of total earning financial assets. The remaining amount was invested into liquid assets, with THB 16,673.4 million, or 10.5% of total earning financial assets, invested in interbank and money market items, and THB 4,004.7 million, or 2.5 % of total earning financial assets, in other investment securities.

4. Interest rate spread

Table 5 Returns on earning financial assets, financial costs, and interest rate spread

	For the year ended 31 December			For the 12-month period ended 30 September
	2020 percent	2021 percent	2022 percent	2023 percent
Return on interbank and money market items ⁽¹⁾	0.73%	0.61%	0.79%	1.70%
Return on investment ⁽²⁾	0.70%	0.49%	0.63%	1.41%
Return on loans to customers ⁽³⁾	12.20%	11.05%	10.93%	11.11%
Average return on earning financial assets⁽⁴⁾	10.84%	10.02%	9.86%	9.88%
Costs of deposits ⁽⁵⁾	1.93%	1.60%	1.55%	1.91%
Costs of interbank and money market items ⁽⁶⁾	0.19%	0.10%	0.05%	0.02%
Costs of debt issued and borrowings ⁽⁷⁾	-	9.02%	8.81%	7.30%
Average financial costs⁽⁸⁾	1.83%	1.55%	1.45%	1.72%
Net interest rate spread⁽⁹⁾	9.01%	8.47%	8.41%	8.16%
Rate of contributions to the Deposit Protection Agency	0.01%	0.01%	0.01%	0.01%
Rate of contributions to the Financial Institutions Development Fund	0.23%	0.23%	0.23%	0.46%

- Notes:
- (1) Return on interbank and money market items is calculated by dividing interest income from interbank and money market item (assets) by the average monthly remaining balance of interbank and money market items (assets).
 - (2) Return on investment is calculated by dividing interest income from investments by the average monthly remaining balance of investment.
 - (3) Return on loans to customers is calculated by dividing interest income from loans to customers by the average monthly remaining balance of loans to customers.
 - (4) Average return on earning financial assets is calculated by dividing interest income from earning financial assets by the average monthly remaining balance of earning financial assets. Earning financial assets are the sum of loans to customers, net interbank and money market items (assets), and net investments. For the period ended 30 September 2023, the average return on earning financial assets is calculated by dividing interest income from earning financial assets from the last 12 months, by average monthly remaining balance of earning financial assets from the last 13 months.
 - (5) Costs of deposits are calculated by dividing interest expenses from deposits and contributions to the Deposit Protection Agency and the BoT by the average monthly 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 the average monthly 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 the average monthly remaining balance of debt issued and borrowings.
 - (8) Average financial costs are calculated by dividing interest expenses by the average monthly remaining balance of interest-bearing financial liabilities. Interest-bearing financial liabilities are the sum of deposits, interbank and money market items (liabilities), and debt instruments issued and borrowings. For the period ended 30 September 2023, the average financial costs are calculated by dividing interest expenses from the last 12 months by average monthly remaining balance of interest-bearing financial liabilities from the last 13 months.

(9) Net interest rate spread is calculated by deducting financial costs from the average returns on earning financial assets.

Return on loans to customers

Thai Credit's average return on loans to customers increased by 0.18 percentage points, from 10.93% for the year ended 31 December 2022, to 11.11% for the 12-month period ended 30 September 2023, as there were no significant changes in the average return on earning financial assets.

Average return on earning financial assets

Thai Credit's average return on earning financial assets increased by 0.02 percentage points, from 9.86% for the year ended 31 December 2022 to 9.88% for the 12-month period ended 30 September 2023 which has no significant changes. Even though, there was an increase in the return on interbank and money market items and return on investment, the ratio of the return on interbank and money market items and return on investment to earning financial assets is low, resulting in no significant changes in the average return on earning financial assets.

Costs of deposits

Thai Credit's average costs of deposits increased by 0.36 percentage point, from 1.55% for the year ended 31 December 2022, to 1.91% for the 12-month period ended 30 September 2023, primarily due to the BoT's adjustment for an increase of the policy interest rate, and the lapse of the measure to reduce deposit guarantee fees in 2022, resulting in a decrease in the difference of net interest income rate.

Average financial costs

Thai Credit's average financial costs increased by 0.27 percentage point, from 1.45% for the period ended 31 December 2022, to 1.72% for the 12-month period ended 30 September 2023, primarily due to the BoT's adjustment of the policy interest rate, and the lapse of the measure to reduce deposit guarantee fees in 2022.

5. Loan classification and allowance for expected credit loss

Table 6 Breakdown of loans and allowance for expected credit loss, based on loan classification.

Loans and allowance for expected credit loss, based on loan classification	As of 31 December				As of 30 September			
	2020		2021		2022		2023	
	Loans	Allowance for expected credit loss	Loans	Allowance for expected credit loss	Loans	Allowance for expected credit loss	Loans	Allowance for expected credit loss
	(million baht)							
Stage 1	64,492.9	1,670.2	89,709.1	3,095.5	110,861.0	3,718.9	124,184.0	3,186.1
Stage 2	3,862.3	1,127.0	8,100.0	887.8	9,501.1	1,497.3	13,274.1	2,134.4
Stage 3	2,011.9	747.2	3,312.5	1,625.5	5,491.4	3,180.4	6,444.4	3,816.0
Total	70,367.1	3,544.4	101,121.6	5,608.8	125,853.5	8,396.6	143,902.5	9,136.5

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

Table 7 Credit quality

Credit quality	As of 31 December			As of 30 September
	2020	2021	2022	2023
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	3,048.5
Nano and Micro Finance Loans	886.5	1,027.5	1,857.9	2,260.0
Home Loans	110.8	155.3	173.1	198.0
Personal revolving loans	0.0	3.7	17.4	20.0
Other retail loans	8.4	15.3	13.4	5.8
Gross NPLs	1,879.8	2,807.8	4,734.4	5,532.3
Non-performing loan to total loan ratio (Gross NPL ratio)				
Gross NPL ratio ⁽¹⁾	2.7%	2.9%	3.9%	4.0%
Gross NPL ratio, based on the types of businesses				
MSME Loans	1.9%	2.4%	3.3%	3.3%
Nano and Micro Finance Loans	8.0%	7.2%	9.7%	10.7%
Home Loans	1.0%	1.1%	0.9%	0.9%
Personal revolving loans	0.0%	0.8%	1.6%	0.9%
Other retail loans	2.1%	4.4%	4.4%	2.2%
Allowance for expected credit loss				
Expected credit loss (ECL) (million baht)	1,729.8	2,610.6	3,835.4	2,773.6
Allowance for expected credit loss (million baht)	3,544.4	5,608.8	8,396.6	9,136.5
Allowance for expected credit loss against non-performing loans ratio (percent) ⁽²⁾	188.6%	199.8%	177.4%	165.1%
Allowance for expected credit loss against total gross loans ratio (percent) ⁽³⁾	5.2%	5.7%	6.9%	6.6%

Notes: (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 by dividing allowance for expected credit loss by 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 the 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 16.9%, from THB 4,734.4 million as of 31 December 2022, to THB 5,532.3 million as of 30 September 2023, primarily due to a downturn in the overall economic situation due to macroeconomic factors that impacted credit quality, including continuously high inflation, the impact of the Russian-Ukrainian conflict on the manufacturing sector, and the subsequent impact of COVID-19 on customers' abilities to repay debts.

As a result of the foregoing, it resulted in the gross NPLs ratio before allowance for expected credit loss as of 31 December 2022, and as of 30 September 2023, was 3.9%, and 4.0%, respectively.

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

The coverage ratio decreased from 177.4% as of 31 December 2022 to 165.1% as of 30 September 2023, primarily due to higher gross NPLs from the impacts on macroeconomic conditions as a result of the aftermath of COVID-19 pandemic and the measures to assist debtors implemented by the BoT began to expire, resulting in debtors being more likely to become NPL debtors. However, Thai Credit still has measures to help debtors, such as reducing interest, lowering instalment and extending instalment period.

