



Thaicredit Bank

Management Discussion and Analysis

For the Year Ending December 31, 2023

(Audited)

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Thai Economy and Banking sector overview in 2023

The global economy continues facing challenges in 2023, with slow growth as a result of the several factors, including rising global inflation, geopolitical tension, and China's economic slowdown. Major countries have tightened monetary policy in response to rising inflationary pressures. Tighter monetary policy also had an effect on emerging markets due to capital outflows and higher borrowing costs. Meanwhile, geopolitical tensions have created uncertainty and hampered trade and investment around the world, which causes the slowed growth of the global economy. Furthermore, China, a major contributor to global economic growth, is facing with a decreasing economic growth rate. This has an overwhelming impact on other countries that rely on Chinese demand.

Thai economy in 2023 is still recovering, whereas Thai exports are slowing down. Domestic demand continues to recover, supported by strong private consumption, recovery of the tourism sector, and continued investment expansion. However, the economy still faces important constraints and risk factors from the global economic slowdown, which has caused a temporary slowdown in Thailand's export industry. Despite exporting is still challenging, the overall Thai economy has showed strength and is continuing to recover in 2023, according to Bank of Thailand (BoT) forecasts as of 27 September 2023, **Thai economy is expected to increase by 2.8 percent in 2023**, accelerating from growth of 2.6 percent in 2022. Consumption spending and private investment are expected to increase by 6.1 percent and 1.0 percent, respectively. Growth in export value is expected to slow by 1.7 percent. Nominal inflation is expected at 1.6 percent, which in line with the target range.

In 2024, the global economy is likely to slow down slightly. Although there are some signs of recovery, but overall growth remains sluggish due to delays and the continued impact of tight monetary policy in major countries during 2022-2023. Moreover, the Chinese economy is likely to continue to slow down amid debt crisis in the real estate sector that will hinder the recovery of domestic demand. The continued structural pressures in China pose downside risks to the global growth as China is key factors effect to the world economy. Moreover, geopolitical tensions will continue to pose challenges to the stability of the global economy if the conflict intensifies and expands in the wider region. This will result in increased risks that could slow economic growth and push inflation higher.

The Thai economy in 2024 is expected to accelerate from 2023, with the main factors being the strong recovery of the tourism sector and the continued recovery of domestic demand. The exports also recovery in line with the growth of the world trade including government policies that focus on stimulating economic growth, however, economic recovery still has risks and limitations from the slowdown of the Chinese economy that may affect Thai exports and the recovery of tourism sector. Based on the forecast from the BoT as of September 27, 2023, the **Thai economy in 2024 is expected to expand by 4.4 percent**, private consumption spending is expected to expand by 4.6 percent, while private investment and the government investment are expected to



increase by 4.9 percent and 4.8 percent, respectively. Export value is expected to expand by 4.2 percent, while nominal inflation is expected to be at 2.6 percent.

The overall commercial banking business in 2023 trend to gradually improve in line with the economic recovery. This results in an increase in consumer loans, which was driven by an increased in private consumption. Higher policy interest rates are advantageous to commercial banks in stronger net interest income. However, commercial banks face challenges such as a slight decline in lending due to business loans repayment, and slight decreased in loan quality. Despite these challenges, the commercial banks are able to manage their portfolios, assist borrowers in debt restructuring, and closely monitor groups of vulnerable debtors, including the transactions trend through online channels and the digital disruption, which causes to downside trend of fee and service expenses. The strength and stability of commercial banks is demonstrated by their capacity to maintain high levels of capital, loan loss reserves, and liquidity overall in 2023.

Commercial banking business outlook for 2024: Commercial banks are expected to continue to grow in a positive direction from the previous year mainly from the continued economic recovery, resulting in the expansion of loan, especially business loan. The formation of a new government and a recovery in export trends in line with increased global trade, resulting in a clearer investment policy, and increase business confidence. Meanwhile, the growth rate of retail loans is expected to slow down due to pressure on household debt, including measures to control household debt and high interest rates affect the debtor's ability to repay debt. Commercial banks are expected to face challenges in term of operating performance growth from market predictions of unchanged BoT policy rate throughout 2024 amid a downward trend in global interest rates. This will affect investment returns, lower excess liquidity, and lower CASA deposits, which will also put pressure on net interest margins to maintain operational growth under these challenging market conditions. Cost control management is an important issue for commercial banks as it may cause to measures to reduce costs and improve operational efficiency. Commercial banks will have to overcome challenges and adjust to the interest rate environment in 2024.