6. Loans restructured under BoT measures and Thai Credit's debt restructuring measures

Table 8 Loans restructured under BoT measures and Thai Credit's debt restructuring measures

	As of 31 December			As of 30 September
	2020	2021	2022	2023
Total gross loans receiving assistance under BoT measures (Blue and Orange measures) (million baht) (Pre-Emptive)	16,143.6	18,992.6	16,349.9	18,022.2
Total gross loans under Thai Credit 's debt restructuring measures (million baht) (TDR)	4,307.0	9,083.1	9,197.2	10,764.5
Total gross loans receiving assistance under BoT measures and under Thai Credit 's debt restructuring measures (million baht)	20,450.6	28,075.7	25,547.1	28,786.7
Proportion of total gross loans receiving assistance under BoT measures and Thai Credit 's debt restructuring measures	29.1%	27.8%	20.3%	20.0%

The COVID-19 pandemic caused widespread effects on all business sectors and customers in 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 followings:

- Repayment holiday, lower instalments, or extended instalment period (Blue and Orange measures), subject to the terms and conditions established by Thai Credit. As of 30 September 2023, Thai Credit assisted debtors under the BoT's measures (Blue and Orange measures) equaling to 67,730 persons and Thai Credit assisted debtors under Thai Credit's debt restructuring measures equaling to 6,021 persons.
- Asset warehousing program, Soft Loan program, debt consolidation (for retail loans).

In addition, Thai Credit has chosen to implement the following relaxations in accordance with Notification of the Federation of Accounting Profession from the abovementioned impacts:

- Compliance with Notification of the Federation of Accounting Profession No. 37/2564 regarding Accounting Guidelines on Assistance to Debtors Affected by the Coronavirus Disease 2019, under which measures began in 2022 and ended in 2023.

The debt restructuring for debtors by determining conditions to help reduce burden on debt repayment of debtors beyond merely extending the repayment period (Blue measure)

- The debt restructuring for non-NPL debtors can immediately classify the debtors into a class which has no significant increase in credit risk (performing or stage 1) upon consideration that debtors can comply with the conditions.
- The debt restructuring for NPL debtors can classify the debtors into a class which has no significant increase in credit risk (performing or stage 1) if debts can be repaid for three consecutive months or three consecutive repayment periods, whichever is longer.
- Thai Credit can use the new EIR as a rate to calculate the present value of debt restructuring loans, such that no present value loss shall be recorded for debtors who received assistance according to the Blue measures.

The debt restructuring for debtors by merely extending the repayment period (Orange measure)

- To comply with relevant financial reporting standards.

Summary table of Thai Credit's assistance measures according to BoT's standard and accounting relaxation measures

	Assistance Measures	Measures	Accounting Relaxation Measures / relevant notifications
1	Payment moratoriums (expired)		Recognition of interest income: Interest income can be recognised during the payment moratoriums.
2	Debt restructuring for debtors by determining conditions to help reduce burden on debt repayment of debtors beyond merely extending the repayment period	Blue	Compliance with Notification of the Federation of Accounting Profession No. 37/2564 regarding Accounting Guidelines on Assistance to Debtors Affected by the Coronavirus Disease 2019 as follows: <ol style="list-style-type: none"> 1. Debt restructuring for performing debtors (non NPL) can immediately classify such debtors into a class which has no significant increase in credit risk (performing or stage 1) upon consideration that debtors can comply with the conditions. 2. Debt restructuring for non-performing debtors (NPL) can classify such debtors into a class which has no significant increase in credit risk (performing or stage 1) if debt can be repaid for three consecutive months or three consecutive repayment period, whichever is longer.

	Assistance Measures	Measures	Accounting Relaxation Measures / relevant notifications
			3. The use of new effective interest rate on the date in which the conditions change.
3	Debt restructuring for debtors by merely extending the repayment period	Orange	Compliance with relevant financial reporting standards.
4	Asset warehousing (completed)		Compliance with Notification of Bank of Thailand No. SorNorSor.4/2564 Re: Measure to Promote the Acceptance of the Transfer of Collateral Property for Debt Repayment under the Emergency Decree on the Provision of Assistance and Rehabilitation of Business Operators Impacted by the Spread of the COVID-19 Pandemic B.E. 2564
5	Soft Loan		Compliance with Notification of the Bank of Thailand No. SorGorSor1.1/2564 Re: Measures to Support the Provision of Loans to Business Operators under the Emergency Decree on the Provision of Assistance and Rehabilitation of Business Operators Impacted by the COVID-19 Pandemic, B.E. 2564
6	Debt consolidation (for retail loans)		<p>Compliance with Notification of the Bank of Thailand No. ForNorSor.(1)Wor.912/2563 Re: Guidelines on Debt Restructuring for Retail Debtors by Consolidation of Debts, as follows:</p> <p>The calculation of Risk Weighted Asset(RWA)(requiring Thai Credit to use the RWA of 35% if the qualifications are in accordance with the notification of the BoT in connection with regulations on supervision on the home loans and other loans related to home loans, which will impact the calculation of the capital adequacy ratio (CAR).</p>

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

As of 31 December 2022, and as of 30 September 2023, restructured accounted for 20.3%, and 20.0% of the carrying amount of total loans, respectively.

In addition, Thai Credit also set up reserves for credit risk according to TFRS 9 standards because Thai Credit recognised that providing assistance to debtors might cause a delay in classifying debtors as NPL debtors. Therefore, reserves for credit risk which was calculated by Thai Credit's credit model might not reflect the actual quality of debtors. Thai Credit thus has set additional excess reserves by the management (Management Overlay) as follows:

As of 30 September 2023, Thai Credit's reserve stood at THB 9,175.4 million, of which THB 866.7 million were additional excess reserves by the management (Management Overlay).

After BoT's assistance measures and accounting relaxation will lapse at the end of 2023, Thai Credit will still have assistance measures for debtors consistently. Thai Credit's assistance may include projects similar to projects that BoT has implemented before, such as reduction of interest rate, reduction of instalment payments and extension of debt repayment period etc. which were the measures that have been carried out by Thai Credit to assist debtors prior to the COVID-19 outbreak situation. In addition, Thai Credit will not be affected by any accounting records in material respects because it is a normal accounting record according to TFRS 9 standards and for additional excess reserves by management (Management Overlay) post-assistance measures, the risk management unit will follow up, analyse and consider whether how much the Management Overlay needs to be increased or decreased in each month. In such case, it must be reported to the Managing Director (MD) and reported to the Risk Management Committee ("RMC") every 6 months.

7. Maintenance of statutory capital fund

Table 9 Maintenance of statutory capital fund

Statutory capital fund	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(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%	15,498.5	80.6%
Additional Tier 1 capital (financial instruments)	-	-	1,150.0	10.9%	1,150.0	7.8%	861.1	4.5%
Total Tier 1 capital	7,235.9	92.1%	9,745.2	92.1%	13,638.3	93.1%	16,359.6	85.1%
Tier 2 capital	621.9	7.9%	836.9	7.9%	1,003.3	6.9%	2,855.1	14.9%
Total capital	7,857.8	100.0%	10,582.1	100.0%	14,641.6	100.0%	19,214.7	100.0%
Risk weighted assets	59,469.3	-	79,425.9	-	96,496.2	-	110,781.2	

Table 10 Capital adequacy ratio (CAR) against total risk-weighted assets

CAR against total risk-weighted assets	As of 31 December			As of 30 September
	2020	2021	2022	2023
	percent	percent	percent	percent
CET1 to total risk-weighted asset ratio	12.2%	10.8%	12.9%	14.0%
Tier 1 capital to total risk-weighted asset ratio	12.2%	12.3%	14.1%	14.8%
Total capital to total risk-weighted asset ratio	13.2%	13.3%	15.2%	17.3%

As of 30 September 2023, Thai Credit's capital, as required under applicable law, pursuant to the principles of Basel III, stood at THB 19,214.7 million, consisting of THB 16,359.6 million of Tier 1 capital, of which THB 15,498.5

million was Common Equity Tier 1 capital and THB 861.1 million was Additional Tier 1 capital; and THB 2,855.1 million of Tier 2 capital. The total capital to total risk-weighted asset ratio was 17.3%. The Tier 1 capital to total risk-weighted asset ratio was 14.8%. The CET1 to total risk-weighted asset ratio was 14.0%. These ratios were higher than the minimum ratios required by the BoT (11.0%, 8.5%, and 7.0%, respectively). The year-on-year increase in the Tier 1 capital was driven by the accumulation of net profit.