Remark: The above economic projections include the results of the digital wallet project according to forecasts from the BoT as of 27 September 2023. According to the latest economic projections from the BoT as of 29 November 2023, the Thai economy is likely to expand at 2.4 percent in 2022 and 3.8 percent in 2024 including the digital wallet project and 3.2 percent without the digital wallet project.

Source: Office of the National Economic and Social Development Council, Bank of Thailand, International Monetary Fund, Organization for Economic Cooperation and Development, Siam Commercial Bank Economic and Business Research Center, Land and Houses Bank Public Company Limited, Company KGI Securities (Thailand) Public Company Limited



Operating Performance in 2023

Financial Highlight

	2022	2023	Change
	THB Million	THB Million	%
Gross Loans	121,298.0	144,156.5	18.8%
Net Profit	2,352.5	3,556.8	51.2%
Earnings per Share (Baht)	2.28 ⁽¹⁾	3.05	33.8%
Net Interest Margin (NIM)	8.4%	8.2%	(0.2%)
Cost to Income Ratio	39.5%	36.7%	(2.8%)
Return on Asset (ROA)	1.82%	2.32%	0.50%
Return on Equity (ROE)	18.94%	22.31%	3.37%

⁽¹⁾ Adjusted EPS, calculated based on the revised number of shares after Thai Credit changed the par value of its shares from THB 10.0 to THB 5.0 in 1Q23, hence the number of paid-up capital increased from 582,291,666 shares to 1,164,583,332 shares

In 2023, Thai Credit's net profit recorded a new high of THB 3,556.8 million, increased 51.2 percent from the previous year. 2023 interest income increased by 20.6 percent compared to the previous year, in line with the 18.8 percent increase in gross loans. This increase was caused by an increase in loans in all main segments especially micro SME loans, nano and micro loans, and home loans, plus an increase in the Bank of Thailand (BoT)'s policy rate.

Moreover, Thai Credit gained productivity from continuous business process and digital transformation. As a result, the cost to income ratio declined to 36.7 percent from 39.5 percent during the same time previous year.

Net interest margin in 2023 is at 8.2 percent, slightly decreased from the previous year due to an increase in the average financial costs. This is consistent with the policy interest rate increased by the BoT and the end of the measures to help reduce the rate of contribution to the Financial Institutions Development Fund (FIDF) in 2022. However, the return on average equity in 2023 increased from 18.94 percent to 22.31 percent. To address the fluctuations in non-performing loans and potential future economic uncertainties, Thai Credit increased its allowance for expected credit losses by 17.6 percent in order to cope with the change in bad debt.

Analysis of TCB's results of operations

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Interest income	12,684.7	112.9%	15,894.6	118.0%	3,209.9	25.3%
Interest expenses	(1,632.4)	(14.5%)	(2,564.0)	(19.0%)	931.6	57.1%
Net interest income	11,052.3	98.4%	13,330.6	99.0%	2,278.3	20.6%
Fee and service income	528.1	4.7%	504.9	3.8%	(23.2)	(4.4%)
Fee and service expenses	(587.4)	(5.2%)	(573.7)	(4.3%)	(13.7)	(2.3%)
Net fee and service income (expense)	(59.3)	(0.5%)	(68.8)	(0.5%)	9.5	16.0%



Net gain (loss) from foreign exchange transactions	-	0.0%	(5.7)	0.0%	5.7	100.0%
Net gain (loss) on investments	0.1	0.0%	0.1	0.0%	-	0.0%
Other operating income	238.6	2.1%	204.8	1.5%	(33.8)	(14.2%)
Total operating income	11,231.7	100.0%	13,461.0	100.0%	2,229.3	19.8%
Other operating expenses						
Employee expenses	3,040.4	27.1%	3,284.3	24.4%	243.9	8.0%
Directors' remuneration	16.5	0.1%	17.5	0.1%	1.0	6.1%
Premises and equipment expenses	602.9	5.4%	671.8	5.0%	68.9	11.4%
Taxes	411.4	3.7%	496.1	3.7%	84.7	20.6%
Others	365.2	3.3%	475.6	3.5%	110.4	30.2%
Total other operating expenses	4,436.4	39.5%	4,945.3	36.7%	508.9	11.5%
Expected credit loss	3,835.4	34.1%	4,062.4	30.2%	227.0	5.9%
Profits before income tax expenses	2,959.9	26.3%	4,453.3	33.1%	1,493.4	50.5%
Income tax	607.4	5.4%	896.5	6.7%	289.1	47.6%
Profit for the year	2,352.5	20.9%	3,556.8	26.4%	1,204.3	51.2%
Earnings per share (Baht)	2.28⁽¹⁾		3.05		0.77	

⁽¹⁾ calculated based on the revised number of shares after Thai Credit changed the par value of its shares from THB 10.0 to THB 5.0 in 1Q23, hence the number of paid-up capital increased from 582,291,666 shares to 1,164,583,332 shares

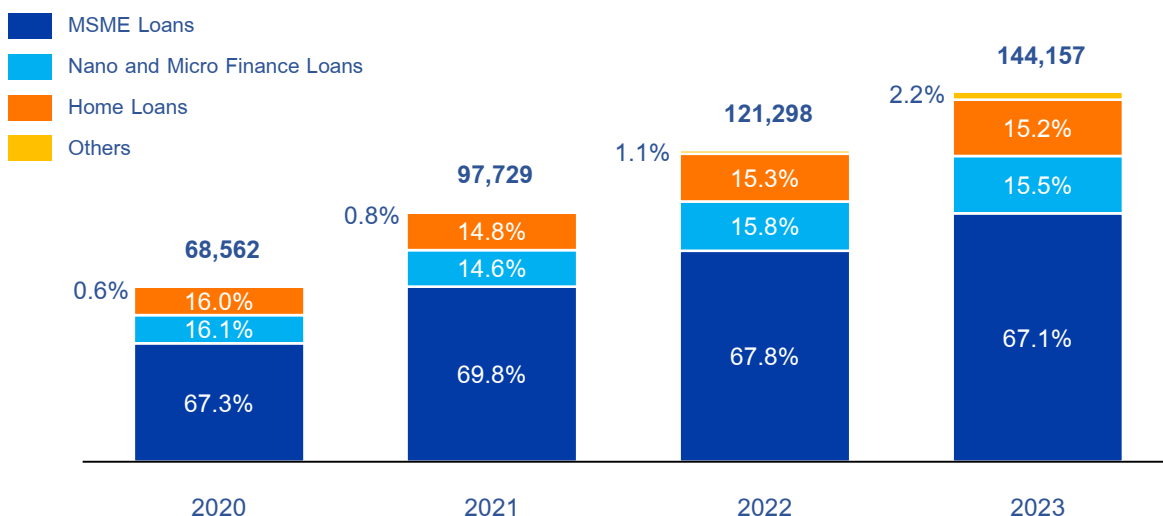
Interest income, interest expenses, and net interest income

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Interest income						
Interbank and money market items	71.5	0.6%	340.5	2.1%	269.0	376.2%
Investments in debt instruments	27.5	0.2%	62.6	0.4%	35.1	127.6%
Loans to customers	12,466.9	98.3%	15,371.4	96.7%	2,904.5	23.3%
Hire-purchase	118.8	0.9%	119.8	0.8%	1.0	0.8%
Others	-	0.0%	0.3	0.0%	0.3	100.0%
Total interest income	12,684.7	100.0%	15,894.6	100.0%	3,209.9	25.3%
Interest expenses						
Deposits	1,308.3	80.1%	1,802.9	70.3%	494.6	37.8%
Interbank and money market items	5.8	0.4%	82.4	3.2%	76.6	1,320.7%
Debt issued and borrowings – subordinated debentures	77.5	4.7%	135.2	5.3%	57.7	74.5%
Contributions to the Deposit Protection Agency and the BOT	240.8	14.8%	542.9	21.2%	302.1	125.5%
Others	-	0.0%	0.6	0.0%	0.6	100.0%
Total interest expenses	1,632.4	100.0%	2,564.0	100.0%	931.6	57.1%
Net interest income	11,052.3		13,330.6		2,278.3	20.6%



Gross Loan Structure

Unit: THB Million



Interest income

Thai Credit's interest income increased 25.3 percent from THB 12,684.7 million for the year ended 31 December 2022 to THB 15,894.6 million for the year ended 31 December 2023, primarily due to the increase in interest income from loans to customers equivalent to THB 2,904.5 million, as a result of the growth in all Thai Credit's key loan product segments, particularly micro SME loans, nano and micro loans, and home 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 increased 57.1 percent from THB 1,632.4 million for the year ended 31 December 2022 to THB 2,564.0 million for the year ended 31 December 2023, primarily attributable to interest expenses on deposits which increased by THB 494.6 million during the period, mainly from the increase in deposit interest rates following the BoT's policy rate, 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, which resulted in the increase of THB 302.1 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 recorded at THB 13,330.6 million, increased by 20.6 percent, from the same period last year.