Analysis of Thai Credit's results of operations

Table 11 Income statement

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(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%	9,221.4	112.5%	11,626.2	117.7%
Interest expenses	(1,109.6)	(16.9%)	(1,307.4)	(14.9%)	(1,632.4)	(14.5%)	(1,151.1)	(14.0%)	(1,842.4)	(18.7%)
Net interest income	6,370.9	96.8%	8,493.6	97.2%	11,052.3	98.4%	8,070.3	98.5%	9,783.8	99.0%
Fee and service income	403.1	6.1%	435.6	5.0%	528.1	4.7%	408.0	5.0%	384.5	3.9%
Fee and service expenses	(392.9)	(6.0%)	(483.3)	(5.5%)	(587.4)	(5.2%)	(435.9)	(5.3%)	(424.1)	(4.3%)
Net fee and service income (expense)	10.2	0.1%	(47.7)	(0.5%)	(59.3)	(0.5%)	(27.9)	(0.3%)	(39.6)	(0.4%)
Net loss from foreign exchange transactions	-	0.0%	-	0.0%	-	0.0%	-	0.0%	6.0	0.1%
Net (loss) gain on investments	(0.1)	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%
Other operating income	201.0	3.1%	296.2	3.3%	238.6	2.1%	152.5	1.8%	124.6	1.3%
Total operating income	6,582.0	100.0%	8,742.2	100.0%	11,231.7	100.0%	8,195.0	100.0%	9,874.9	100.0%
Other operating expenses										
Employee expenses	2,272.6	34.5%	2,591.9	29.6%	3,040.4	27.1%	2,218.9	27.1%	2,379.5	24.1%
Directors' remuneration	10.9	0.2%	15.3	0.2%	16.5	0.1%	10.9	0.1%	13.4	0.1%
Premises and equipment expenses	493.5	7.5%	520.2	5.9%	602.9	5.4%	421.5	5.2%	496.4	5.0%
Taxes	218.0	3.3%	304.3	3.5%	411.4	3.7%	304.9	3.7%	372.6	3.8%
Others	292.4	4.4%	267.0	3.1%	365.2	3.3%	236.5	2.9%	313.1	3.2%

Total other operating expenses	3,287.4	49.9%	3,698.7	42.3%	4,436.4	39.6%	3,192.7	39.0%	3,575.0	36.2%
Expected credit loss	1,729.8	26.3%	2,610.6	29.9%	3,835.4	34.1%	2,532.9	30.9%	2,773.6	28.1%
Profits before income tax expenses	1,564.8	23.8%	2,432.9	27.8%	2,959.9	26.3%	2,469.4	30.1%	3,526.3	35.7%
Income tax	191.9	2.9%	497.9	5.7%	607.4	5.4%	504.4	6.1%	709.6	7.2%
Profit for the year	1,372.9	20.9%	1,935.0	22.1%	2,352.5	20.9%	1,965.0	24.0%	2,816.7	28.5%

Table 12 Interest income, interest expenses, and net interest income

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(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%	36.2	0.4%	238.8	2.1%
Investments in debt instruments	22.8	0.3%	15.0	0.2%	27.5	0.2%	19.3	0.2%	45.0	0.3%
Loans to customers	7,284.8	97.4%	9,614.7	98.1%	12,466.9	98.3%	9,075.9	98.4%	11,254.6	96.8%
Hire-purchase	136.9	1.8%	131.7	1.3%	118.8	0.9%	90.0	1.0%	87.8	0.8%
Total interest income	7,480.5	100.0%	9,801.0	100.0%	12,684.7	100.0%	9,221.4	100.0%	11,626.2	100.0%
Interest expenses										
Deposits	963.9	86.9%	1,063.3	81.3%	1,308.3	80.1%	914.4	79.4%	1,303.1	70.7%
Interbank and money market items	7.1	0.6%	7.6	0.6%	5.8	0.4%	4.7	0.4%	42.7	2.3%
Debt issued and borrowings – subordinated debentures	-	0.0%	45.5	3.5%	77.5	4.7%	57.8	5.1%	89.3	4.8%
Contributions to the Deposit Protection Agency and the BoT	138.6	12.5%	191.0	14.6%	240.8	14.8%	174.2	15.1%	407.3	22.2%
Total interest expenses	1,109.6	100.0%	1,307.4	100.0%	1,632.4	100.0%	1,151.1	100.0%	1,842.4	100.0%
Net interest income	6,370.9		8,493.6		11,052.3		8,070.3		9,783.8	

Interest income

Thai Credit's interest income increased by 26.1% from THB 9,221.4 million for the nine-month period ended 30 September 2022 to THB 11,626.2 million for the nine-month period ended 30 September 2023, primarily due to the increase in interest income from loans to customers equivalent to THB 2,178.7 million, as a result of the growth in

volume of all Thai Credit's key loan product groups, particularly the MSME Loans. Additionally, the increase in Thai Credit's reference interest rate also contributed to the increase in interest income.

Interest expenses

Thai Credit's interest expenses comprised of interest expenses from deposits, interbank and money market items, debt issued and borrowings, contributions to the Deposit Protection Agency and the BoT and contributions to the Financial Institutions Development Fund.

The BOT established Financial Institutions Development Fund ("**FIDF**") in 1985 with the objectives of enabling the enactment of financial assistance measures to restore and develop the financial institution system into one that has steadiness and stability, especially in critical situations which affect financial institution systems. Under the policy framework of the BoT and the government commercial banks have duties to contribute money to FIDF twice a year, by the last business day of July in the relevant year and by the last business day of January of the following year.

In normal situations, the financial institutions are required to contribute money to the BoT into the account for the repayment of loan principal to reimburse the damages incurred by the FIDF (FIDF Fee) at the rate of 0.46 percent of the deposit base. Due to the COVID-19 pandemic which impacted the Thai economy broadly, the BoT then announced the measures to help reduce the financial costs incurred to the businesses and households by temporarily reducing the rate of contribution to the FIDF Fee from 0.46 percent per annum to 0.23 percent per annum from 2020 to 2022. The contribution rate is adjusted to the normal rate of 0.46 percent per annum from 2023 onwards.

Thai Credit's interest expenses increased by 60.1%, from THB 1,151.1 million for the nine-month period ended 30 September 2022, to THB 1,842.4 million for the nine-month period ended 30 September 2023. This is primarily attributable to interest expenses on deposits which increased by THB 388.7 million during the period, in line with the increase in amount of deposits and the increase in deposit interest rates during the same period, as well as the increase in contributions to the Financial Institutions Development Fund from 0.23% to a normal rate of 0.46% according to BoT measures (Notification of BoT No. ForTorSor (04) Wor. 5/2563), which resulted in the increase of THB 233.1 million in contribution to the Deposit Protection Agency and the BOT during the same period.

Net interest income

As a result of the foregoing, Thai Credit's net interest income increased by 21.2%, from THB 8,070.3 million for the nine-month period ended 30 September 2022, to THB 9,783.8 million for the nine-month period ended 30 September 2023.

Table 13 Non-interest income

For the year ended 31 December						For the nine-month period ended 30 September					
2020		2021		2022		2022		2023			
(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Fee and service income											

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Acceptances, avals and guarantees	1.7	0.4%	2.8	0.6%	2.3	0.4%	1.8	0.4%	1.3	0.3%
Management fees	33.8	8.4%	19.0	4.4%	32.8	6.2%	21.0	5.1%	35.8	9.3%
Brokerage fees	346.4	85.9%	378.3	86.8%	455.0	86.2%	356.5	87.4%	312.5	81.3%
Others ⁽¹⁾	21.2	5.3%	35.5	8.2%	38.0	7.2%	28.7	7.1%	34.9	9.1%
Total fee and service income	403.1	100.0%	435.6	100.0%	528.1	100.0%	408.0	100.0%	384.5	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%	24.5	5.6%	37.7	8.9%
Loan guarantee commission expenses	298.9	76.1%	342.0	70.8%	376.1	64.0%	283.1	64.9%	266.2	62.8%
Legal fees	17.1	4.4%	6.5	1.3%	10.5	1.8%	6.6	1.5%	8.4	2.0%
Collection and recovery expenses	36.1	9.2%	86.4	17.9%	127.2	21.7%	96.5	22.1%	76.2	18.0%
Others ⁽²⁾	29.6	7.5%	26.7	5.5%	36.0	6.1%	25.2	5.9%	35.6	8.3%
Total fee and service expenses	392.9	100.0%	483.3	100.0%	587.4	100.0%	435.9	100.0%	424.1	100.0%
Net fee and service income (expenses)	10.2		(47.7)		(59.3)		(27.9)		(39.6)	
Other operating income	201.0	100.0%	296.2	100.0%	238.6	100.0%	152.5	100.0%	124.6	100.0%
Net gain (loss) from foreign exchange transactions	(0.0)		0.0		0.0		0.0		6.0	
Net gain (loss) on investments	(0.1)		0.1		0.1		0.1		0.1	
Total non-interest income	211.1		248.6		179.4		124.7		91.1	

Notes: (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 registration works, and for the survey and appraisal of collateral.

Fee and service income

Thai Credit's fee and service income decreased by 5.8%, from THB 408.0 million for the nine-month period ended 30 September 2022, to THB 384.5 million for the nine-month period ended 30 September 2023, primarily due to the decrease in insurance brokerage fees equivalent to THB 44.0 million because Thai Credit did not have a policy in place to sell insurance to loan customers under the Soft Loan program, which resulted in the decrease in the sales of mortgage reducing term assurance to individual customers.