Non-interest income (Expenses)

Thai Credit's non-interest expenses recorded at THB 68.8 million, increased by THB 9.5 million or 16.0 percent from the same period last year, primarily due to the decrease in fee and service income of THB 23.2 million, mainly from lower insurance brokerage fees, which align with Thai Credit's strategy of not have a policy in



place to sell insurance to loan customers under the Soft Loan program. However, Thai Credit's fee and service expenses decreased by THB 13.7 million from the same period last year, primarily due to the decrease in loan guarantee commissions in line with Thai Credit's policy, that the customers shall bear and pay the loan guarantee commissions associated with the MSME Loans, by themselves.

Other operating expenses

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Employee expenses	3,040.4	68.5%	3,284.3	66.4%	243.9	8.0%
Directors' remuneration	16.5	0.4%	17.5	0.4%	1.0	6.1%
Premises and equipment expenses	602.9	13.6%	671.8	13.6%	68.9	11.4%
Taxes	411.4	9.3%	496.1	10.0%	84.7	20.6%
Others	365.2	8.2%	475.6	9.6%	110.4	30.2%
Total	4,436.4	100.0%	4,945.3	100.0%	508.9	11.5%
Cost-to-income ratio	39.5%		36.7%			(2.8%)

Other operating expenses increased by 11.5 percent, from THB 4,436.4 million for the year ended 31 December 2022 to THB 4,945.3 million for the year ended 31 December 2023, primarily due to the increase of THB 243.9 million in employee expenses following the addition of new branches, the number of deposit branches increased by 2 branches in 2023, bringing the total to 28 branches, and the increased number of relationship managers (RMs) to increase the ability to provide loan services and reach more customers, the increase of THB 84.7 million in taxes, in line with the increase in contractual transactions and online marketing, and the increase of THB 68.9 million in 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.

The cost to income ratio, however, decreased from 39.5 percent for the year ended 31 December 2022, to 36.7 percent for the year ended 31 December 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.

Expected credit loss (ECL)

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
(Reversal) Expected credit loss						
Investments in debt instruments measured at FVOCI	0.0	0.0%	(20.1)	(0.5%)	(20.1)	(100.0%)



Loans to customers, accrued interest receivables, and undue interest receivables	3,825.5	99.7%	4,079.5	100.5%	254.0	6.6%
Other financial assets	9.6	0.3%	22.4	0.5%	12.8	133.3%
Undrawn loan commitments and financial guarantee contracts	0.3	0.0%	(19.4)	(0.5%)	(19.7)	(6,566.7%)
Total expected credit loss	3,835.4	100.0%	4,062.4	100.0%	227.0	5.9%
Expected Credit Loss to Average Loan (credit cost) ⁽¹⁾ (basis points)	338		294			

Notes: Expected credit loss to average loan (credit cost) (expressed as basis points) is calculated by dividing expected credit loss at the beginning and the end of accounting period.

Thai Credit set its expected credit loss at 4,062.4 million, for the year ended 31 December 2023, representing an increase by 5.9 percent from the THB 3,835.4 million expected credit loss set for the year ended 31 December 2022 mainly due to the additional expected credit losses of loans to customers of THB 4,079.5 million, 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 decrease to 294 basis points for the year ended 31 December 2023.

Tax expenses

Thai Credit's tax expenses was THB 896.5 million, increased by 47.6 percent, from THB 607.4 million for the year period ended 31 December 2022, which was in line with the increase in profits before income tax expenses.

Profit for the year/ period

Thai Credit's net profit was THB 3,556.8 million, increased by 51.2 percent from THB 2,352.5 million for the year period ended 31 December 2022, from the reasons that mentioned above. However, the Thai Credit's earnings per share recorded at THB 3.05 per share in 2023, increased from THB 2.28 per share in 2022. (2022 earnings per share calculated based on the revised number of shares after Thai Credit changed the par value of its shares from THB 10.0 to THB 5.0 in 1Q23, hence the number of number of paid-up capital increased from 582,291,666 shares to 1,164,583,332 shares)

Analysis of financial position

Assets

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Cash	504.1	0.4%	513.4	0.3%	9.3	1.9%
Net interbank and money market items	19,184.5	13.4%	15,484.7	9.5%	(3,699.8)	(19.3%)
Derivatives	-	-	-	-	-	-
Net investment	2,922.8	2.1%	2,993.7	1.8%	70.90	2.4%



	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Net loans to customers and accrued interest						
receivables	117,456.9	82.0%	140,180.6	85.8%	22,723.7	19.3%
Net properties for sale	770.7	0.5%	910.8	0.6%	140.1	18.2%
Net premises and equipment	1,002.2	0.7%	1,340.8	0.8%	338.6	33.8%
Net intangible asset	185.4	0.1%	245.3	0.1%	59.8	32.3%
Deferred tax assets	412.5	0.3%	211.5	0.1%	(201.0)	(48.7%)
Net other assets	750.3	0.5%	1,563.5	1.0%	813.2	108.4%
Total assets	143,189.4	100.0%	163,444.3	100.0%	20,254.8	14.1%