Fee and service expenses

Thai Credit's fee and service expenses decreased by 2.7% from THB 435.9 million for the nine-month period ended 30 September 2022 to THB 424.1 million for the nine-month period ended 30 September 2023, primarily due to the decrease in loan guarantee commissions in line with Thai Credit's policy, whereby Thai Credit sets the condition that the customers shall bear and pay the loan guarantee commissions associated with the MSME Loans, by themselves.

Other operating income

Thai Credit's other operating income decreased by 18.3% from THB 152.5 million for the nine-month period ended 30 September 2022 to THB 124.6 million for the nine-month period ended 30 September 2023, primarily due to the decrease in sales promotion income earned from insurance brokerage.

Table 14 Other operating expenses

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(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%	2,218.9	69.5%	2,379.5	66.6%
Directors' remuneration	10.9	0.3%	15.3	0.4%	16.5	0.4%	10.9	0.3%	13.4	0.4%
Premises and equipment expenses	493.5	15.0%	520.2	14.1%	602.9	13.6%	421.5	13.2%	496.4	13.9%
Taxes	218.0	6.6%	304.3	8.2%	411.4	9.3%	304.9	9.5%	372.6	10.4%
Others ⁽¹⁾	292.4	9.0%	267.0	7.2%	365.2	8.2%	236.5	7.5%	313.1	8.7%
Total	3,287.4	100.0%	3,698.7	100.0%	4,436.4	100.0%	3,192.7	100.0%	3,575.0	100.0%
Cost-to-income ratio⁽²⁾	49.9%		42.3%		39.5%		39.0%		36.2%	

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

(2) Cost-to-income ratio is calculated by dividing other operating expenses ratio by operating income.

Table 15 Operational efficiency

	For the year ended 31 December			For the nine-month period ended 30 September	
	2020	2021	2022	2022	2023
Number of lending branches	500	500	500	500	500
Number of deposit branches	21	25	26	26	27
Cost-to-income ratio (percent)	49.9%	42.3%	39.5%	39.0%	36.2%
Operating income per branch ⁽¹⁾ (million baht)	12.7	16.8	21.7	20.1	24.5
Loan amount per lending branch ⁽²⁾ (million baht)	138.5	202.2	251.7	244.3	287.8
Deposits per branch ⁽³⁾ (million baht)	3,071.9	3,848.5	4,448.8	4,305.6	4,270.0
Number of customers (accounts)	239,639	265,060	294,630	287,785	371,699

Notes: (1) Operating income per branch is calculated by dividing operating income by the average number of branches each year. The average number of branches from a year equals the sum

of the number of branches at the beginning of that year and the number of branches at the end of that year divided 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. The average number of branches from a year equals the sum of the number of lending branches at the beginning of that year and the number of lending branches at the end of that year divided by two.

(3) Deposits per branch are calculated by dividing the aggregate deposit amount by the number of deposit branches each year. The average number of branches from a year equals the sum of the number of deposit branches at the beginning of that year and the number of deposit branches at the end of that year divided by two.

Other operating expenses

Other operating expenses increased by 12.0%, from THB 3,192.7 million for the nine-month period ended 30 September 2022, to THB 3,575.0 million for the nine-month period ended 30 September 2023, primarily due to the increase of THB 160.6 million in costs associated to the employees due to the increase in the number of employees (whereby Thai Credit and its subsidiaries have 3,971 employees in total for the nine-month period ending 30 September 2023); the increase of THB 67.7 million in taxes in line with the growth in volume of loans granted during the year, resulting in an increase in costs arising from specific business taxes and stamp duties; and the increase of THB 74.9 million in expenses relating to building and equipment resulting from depreciation and the information technology system expense that was incurred to support the work system such as the alpha by Thai Credit application, and the development of the AS400 (Core banking) system.

The cost to income ratio, however, decreased by 2.8 percentage points, from 39.0% for the nine-month period ended 30 September 2022, to 36.2% for the nine-month period ended 30 September 2023, primarily due to improved work efficiency from tools previously employed by Thai Credit such as digital management tools, MSME One App system and loan approval system (SDE System) in which those systems have been continuously developed to be more efficient. The operating income per branch, loans per branch and the deposit amount per branch continued to improve.

Table 16 Expected credit loss (ECL)

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(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%	0.0	0.0%	0.0	0.0%	(21.5)	(0.8%)
Loans to customers, accrued interest receivables, and undue interest receivables ⁽¹⁾	1,668.9	96.5%	2,605.0	99.8%	3,728.6	97.2%	2,423.6	95.7%	2,806.8	101.2%
Other financial assets	1.1	0.0%	3.9	0.1%	9.6	0.3%	6.7	0.3%	16.1	0.6%
Undrawn loan commitments and financial guarantee contracts	19.1	1.1%	1.7	0.1%	0.3	0.0%	0.6	0.0%	(20.5)	(0.7%)
Others	1.3	0.1%	0.0	0.0%	96.9	2.5%	102.0	4.0%	7.3	0.3%
Total expected credit loss	1,729.8	100.0	2,610.6	100.0%	3,835.4	100.0%	2,532.9	100.0%	2,773.6	100.0%
		%								

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Expected Credit	285		304		338				306	
Loss to Average										
Loan (credit cost) ⁽²⁾ (basis points)										

Notes: (1) Loans to customers, accrued interest receivables, and undue interest receivables include profit and loss from the sale and transfer of loans with credit impairment.

(2) Expected credit loss to average loan (credit cost) (expressed as basis points) is calculated by dividing expected credit loss by the sum of (i) average total loans to customers, (ii) average accrued interest receivables and (iii) average undue interest receivables at the beginning and the end of accounting period. For the period ended 30 September 2023, it is calculated by dividing expected credit loss for the last 12 months by total average assets as of 30 September 2022 and 2023.

Expected credit loss (ECL)

Thai Credit set its expected credit loss at THB 2,773.6 million for the nine-month period ended 30 September 2023, representing an increase by 9.5%, from THB 2,532.9 million expected credit loss set for the nine-month period ended 30 September 2022 which was in line with the increase in loans to customers.

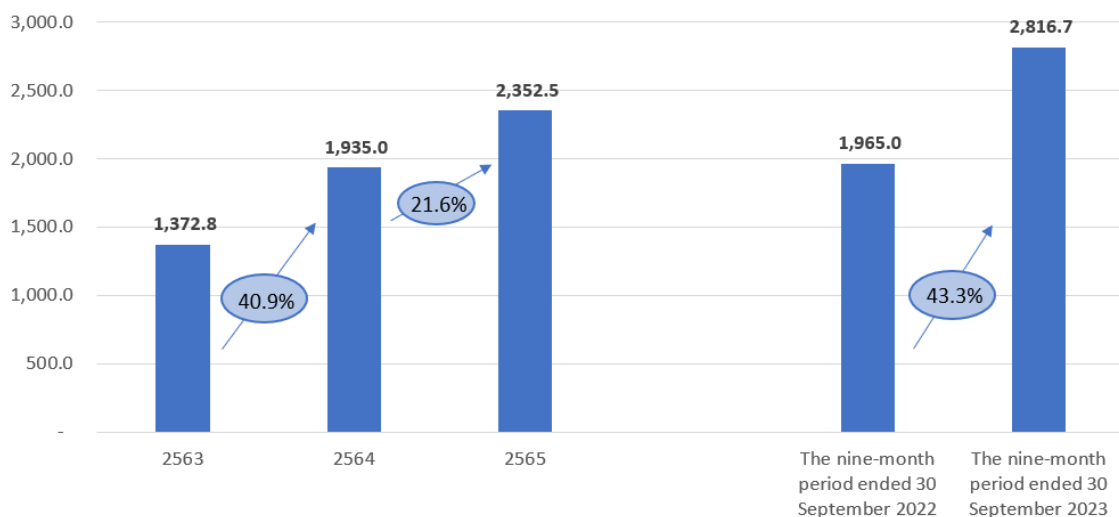
The setting of reserve above caused the expected credit loss to average loan of Thai Credit to increase to 338 basis points for the years ended 31 December 2022, and decrease to 306 basis points for the nine-month period ended 30 September 2023.

Tax expenses

Thai Credit's tax expenses increased by 40.7%, from THB 504.4 million for the nine-month period ended 30 September 2022 to THB 709.6 million for the nine-month period ended 30 September 2023. The increase in the tax expenses was in line with the increase in profits before income tax expenses.