Loans to customers

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
MSME Loans	82,198.5	67.8%	96,777.3	67.1%	14,578.8	17.7%
Nano and Micro Finance Loans	19,181.9	15.8%	22,327.5	15.5%	3,145.6	16.4%
Home Loans	18,522.4	15.3%	21,913.9	15.2%	3,391.5	18.3%
Personal revolving Loans	1,092.7	0.9%	2,877.1	2.0%	1,784.4	163.3%
Other retail Loans	302.5	0.2%	260.7	0.2%	(41.8)	(13.8%)
Total loans to customers	121,298.0	100.0%	144,156.5	100.0%	22,858.5	18.8%

Thai Credit's loans to customers recorded at THB 144,156.5 million, increases by THB 22,858.5 million or 18.8 percent, mainly from the growth in all major loan product categories, including MSME Loans, Nano and Micro Finance Loans, and Home Loans.

MSME Loans

Micro SME loans of THB 96,777.3 million, increased THB 14,578.8 million or 17.7 percent from the same period last year, primarily due to Micro SME loans growth 36.7 percent from the previous year, which was a successful result from implementing the strategy of expanding the customer base to support customers post-COVID-19 pandemic, improve their business liquidity, and support businesses to grow. Work procedures were improved to ensure greater efficiency, and digitalized to reduce and the number of mistakes in the loan application and approval processes and make such processes less time-consuming. Also, positive response from customers towards the 0% special interest rate promotion for a three-month period for the Klahai SMEs loan products.



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Nano and Micro Finance Loans

Nano and Micro Finance Loans of THB 22,327.5 million, increased THB 3,145.6 million or 16.4 percent from the same period last year, 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.

Home Loans

Home Loans of THB 21,913.9 million, increased THB 3,391.5 million or 18.3 percent from the same period last year, primarily due to 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. However, BoT announced the adjustment to the loan-to-value ratio (LTV) back to original policy 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.



Personal Revolving Loans

Personal Revolving Loans of THB 2,877.1 million, increased THB 1,784.4 million or 163.3 percent from the same period last year, 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.



Credit Quality

	2022	2023	Change
Gross non-performing loans (Gross NPLs) (million baht)	4,734.4	6,115.6	1,381.2
Gross NPL ratio ⁽¹⁾	3.9%	4.2%	0.3%
Allowance for expected credit loss			
Expected credit loss (ECL) (million baht)	3,835.4	4,062.4	227.0
Allowance for expected credit loss (million baht)	8,396.6	9,873.2	1,476.6
Allowance for expected credit loss against non-performing loans ratio (percent) ⁽²⁾	177.4%	161.4%	(16.0%)
Allowance for expected credit loss against total gross loans ratio (percent) ⁽³⁾	6.9%	6.8%	(0.1%)

Notes: (1) Calculated by dividing loans with credit impairment by total gross loans for each accounting period.

(2) Calculated by dividing allowance for expected credit loss by non-performing loans before allowance for expected credit loss for each accounting period.

(3) Calculated by dividing the allowance for expected credit loss by loans to customers for each accounting period.

Gross Loans and Allowance for Expected Credit Loss

	2022		2023	
	Loans	Allowance for expected credit loss	Loans	Allowance for expected credit loss
Stage 1 (Performing)	110,861.0	3,718.9	128,753.6	3,173.7
Stage 2 (Under-Performing)	9,501.1	1,497.3	14,262.7	2,383.7
Stage 3 (Non-Performing)	5,491.4	3,180.4	7,037.5	4,315.8
Total	125,853.5	8,396.6	150,053.8	9,873.2

Pursuant to the Thai Financial Reporting Standards No. 9 (IFRS 9), Thai Credit classifies credit quality into three stages, based on a probability-weighted estimate of credit loss over the expected life of financial instruments, adjusted with forward looking assumptions to take into account the expectation of future macro-economic outlook and potential impacts on our loan portfolio. The allowance for expected credit loss was THB 9,873.2 million as of 31 December 2023, an increase of 1,476.6 million baht or 17.6 percent from the same period last year. This is in line with the growth of loans to customers.

However, Thai Credit remains prudent in loan portfolio quality monitor and risk management, including set aside management overlay (balance) of THB 741.0 million for the year ended 31 December 2023 to preserve the bank's financial stability and improve the capacity to withstand threats in the future.