Profit for the year/ period

(unit : million baht)



Analysis of financial position

1. Assets

Table 17 Assets

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Cash	521.1	0.7%	464.4	0.4%	504.1	0.4%	390.9	0.2%
Net interbank and money market items	7,521.4	9.3%	10,948.8	9.5%	19,184.5	13.4%	16,673.4	10.4%
Derivatives	-	-	-	-	-	-	161.7	0.1%
Net investment	3,463.3	4.3%	5,695.8	4.9%	2,922.8	2.1%	4,004.7	2.5%
Net loans to customers and accrued interest receivables	66,822.7	82.9%	95,512.8	82.8%	117,456.9	82.0%	134,765.9	84.4%
Net properties for sale	156.5	0.2%	341.9	0.3%	770.7	0.5%	911.7	0.6%
Net premises and equipment	1,126.5	1.4%	1,221.6	1.0%	1,002.2	0.7%	1,291.3	0.8%
Net intangible asset	162.0	0.2%	173.8	0.2%	185.4	0.1%	218.1	0.1%
Deferred tax assets	259.7	0.3%	335.9	0.3%	412.5	0.3%	223.0	0.1%
Net other assets	544.9	0.7%	638.4	0.6%	750.3	0.5%	1,125.5	0.8%
Total assets	80,578.1	100.0%	115,333.4	100.0%	143,189.4	100.0%	159,766.2	100.0%

Cash

As of 31 December 2022, and as of 30 September 2023, Thai Credit's cash stood at THB 504.1 million, and THB 390.9 million, respectively, primarily due to the increase or decrease in net cash flows from operating activities, investing activities, and funding activities.

Net interbank and money market items (assets)

Table 18 Net interbank and money market items (assets)

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(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%	4,056.9	24.3%
Commercial banks	3,719.9	49.5%	4,700.8	43.0%	6,069.0	31.6%	9,431.1	56.6%
Specialised financial institutions	2,400.0	31.9%	2,400.0	21.9%	3,000.0	15.7%	3,000.0	18.0%
Other financial institutions	-	-	-	-	500.0	2.6%	-	0.0%
Total	7,521.2	100.0%	10,948.6	100.0%	19,183.5	100.0%	16,488.0	98.9%
Plus accrued interest receivables and undue interest receivables	0.2	0.0%	0.2	0.0%	1.0	0.0%	2.6	0.0%
Total of Domestic	7,521.4	100.0%	10,948.8	100.0%	19,184.5	100.0%	16,490.6	98.9%

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Foreign							-	
US Dollars	-	-	-	-	-	-	182.8	1.1%
Total	-	-	-	-	-	-	182.8	1.1%
Plus accrued interest receivables and undue interest receivables	-	-	-	-	-	-	-	
Total of Foreign	-	-	-	-	-	-	182.8	1.1%
Total	7,521.4	100.0%	10,948.8	100.0%	19,184.5	100.0%	16,673.4	100.0%

Net interbank and money market items (assets) decreased by 13.1%, from THB 19,184.5 million as of 31 December 2022, to THB 16,673.4 million as of 30 September 2023, primarily due to the decrease in deposits with the BoT in line with the Bank's liquidity adjustment plan.

Net investment

Table 19 Net investment

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Investments in <u>debt instruments</u> measured at FVOCI								
Government and state enterprise securities	3,460.7	99.9%	5,693.4	99.9%	2,920.4	99.9%	3,981.2	99.4%
Private enterprises debt instruments	-	-	-	-	-	-	21.0	0.5%
Total	3,460.7	99.9%	5,693.4	99.9%	2,920.4	99.9%	4,002.2	99.9%
Allowance for expected credit loss	(40.5)	(1.2%)	(40.5)	(0.7%)	(40.5)	(1.4%)	(19.0)	(0.5%)
Investments in <u>equity securities</u> designated at FVOCI								
Domestic non-marketable equity securities	2.6	0.1%	2.4	0.1%	2.4	0.1%	2.5	0.1%
Total	2.6	0.1%	2.4	0.1%	2.4	0.1%	2.5	0.1%
Total net investment	3,463.3	100.0%	5,695.8	100.0%	2,922.8	100.0%	4,004.7	100.0%

Thai Credit's net investment increased by 37.0% from THB 2,922.8 million as of 31 December 2022 to THB 4,004.7 million as of 30 September 2023, primarily due to liquidity management through adjustment of net interbank and money market items to net investment in conformity with the market trends for interest rate, which was expected to become more stable in the future after a recent rise, as well as reduction in the expected credit loss for Thai Credit's investment in private debt instrument of Thai Airways International Public Company Limited as Thai Credit is of the view that Thai Airways has entered into a rehabilitation plan and therefore has a better financial outlook.

Net loans to customers and accrued interest receivables
Table 20 Breakdown of net loans to customers and accrued interest receivables, based on the types of loans

	As of 31 December						As of 30 September	
	2020 ⁽¹⁾		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Overdrafts	247.9	0.4%	285.1	0.3%	511.9	0.4%	1,366.2	1.0%
Loans	66,240.6	99.1%	95,445.7	99.9%	118,991.9	101.3%	135,415.6	100.5%
Notes	450.7	0.7%	357.3	0.4%	210.6	0.2%	126.3	0.1%
Hire-purchase receivables	1,623.2	2.4%	1,640.6	1.7%	1,583.6	1.3%	1,527.0	1.1%
Total loans to customers	68,562.4	102.6%	97,728.7	102.3%	121,298.0	103.2%	138,435.1	102.7%
Plus accrued interest receivables and undue interest receivables	1,804.7	2.7%	3,392.9	3.6%	4,555.5	3.9%	5,467.3	4.1%
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%	143,902.4	106.8%
Less allowance for expected credit loss	(3,544.4)	(5.3%)	(5,608.8)	(5.9%)	(8,396.6)	(7.1%)	(9,136.5)	(6.8%)
Total net loans to customers and accrued interest receivables	66,822.7	100.0%	95,512.8	100.0%	117,456.9	100.0%	134,765.9⁽²⁾	100.0%

Notes: (1) The balance as of 31 December 2020 was based on the gross carrying amount of financial assets.

(2) During the nine-month period ending 30 September 2023, the net book value of loans with credit impairment sold and transferred by Thai Credit to third parties is THB 508.4 million.

Thai Credit's net loans to customers and accrued interest receivables increased by 14.7% from THB 117,456.9 million as of 31 December 2022 to THB 134,765.9 million as of 30 September 2023, primarily due to growth in all key loan product groups, including MSME Loans, Nano and Micro Finance Loans, and Home Loans, in line with Thai Credit's business plan.

Net properties for sale
Table 21 Net properties for sales

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Immovable assets	158.0	101.0%	179.5	52.5%	157.0	20.4%	134.7	14.8%
Immovable assets (under the asset warehousing program)	-	-	162.4	47.5%	613.7	79.6%	770.3	84.5%
Movable assets	-	-	-	-	-	-	6.7	0.7%
Total	158.0	101.0%	341.9	100.0%	770.7	100.0%	911.7	100.0%
Less allowance for impairment losses	(1.5)	(1.0%)	-	-	-	-	-	-
Net properties for sale	156.5	100.0%	341.9	100.0%	770.7	100.0%	911.7	100.0%

Net properties for sale refers to assets foreclosed, including assets used under the BoT's measure to support the acceptance of collateral transfer for debt repayments or under the asset warehousing program to support businesses with potential but require time to recover from the impact of the COVID-19 pandemic, under which the Bank of Thailand will provide loans to Thai Credit in the form of Soft Loans to accept the transfer of property as collateral for repayment of outstanding debts. Under this program, the debtor may repurchase a property within three to five years at the transfer price and shall have the right to lease such property to operate its business in the ordinary course. Most immovable assets are land and buildings. However, the asset warehousing program ceased in April 2023.

Thai Credit has a method for measuring the value of properties for sale of Thai Credit that is not different from the method of measuring the value of properties for sale under the Asset Warehousing program where an external appraiser will be the appraiser. However, the appraisal period will be different as there will be an appraisal every one year for properties for sale of Thai Credit which was received due to debt repayment, while assets under the BoT's measure to support the acceptance of collateral transfer for debt repayment will be allowed to be appraised every five years.