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 29.2 percent, from THB 4,734.4 million as of 31 December 2022, to THB 6,115.6 million as of 31 December 2023, while the gross NPLs ratio before allowance for expected credit loss increased from 3.9 percent as of 31 December 2022 to 4.2 percent as of 31



December 2023, primarily due to slow recovery in the overall macroeconomic factors that impacted credit quality and abilities to repay debts, including continuously high inflation, the impact of the Russian-Ukrainian, the slowdown of export sector, and slow recovery of domestic demand.

Liabilities

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Deposits	113,444.1	88.1%	116,761.6	80.0%	3,317.5	2.9%
Interbank and money market items	11,398.5	8.8%	22,757.4	15.6%	11,358.9	99.7%
Liabilities payable on demand	72.6	0.1%	145.6	0.1%	73.0	100.6%
Derivative liabilities	-	0.0%	152.1	0.1%	152.1	100.0%
Debt issued and borrowings	889.9	0.7%	2,611.8	1.8%	1,721.9	193.5%
Provisions	255.0	0.2%	296.4	0.2%	41.5	16.3%
Other liabilities	2,747.8	2.1%	3,214.3	2.2%	466.5	17.0%
Total liabilities	128,807.9	100.0%	145,939.2	100.0%	17,131.3	13.3%

Deposits

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Current deposits	40.1	0.0%	113.8	0.1%	73.7	183.6%
Savings	37,383.8	33.0%	36,456.8	31.2%	(927.0)	(2.5%)
Term deposits	76,020.2	67.0%	80,191.0	68.7%	4,170.8	5.5%
Total deposits	113,444.1	100.0%	116,761.6	100.0%	3,317.5	2.9%
Up to one year	107,314.9	94.6%	100,955.2	86.5%	(6,359.7)	(5.9%)
More than one year	6,129.2	5.4%	15,806.4	13.5%	9,677.2	157.9%
Rollover Rate⁽¹⁾		95.9%		94.0%		
CASA ratio		33.0%		31.3%		(1.7%)
Loan-to-deposit ratio⁽²⁾		106.9%		123.5%		16.6%

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.

(2) Calculated by dividing loans by deposits as at the end of each accounting period.

Thai Credit's deposits recorded at THB 116,761.6 million, increased THB 3,317.5 million or 2.9 percent from the same period last year, primarily due to significant rise in term deposit, which increased THB 4,170.8 million or 5.5 percent from the previous year from the opening of deposit branches. The Rollover Rate of depositors for all product groups for the years ended 31 December 2022 remained high at 94.0 percent.

Current deposits and savings account (CASA) to total deposits ratio (CASA ratio) recorded at 31.3 percent, slightly dropped from the previous year due to some customers adjusted their deposits proportion between savings accounts and fixed deposit accounts. However, loan-to-deposit ratio remained high at 123.5 percent in 2023, compared to 106.9 percent in 2022.



Net interbank and money market items

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Domestic						
Bank of Thailand	10,855.8	95.2%	18,651.7	82.0%	7,795.9	71.8%
Specialized financial institutions	80.4	0.7%	26.2	0.1%	(54.2)	(67.5%)
Others	462.3	4.1%	524.9	2.3%	62.6	13.6%
Total of Domestic	11,398.5	100.0%	19,202.8	84.4%	7,804.3	68.5%
Foreign						
US Dollars	0.0	0.0%	3,554.6	15.6%	3,554.6	100.0%
Total of Foreign	0.0	0.0%	3,554.6	15.6%	3,554.6	100.0%
Total of Domestic and Foreign	11,398.5	100.0%	22,757.4	100.0%	11,358.9	99.7%

Net interbank and money market items increased by 99.7 percent, from THB 11,398.5 million as of 31 December 2022, to THB 22,757.4 million as of 31 December 2023, primarily due to the borrowing from IFC in the amount of 105 million United States Dollar (equivalent to THB 3,676.6 million⁽¹⁾) to provide loans to Micro SME and the increase in funds obtained from the BoT for lending to customers under the Soft Loan program.

⁽¹⁾ Based on the BoT's US dollar buying and transfer rate as of January 2024 at 35.0157 baht per US dollar.

Equity

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Authorized share capital	6,598.2		6,174.2		(424.0)	(6.4%)
Paid-up capital	5,822.9	40.5%	5,822.9	33.2%	-	-
Warrants	288.9	2.0%	-	0.0%	(288.9)	(100.0%)
Premium on share capital	798.2	5.3%	768.2	4.4%	-	-
Other reserves	1.2	0.1%	(12.2)	(0.1%)	(13.4)	(1,116.7%)
Retained earnings						
Appropriated						
Legal reserves	389.8	2.7%	569.4	3.3%	179.6	46.1%
Unappropriated	7,110.5	49.4%	10,356.8	59.2%	3,246.3	45.7%
Total	14,381.5	100.0%	17,505.1	100.0%	3,123.6	21.7%

As of 31 December 2023, Thai Credit's equity stood at THB 17,505.1 million, representing an increase by 21.7 percent from THB 14,381.5 million as of 31 December 2022, primarily due to profits earned during the year 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.



Capital

	2022		2023		Change	
	THB Million	%	THB Million	%	THB Million	%
Common Equity Tier 1 capital (CET1)	12,488.3	85.3%	15,431.4	80.3%	2,943.1	23.6%
Additional Tier 1 capital (financial instruments)	1,150.0	7.8%	861.1	4.5%	(288.9)	(25.1%)
Total Tier 1 capital	13,638.3	93.1%	16,292.5	84.8%	2,654.2	19.5%
Tier 2 capital	1,003.3	6.9%	2,919.3	15.2%	1,916.0	191.0%
Total capital	14,641.6	100.0%	19,211.8	100.0%	4,570.2	31.2%
Risk weighted assets	96,496.2		118,002.6		21,506.4	22.3%

As of 31 December 2023, Thai Credit's capital, as required under applicable law, pursuant to the principles of Basel III, stood at THB 19,211.8 million, consisting of THB 16,292.5 million of Tier 1 capital, the year-on-year increase in the Tier 1 capital was driven by the retained earnings; and THB 2,919.3 million of Tier 2 capital, the year-on-year increase in the Tier 2 capital was mainly from Thai Credit issued subordinated bonds of THB 1,700 million of in the second quarter of 2023 to support its future growth and upgrade to a full commercial bank.

The total capital to total risk-weighted asset ratio was 16.3 percent. The Tier 1 capital to total risk-weighted asset ratio was 13.8 percent. The CET1 to total risk-weighted asset ratio was 13.1 percent. These ratios were higher than the minimum ratios required by the BoT (11.0%, 8.5%, and 7.0%, respectively).

Cash flows

	2022		2023	
	THB Million	%	THB Million	%
Net cash inflow (outflow) from operating activities	(3,999.5)	(793.4%)	(4,286.4)	(834.7%)
Net cash inflow (outflow) from investing activities	2,634.2	522.6%	(357.1)	(69.6%)
Net cash inflow (outflow) from financing activities	1,405.0	278.7%	4,652.8	906.1%
Net cash and cash equivalents increase (decrease)	39.7	7.9%	9.3	1.8%
Cash and cash equivalents at the beginning of the year/period	464.4	92.1%	504.1	98.2%
Cash and cash equivalents at the end of the year/period	504.1	100.0%	513.4	100.0%

Net cash inflow (outflow) from operating activities

For the year ended 31 December 2023, net cash used in Thai Credit's operating activities was THB 4,286.4 million, increased from THB 3,999.5 million for the year ended 31 December 2022, mainly from loan to customers of THB 25,467.7 million, increased THB 615.4 million from the previous year, consistent with the loan growth, offset by operating profits before changes in operating assets and liabilities of THB 6,882.8 million,



including spending on activities in interbank and money market transactions increased THB 4,110.5 million⁽¹⁾ due to the Bank's management of excess liquidity.

⁽¹⁾ Net interbank and money market items include assets and liabilities.

Net cash inflow (outflow) from investing activities

For the year ended 31 December 2023, net cash used in Thai Credit's investing activities was THB 357.1 million, mainly from cash paid for purchasing buildings and equipment of THB 335.2 million.

Net cash inflow (outflow) from financing activities

For the year ended 31 December 2023, net cash from Thai Credit's financing activities was THB 4,652.8 million, increased from THB 1,405.0 million for the year ended 31 December 2022, which mainly consisted of the long term borrowing from IFC of THB 3,672.1 million as mentioned above and cash inflow from the issuance of subordinated debentures of THB 1,700 million to maintain a strong capital level and the stability.

Business Highlight in 2023

1. Thai Credit obtained a **full commercial banking business license** from the Ministry of Finance on August 17, 2023, and registered the change of company name from "The Thai Credit Retail Bank Public Company Limited" to "Thai Credit Bank Public Company Limited" in September 1, 2023.



2. Thai Credit launch of a collaboration project with **Ascend Nano Company Limited** o expanded its personal revolving loans products to new target groups (salaried employee) by entering into the Right of Claims Purchase Agreement and relevant agreements.

3. Thai Credit entered into a financial agreement with **International Financial Corporation (IFC), one of the world leader in sustainable lending service provider** for a long-term loan amount of USD 105.0 million. The purpose is to strengthen our ESG policies and standard, comply with IFC requirements, which will fully apply by early 2024.