Thai Credit's net properties for sale increased by 18.3% from THB 770.7 million as of 31 December 2022 to THB 911.7 million as of 30 September 2023, 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 22 Net premises and equipment

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Premises	56.3	5.0%	53.7	4.4%	51.0	5.1%	229.6	17.8%
Leasehold improvements	137.0	12.2%	117.1	9.6%	109.9	11.0%	114.0	8.8%
Furniture and equipment	57.6	5.1%	56.3	4.6%	45.5	4.5%	49.4	3.8%
Computers and accessories	64.5	5.7%	66.0	5.4%	108.7	10.8%	129.8	10.1%
Right-of-use asset	810.8	72.0%	919.8	75.3%	681.2	68.0%	767.0	59.4%
Others	0.3	0.0%	8.7	0.7%	5.9	0.6%	1.5	0.1%
Total net premises and equipment	1,126.5	100.0%	1,221.6	100.0%	1,002.2	100%	1,291.3	100.0%

Net premises and equipment increased by 28.8%, from THB 1,002.2 million as of 31 December 2022, to THB 1,291.3 million as of 30 September 2023, primarily due to the acquisition of three office units at RS Tower in the amount of THB 181.8 million to support Thai Credit's information technology and the digital transformation project; the increase in right-of-use assets under lease agreements, driven by the renewal of lease agreements for the lease of office buildings and branches; and the acquisition of computers and equipment to enhance the operational efficiency of the Bank.

Net intangible assets

Table 23 Net intangible asset

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Computer software	112.3	69.3%	104.9	60.3%	112.6	60.7%	115.0	52.7%
Up-front fees for the ITMX service ⁽¹⁾	32.6	20.1%	32.6	18.8%	32.6	17.6%	32.6	15.0%
Computer software in development	17.1	10.6%	36.3	20.9%	40.2	21.7%	70.5	32.3%
Total net intangible assets	162.0	100.0%	173.8	100.0%	185.4	100.0%	218.1	100%

Note: (1) ITMX service is a service provided by a third party to the Bank regarding Prompt Pay system, ATM system, and Micro Pay e-Wallet system.

Net intangible assets increased by 17.6%, from THB 185.4 million as of 31 December 2022, to THB 218.1 million as of 30 September 2023, primarily due to the increasing amount of computer software acquired during the development of the Container Platform system, which was intended to improve work efficiency and customer services, and the continued development of Thai Credit's mobile applications, as well as efforts to develop the Bank's website to support its transition to a company listed on the SET and to elevate the Bank's brand image.

Net deferred tax assets

Net deferred tax assets decreased by 45.9%, from THB 412.5 million as of 31 December 2022, to THB 223.0 million as of 30 September 2023, primarily due to the reduction of excess reserves put in place by the management (management overlay).

Net other assets

Table 24 Net other assets

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Prepaid expenses – TCG	180.8	33.2%	208.7	32.7%	184.8	24.6%	181.3	16.1%
Receivables eligible for government reimbursement	4.6	0.8%	48.9	7.7%	101.3	13.5%	198.5	17.6%
Suspended debt	14.6	2.7%	49.5	7.8%	93.3	12.4%	169.8	15.1%
Accrued fee income	94.8	17.4%	52.8	8.3%	89.8	12.0%	119.8	10.6%
Advance to customers	41.1	7.5%	56.3	8.8%	89.4	11.9%	133.3	11.8%
Net other receivables	46.0	8.4%	77.7	12.2%	76.5	10.2%	144.6	12.9%
Deposits and guarantees	55.7	10.2%	65.1	10.2%	65.1	8.7%	76.4	6.8%

Receivables – Counter Service	68.9	12.6%	42.0	6.6%	24.2	3.2%	27.4	2.4%
Supplies	6.1	1.1%	5.6	0.9%	5.4	0.7%	4.1	0.4%
Accrued interest receivables	3.7	0.8%	8.4	1.2%	1.9	0.2%	0.7	0.1%
Others	28.6	5.3%	23.4	3.6%	18.6	2.6%	69.6	6.2%
Total	544.9	100.0%	638.4	100.0%	750.3	100.0%	1,125.5	100.0%

Net other assets increased by 50.0%, from THB 750.3 million as of 31 December 2022, to THB 1,125.5 million as of 30 September 2023, primarily due to the increase in advances to customers by THB 43.9 million in the part of annual fee of TCG's guarantee program for certain customers where Thai Credit will charge the customers in the next month; the increase in net other assets by THB 51.0 million; the increase in net other receivables by THB 68.1 million; the increase in receivables eligible for government reimbursement under the Ministry of Finance's Soft Loan program, by THB 97.2 million.

2. Liabilities

Table 25 Liabilities

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(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%	113,154.5	79.2%
Interbank and money market items	5,675.6	7.8%	12,737.8	12.2%	11,398.5	8.8%	23,720.1	16.6%
Liabilities payable on demand	63.3	0.1%	88.9	0.1%	72.6	0.1%	154.6	0.1%
Debt issued and borrowings	-	0.0%	869.9	0.8%	889.9	0.7%	2,606.1	1.8%
Provisions	169.0	0.2%	215.5	0.2%	255.0	0.2%	300.0	0.2%
Other liabilities	1,919.9	2.7%	2,443.5	2.3%	2,747.8	2.1%	3,023.7	2.1%
Total liabilities	72,337.9	100.0%	104,870.4	100.0%	128,807.9	100.0%	142,959.0	100.0%

Deposits

Thai Credit's deposits decreased by 0.3%, from THB 113,444.1 million as of 31 December 2022, to THB 113,154.5 million as of 30 September 2023, primarily due to the decrease in term deposits as the Bank had sufficient liquidity and therefore not aiming to increase deposit balances at that point in time, which resulted in no deposit-boosting campaigns being launched.

Net interbank and money market items (liabilities)

Table 26 Net interbank and money market items (liabilities)

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(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%	19,584.7	82.6%

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Specialised financial institutions	3,729.8	65.7%	2,977.7	23.4%	80.4	0.7%	26.8	0.1%
Others	616.8	10.9%	703.9	5.5%	462.3	4.1%	308.6	1.3%
Total	5,675.6	100.0%	12,737.8	100.0%	11,398.5	100.0%	19,920.1	84.0%
Foreign								
US Dollars	-	-	-	-	-	-	3,800.0	16.0%
Total of Foreign	-	-	-	-	-	-	3,800.0	16.0%
Total of Domestic and Foreign	5,675.6	100.0%	12,737.8	100.0%	11,398.5	100.0%	23,720.1	100.0%

Net interbank and money market items (liabilities) increased by 108.1%, from THB 11,398.5 million as of 31 December 2022, to THB 23,720.1 million as of 30 September 2023, primarily due to the borrowing from IFC in the amount of 105 million United States Dollar (equivalent to THB 3,800.0 million) to provide loans to Micro SME and the increase in funds obtained from the BoT for lending to customers under the Soft Loan program in the amount of THB 8,728.9 million.

Liabilities payable on demand

Liabilities payable on demand increased by 112.9%, from THB 72.6 million as of 31 December 2022, to THB 154.6 million as of 30 September 2023. Variations in liabilities payable on demand reflected changes in the amount and size of transactions Thai Credit entered into with customers and counterparties.

Debt issued and borrowings

Debt issued and borrowings increased by 192.9%, from THB 889.9 million as of 31 December 2022, to THB 2,606.1 million as of 30 September 2023, primarily due to the issuance of Tier 2 Debentures in June 2023 to the amount of THB 1,700 million.

Table 27 Debt issued and borrowings

	As of 30 September		
	2023		
	Maturity year	Interest rate (percent)	Amount (million baht)
Subordinated debentures ⁽¹⁾	2026 ⁽²⁾	5.00	906.1
Subordinated debentures recognised as Tier 2 capital	2033	6.00	1,700.0
Total			2,606.1

	As of 31 December		
	2022		
	Maturity year	Interest rate (percent)	Amount (million baht)

	As of 30 September		
	2023		
	Maturity year	Interest rate (percent)	Amount (million baht)
Subordinated debentures ⁽¹⁾	2026 ⁽²⁾	5.00	889.9
Total			889.9

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

(2) The earliest year in which Thai Credit may elect to redeem the subordinated debentures.

Provisions

Table 28 Provisions

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(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%	266.0	88.7%
Provision for decommissioning cost of leasehold improvements	13.4	7.9%	14.9	6.9%	15.4	6.1%	18.5	6.2%
Provision for performance guarantee contracts	-	-	-	-	-	-	14.8	4.9%
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%	0.7	0.2%
Total	169.0	100.0%	215.5	100.0%	255.0	100.0%	300.0	100%

Provisions increased by 17.6 %, from THB 255.0 million as of 31 December 2022, to THB 300.0 million as of 30 September 2023, primarily due to the increase in current service costs and interest on obligations.