4. Thai Credit opened **two new deposit branches**: Central Rama 9 Branch and Central Westville Branch. Currently, there are a total of 28 deposit branches.



5. Thai Credit received the **ACES 2023 reward** (Asia Corporate Excellence & Sustainability Awards) – in category of **Top community centric companies in Asia**. This is in line with our commitment to support small entrepreneurs in accessing the formal funding sources to improve the quality of life and their financial stability.



6. Thai Credit received **the national runner-up award in "The 6th National Leader in Rural Development and Poverty Eradication" of the Ministry of Interior (The 6th ASEAN RDPE Leadership Awards)** in the private sector category from the Tangto Know-how Project.

2024 Operating Guidance

	2023 performance	2024 target
Loan growth	18.8%	Double digit growth
Net interest margin (NIM)	8.2%	~8.0 – 8.2%
Cost to income ratio	36.7%	36.0 – 37.0%
NPL ratio	4.2%	4.0 – 4.5%
ROE	22.3%	Above 20.0%

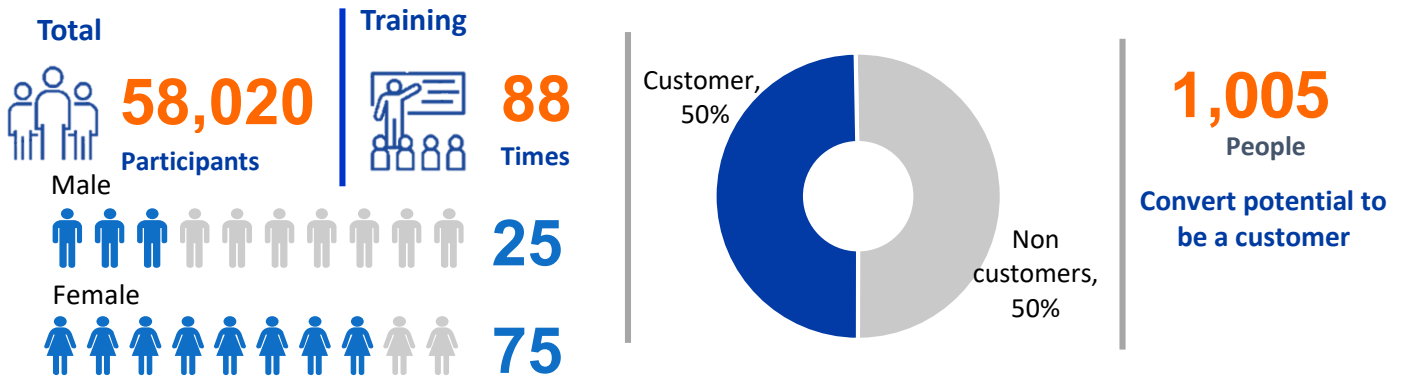
Sustainable Development

Thai Credit is a commercial bank that adheres to its vision and mission that focuses on conducting business on the basis of sustainable growth by providing the best financial services to support customers grow their business and improve people's quality of life with the bank's unique microfinance services and elevate the financial status in a sustainable manner, according to the philosophy **"Everyone Matters"**

In addition, Thai Credit places importance on improving the quality of life and financial knowledge for communities and society and being a middle enterprise in driving change towards the sustainable development goals through various Thai Credit's initiatives and dedication to regularly conducting business responsibly.

1. Thai Credit joined the Thai Bankers Association (TBA), the Bank of Thailand, the Securities and Exchange Commission (SEC), and Thailand Taxonomy working group in accordance with the new regulations for a sustainable world. It **establishes a benchmark for the classification and categorization of environmentally friendly economic activities**.

2. Thai Credit recognizes the importance of providing financial literacy training or "Tang To Know-how" project, by continuing to educate the business and financial knowledge to small entrepreneurs through partnerships with government agencies, government officers, community leaders, students, and the general public. In 2023, there were a total of 58,020 people who participated in training under the project, and there have been more than 167,213 people who have participated in training since the beginning of the project.



3. Thai Credit adheres to and implements the **Environmental & Social Management System (ESMS)**, complies with the requirements of applicable National Environmental Laws and IFC Performance Standard in order to ensure that its operations meet environmental and social standards. This includes identifying different types of environmental and social (E&S) risks related to the Banks' operations and incorporating E&S factors into decision-making processes. The customer's E&S status is reviewed and monitored before the loan is processed to the customer to mitigate E&S risks.

4. Thai Credit **measured the carbon footprint from operations for the first year**, which will disclose in the one report 2023 (Form 56-1 One Report).