Other liabilities

Table 29 Other liabilities

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Lease liabilities	814.2	42.4%	930.5	38.1%	688.5	25.1%	776.8	25.7%
Accrued interest expenses	201.1	10.5%	254.3	10.4%	401.9	14.6%	758.5	25.1%
Other payables	40.0	2.1%	132.6	5.4%	150.8	5.5%	438.1	14.5%
Accrued expenses	572.4	29.8%	713.1	29.2%	948.5	34.5%	737.1	24.4%
Corporate income tax payable	210.7	11.0%	311.8	12.8%	440.2	16.0%	185.4	6.1%
Others	81.5	4.2%	101.2	4.1%	117.9	4.3%	127.8	4.2%
Total	1,919.9	100.0%	2,443.5	100.0%	2,747.8	100.0%	3,023.7	100.0%

Other liabilities increased by 10.0%, from THB 2,747.8 million as of 31 December 2022, to THB 3,023.7 million as of 30 September 2023, primarily due to the increase in accrued interest expenses for debentures, the borrowing from IFC and accrued interest expenses under derivatives contracts related to exchange rates and interest rates with CIMB Thai Bank Public Company Limited.

3. Equity

Table 30 Equity

	As of 31 December						As of 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Authorised share capital	5,156.3		5,903.8		6,598.2		6,174.2	
Paid-up capital	5,000.0	60.7%	5,000.0	47.8%	5,822.9	40.5%	5,822.9	34.6%
Warrants	-	-	288.9	2.8%	288.9	2.0%	-	0.0%
Premium on share capital	-	-	-	-	768.2	5.3%	768.2	4.6%
Other reserves	38.1	0.5%	36.0	0.3%	1.2	0.1%	40.0	0.2%
Retained earnings								
Appropriated								
Legal reserves	170.8	2.0%	269.4	2.6%	389.8	2.7%	389.8	2.4%
Unappropriated	3,031.3	36.8%	4,868.7	46.5%	7,110.5	49.4%	9,786.3	58.2%
Total	8,240.2	100.0%	10,463.0	100.0%	14,381.5	100.0%	16,807.2	100.0%

As of 30 September 2023, Thai Credit's equity stood at THB 16,807.2 million, representing an increase by 16.9% from THB 14,381.5 million as of 31 December 2022, primarily due to profits earned during the period less the repurchase and cancellation of warrants (to purchase Thai Credit's ordinary shares) issued by Thai Credit in the amount of 74.75 million units. The proceeds received by Thai Credit from the issuance of ordinary shares to existing shareholders in the previous year were deemed sufficient for business expansion. Additionally, the increase in equity was due to the recognition of profits from fair value measurement of derivative instruments.

Liquidity and sources of funding

Table 31 Cash flows

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	(million baht)	(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%)	(3,422.6)	(707.7%)	(3,649.8)	(933.7%)
Net cash inflow (outflow) from investing activities	(1,874.1)	(359.7%)	(2,347.2)	(505.4%)	2,634.1	522.6%	3,409.1	704.9%	(1,321.0)	(337.9%)
Net cash inflow (outflow) from financing activities	(282.4)	(54.2%)	1,030.2	221.8%	1,405.1	278.7%	32.7	6.8%	4,857.6	1,242.6%
Net cash and cash equivalents increase (decrease)	47.4	9.1%	(56.6)	(12.2%)	39.7	7.9%	19.2	4.0%	(113.2)	(29.0%)

	For the year ended 31 December						For the nine-month period ended 30 September			
	2020		2021		2022		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	(million baht)	(million baht)	percent	(million baht)	percent
Cash and cash equivalents at the beginning of the year/period	473.6	90.9%	521.0	112.2%	464.4	92.1%	464.4	96.0%	504.1	129.0%
Cash and cash equivalents at the end of the year/period	521.0	100.0%	464.4	100.0%	504.1	100.0%	483.6	100.0%	390.9	100.0%

Net cash inflow)outflow (from operating activities

For the nine-month period ended 30 September 2023, net cash used in Thai Credit's operating activities was THB (3,649.8) million, which consisted of operating profit before tax of THB 3,526.3 million, adjusted for non-cash transactions of THB 1,729.8 million, partially offset by changes in assets and liabilities used in operations in the amount of THB (8,905.8) million by adjusting non-cash transactions, which mainly consisted of expected credit loss of THB 2,773.6 million. The changes in operating assets and liabilities mainly consisted of an increase of THB (19,198.7) million in loans to customers, an increase of THB 8,524.8 million in interbank and money market items (liabilities).

Net cash inflow (outflow) from investing activities

For the nine-month period ended 30 September 2023, net cash used in Thai Credit's investing activities was THB (1,321.0), which mainly consisted of an increase in cash outflow spent on the purchase of investments measured at FVOCI, which were government bonds and bonds issued by the BOT.

Net cash inflow (outflow) from financing activities

For the nine-month period ended 30 September 2023, net cash from Thai Credit's financing activities was THB 4,857.6 million, which mainly consisted of cash inflow from the issuance of subordinated debentures and the long term borrowing from IFC.

Capital expenditure

	For the year ended 31 December						For the nine-month period ended 30 September	
	2020		2021		2022		2023	
	(million baht)	percent	(million baht)	percent	(million baht)	percent	(million baht)	percent
Premises	-	0.0%	-	0.0%	-	0.0%	181.8	33.4%
Leasehold improvements	10.1	2.2%	25.2	7.9%	15.9	4.9%	29.1	5.4%
Office supplies	14.5	3.2%	25.6	8.0%	16.8	5.1%	22.5	4.1%
Computer and peripherals	24.8	5.4%	26.3	8.2%	75.3	23.0%	51.4	9.4%
Right-of-use asset	395.7	86.4%	233.9	72.9%	209.0	63.7%	259.0	47.5%
Others	13.0	2.8%	9.7	3.0%	10.8	3.3%	1.3	0.2%
Total capital expenditure	458.1	100.0%	320.7	100.0%	327.8	100.0%	545.1	100.0%

Most of Thai Credit's planned capital expenditure involves investments in its establishment of office and new branches, 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. Thai Credit's capital expenditure also includes the purchase and installation of information technology equipment for Thai Credit's operations, as Thai Credit seeks to develop and transform itself into a strategic data-driven organisation.

Indebtedness

As of 30 September 2023, Thai Credit's interest-bearing debts included perpetual subordinated debentures, with a total face value of THB 1,150 million and that carry a fixed interest rate of 5.00% per annum payable twice a year, in May and November of each year. Thai Credit has the right to redeem these perpetual subordinated debentures from 2026 onwards as well as subordinated debentures offered in a private placement, with a total face value of THB 1,700 million and that carry a fixed interest rate of 6.00% per annum payable twice a year, in June and December of each year, with a duration of 10 years.

Contractual encumbrances and obligations

	As of 30 September 2023			
	Payable in the period			
	<i>(million baht)</i>			
	Total	Within one year	More than one year and up to five years	More than five years
Obligations arising from operating leases				
Obligations arising from operating leases	105.1	62.0	43.1	-
Obligations arising from capital expenditure				
Premises, other structures, and computer systems	130.4	130.4	-	-
Other obligations				
Consultancy and service fees regarding computer systems	39.1	25.2	13.9	-
Employment agreements and other service fees	101.5	55.1	46.4	-
Total	376.1	272.7	103.4	-

	As of 31 December 2022			
	Payable in the period			
	<i>(million baht)</i>			
	Total	Within one year	More than one year and 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				
Premises, other structures, and computer systems	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	-

	As of 31 December 2022			
	Payable in the period			
	<i>(million baht)</i>			
	Total	Within one year	More than one year and up to five years	More than five years
Total	256.9	164.6	92.3	-

Financial ratios

	As of / For the year/period ended				
	31 December			30 September	
	2020	2021	2022	2022	2023
<i>Presented in percent, unless otherwise specified</i>					
Liquidity ratios					
Liquid asset ratio ⁽¹⁾	16.4%	16.9%	18.1%	12.7%	15.4%
Liquidity ratio ⁽²⁾ (times).....	0.18	0.18	0.19	0.14	0.16
Average cash flow liquidity ratio ⁽³⁾ (times).....	0.04	0.02	-0.04		(0.04)
Profitability ratios					
Net profit margin ⁽⁴⁾	20.9%	22.1%	20.9%	23.5%	24.8%
Return on average equity ⁽⁵⁾	18.0%	20.7%	18.9%		21.8%
Return on average investments ⁽⁶⁾	0.7%	0.4%	0.5%		1.9%
Average return on earning financial assets ⁽⁷⁾	10.84%	10.02%	9.86%		9.88%
Average financial costs ⁽⁸⁾	1.83%	1.55%	1.45%		1.72%
Net interest rate spread ⁽⁹⁾	9.01%	8.47%	8.41%		8.16%
Net interest margin ⁽¹⁰⁾	9.33%	8.76%	8.58%		8.76%
Efficiency ratios					
Net interest income to average assets ratio ⁽¹¹⁾	9.3%	8.7%	8.6%		8.7%
Non-interest income to average total assets ratio ⁽¹²⁾	0.3%	0.3%	0.1%		0.1%
Return on average assets ⁽¹³⁾	2.00%	1.98%	1.82%		2.19%
Average asset turnover ratio ⁽¹⁴⁾	9.6%	8.9%	8.7%		8.8%
Financial ratios					
Liabilities to average equity ratio ⁽¹⁵⁾ (times)	8.0	9.5	9.4		8.9
Loan to borrowing ratio ⁽¹⁶⁾	106.2%	109.2%	106.0%	110.6%	119.4%
Loan to deposit ratio ⁽¹⁷⁾	106.3%	110.4%	106.9%	111.7%	122.3%
Ratio of deposits to total liabilities ⁽¹⁸⁾	89.2%	84.4%	88.1%	88.1%	79.2%
Dividend payout ratio ⁽¹⁹⁾	* Thai Credit did not pay dividend in such period				
Asset quality ratios					
NPL coverage ratio ⁽²⁰⁾	188.6%	199.8%	177.4%	146.2%	165.1%
Allowance for expected credit losses to gross loans ratio ⁽²¹⁾	5.2%	5.7%	6.9%	6.3%	6.6%
Bad debts written off to gross loans ratio ⁽²²⁾	1.2%	0.5%	0.3%		0.7%
Gross NPLs ratio ⁽²³⁾	2.7%	2.9%	3.9%	4.3%	4.0%
Accrued interest receivables and undue interest receivables to gross loans ratio ⁽²⁴⁾	2.6%	3.4%	3.6%	3.5%	3.8%

Other ratios

Capital adequacy ratio (CAR) ⁽²⁵⁾	13.2%	13.3%	15.2%	14.4%	17.3%
Tier 1 capital to risk-weighted assets ratio ⁽²⁶⁾	12.2%	12.3%	14.1%	13.4%	14.8%
CET1 to risk-weighted assets ratio ⁽²⁷⁾	12.2%	10.8%	12.9%	12.1%	14.0%
Operating expenses to total operating income ratio ⁽²⁸⁾	49.9%	42.3%	39.5%	39.0%	36.2%
Expected credit losses to average loans ratio ⁽²⁹⁾ (bps)	285	304	338		306

Notes:

- (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 ratio 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 from the last 12 months by total operating income from the last 12 months, 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 accounting period. For the period ended 30 September 2023, the return on average equity is calculated by dividing the net profit from the last 12 months by average total shareholders' equity as of 30 September 2022 and 2023.
- (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. For the period ended 30 September 2023, the 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 from the last 12 months, by the sum of net interbank and money market items (assets), and average net investments as of 30 September 2022 and 2023.
- (7) Average return on earning financial assets is calculated by dividing interest income from earning financial assets by the average monthly remaining balance of earning financial assets. Earning financial assets are the sum of loans to customers, net interbank and money market items (assets), and net investments. For the period ended 30 September 2023, the average return on earning financial assets is calculated by dividing interest income from earning financial assets from the last 12 months, by average monthly remaining balance of earning financial assets from the last 13 months.
- (8) Average financial costs are calculated by dividing interest expenses by average monthly remaining balance of interest-bearing financial liabilities. Interest-bearing financial liabilities are the sum of deposits, interbank and money market items (liabilities), and debt instruments issued and borrowings. For the period ended 30 September 2023, the average financial costs are calculated by dividing interest expenses from the last 12 months by average monthly remaining balance of interest-bearing financial liabilities from the last 13 months.
- (9) Net interest rate spread is calculated by deducting average financial costs from the average return on earning financial assets for each accounting period.
- (10) Net interest margin is calculated by dividing net interest income by the average earning financial assets, which comprise average interbank and money market items, investment, loans to customers at the beginning and the end of accounting period. For the period ended 30 September 2023, the net interest margin is calculated by dividing the net interest income from the last 12 months by the average earning financial assets as of 30 September 2022 and 2023.
- (11) Net interest income to average assets ratio is calculated by dividing net interest income by the average total assets at the beginning and at the end of each accounting period. For the period ended 30 September 2023, the net interest income to average assets ratio is calculated by dividing the net interest income from the last 12 months by the average total assets as of 30 September 2022 and 2023.

- (12) Non-interest income to average total assets ratio is calculated by dividing net non-interest income by the 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. For the period ended 30 September 2023, the ratio of non-interest income to average total assets is calculated by dividing net non-interest income from the last 12 months by average total assets as of 30 September 2022 and 2023.
- (13) Return on average assets is calculated by dividing net profit by the average total assets at the beginning and at the end of each accounting period. For the period ended 30 September 2023, the return on average assets is calculated by dividing net profit from the last 12 months by average total assets as of 30 September 2022 and 2023.
- (14) Average asset turnover ratio is calculated by dividing total income by the average total assets at the beginning and at the end of each accounting period. For the period ended 30 September 2023, the average asset turnover ratio is calculated by dividing total income from the last 12 months by average total assets as of 30 September 2022 and 2023.
- (15) Liabilities to average equity ratio is calculated by dividing total liabilities by average equity at the beginning and at the end of each accounting period.
- (16) 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.
- (17) Loan to deposit ratio is calculated by dividing loans to customers by deposits at the end of each accounting period.
- (18) Ratio of deposits to total liabilities is calculated by dividing deposits by total liabilities at the end of each accounting period.
- (19) Dividend payout ratio is calculated by dividing dividends by net profit at the end of each accounting period.
- (20) NPL coverage ratio is calculated by dividing allowance for expected credit losses (ECL) by non-performing loans (NPLs) for each accounting period.
- (21) Allowance for expected credit losses to gross loans ratio is calculated by dividing allowance for ECL by loans to customers for each accounting period.
- (22) Bad debts written off to gross loans ratio is calculated by dividing bad debts written off with respect to loans to customers plus accrued interest receivables and undue interest receivables by loans to customers plus accrued interest receivables and undue interest receivables for each accounting period. For the period ended 30 September 2023, the bad debts written off to gross loans ratio is calculated by dividing bad debts written off with respect to loans to customers plus accrued interest receivables and undue interest receivables from the last 12 months by loans to customers plus accrued interest receivables and undue interest receivables as of 30 September 2022 and 2023.
- (23) Gross NPLs ratio is calculated by dividing loans with credit impairment by total gross loans to customers for each accounting period.
- (24) Accrued interest receivables and undue interest receivables to gross loans ratio 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.
- (25) 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.
- (26) Tier 1 capital to risk-weighted assets ratio 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.
- (27) CET1 capital to risk-weighted assets ratio is calculated by dividing CET1 capital by risk-weighted assets for each accounting period.
- (28) Operating expenses to total operating income ratio 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.
- (29) Expected credit losses to average loans ratio (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. For the period ended 30 September 2023, the expected credit losses to average loans ratio (bps) is calculated by dividing ECL from the last 12 months by average total assets as of 30 September 2022 and 2023.

Profitability ratios

Thai Credit's interest rate spread was 8.41% and 8.16% for the years ended 31 December 2022, and the nine-month period ended 30 September 2023, respectively. For the nine-month period ended 30 September 2023, in comparison with the year ended 31 December 2022, the interest rate spread decreased, primarily due to the increase

in average financial costs resulted from the BoT's adjustment of the policy interest rate, and the lapse of the measure for reduction of the contribution to the Financial Institutions Development Fund (FIDF) in 2022.

Thai Credit's net profit margin was 20.9%, 23.5% and 24.8% for the years ended 31 December 2022, and the nine-month periods ended 30 September 2022 and 2023, respectively. For the nine-month period ended 30 September 2023, in comparison with the same period of the previous year, Thai Credit's net profit margin increased due to the increase in operational efficiency as demonstrated by the increase in operating income per branch and loans per branch, and the decrease in the cost-to-income ratio.

Thai Credit's return on equity ("**ROE**") was 18.9%, 21.9%, and 21.8% for the years ended 31 December 2022, and the nine-month periods ended 30 September 2022 and 2023, respectively. For the nine-month period ended 30 September 2023, in comparison with the same period of the previous year, ROE decreased, primarily due to the issuance of new and paid-up ordinary shares of Thai Credit in the previous year.

Operational efficiency ratio

Thai Credit's return on average assets ("**ROAA**") was 1.8% and 2.2% for the years ended 31 December 2022, and the nine-month period ended 30 September 2023, respectively. For the nine-month period ended 30 September 2023, Thai Credit's ROAA increased, primarily due to the increase in Thai Credit's net profit for the period.