



Management Discussion and Analysis

For the First Quarter of 2024 ended March 31, 2024

(Unreviewed Consolidated Financial Statements)

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Economic Conditions and Movement of Financial Market

In the first quarter of 2024, domestic economy expanded at a slow pace supported by a continuing growth in tourism sector especially the resumption of Chinese tourist arrivals. In this quarter, the number of foreign tourist arrivals was more than 9 million. Private consumption and private investment remained stable despite an improvement in consumer confidence mostly thanks to government support measures. Nonetheless, the domestic car sale for the first 2 months of 2024 declined by 21.5% comparing to the same period of last year, partly resulted from tightened loan underwriting by financial institutions and weaker credit quality. Export sector recovered gradually in line with the global economic recovery, while public spending contracted from the delay in 2024 government disbursement. GDP for the first quarter of 2024 reduced by 0.79% following a decline in food prices.

During the quarter, the Bank of Thailand (BOT) maintained the policy rate at 2.50%, and interest rates of commercial banks thereby remained stable from the end of 2023. The average 3-month fixed deposit rates of Top-4 commercial banks stayed at 1.14%. The lending rates of Top-4 commercial banks were also stable, comprising of the average minimum lending rate (MLR) stood at 7.12% (YoY), the average minimum overdraft rate (MOR) at 7.56% (YoY) and the average minimum retail rate (MRR) at 7.37%.

The capital market in the first quarter of 2024 remained subdued amid the weak Thai economic outlook for the year 2024, as well as the uncertainty of government economic policy. The SET index closed at 1,377.94 points, decreased by 37.91 points or 2.7% from the end of 2023. Meanwhile, market trading volume slightly improved, with the average daily turnover of 43,821.44 million baht, slightly increased from 42,959.19 million baht in the fourth quarter of 2023.

Operating Results

TISCO Financial Group Public Company Limited ("the Company") continuously operates business in line with sustainability strategy and takes all stakeholders into account. The Company has committed to responsible business practices, prudent risk management, enhancing competitiveness to support any changes in economic, social and environmental aspects, as well as promoting well-being in society through various projects such as financial literacy, efficient use of resources, employee development and happy organization.

TISCO Financial Group Public Company Limited, as a parent company of the group, had net profit from operations for the first quarter of 2024 on a standalone basis totaling 136.92 million baht, mainly contributed by dividend income and service fee income derived from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as a shareholder in other companies and no other major business. Therefore, the analysis was based on the Company's consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and capital market businesses.

Operating Results for the First Quarter of 2024

The net profit of the Company for the first quarter of 2024 was reported at 1,733.02 million baht, decreased by 59.56 million baht or 3.3% from the first quarter of 2023 due to a slowdown in non-interest income and higher expected credit loss (ECL). Total operating income increased by 2.1% (YoY) thanks to a growth in net interest income of 5.4% following portfolio expansion. However, non-interest income weakened by 5.5% (YoY), contributed by a weak recovery in brokerage business amid subdued capital market conditions, coupled with a decline in banking fee aligning with lower new business volume. Expected credit loss was at 0.5% of average loans, increased from the same period of last year which was in accordance with the setup of provision to reflect the rising consumer credit risk arising from the growth into high-yield businesses and fragile economic factors.

Comparing to the fourth quarter of 2023, net profit decreased by 47.14 million baht or 2.6% (QoQ), mainly caused by a continuing increase in cost of funds which resulted in declining net interest income by 3.0% (QoQ), together with an increase in ECL expense. Non-interest income increased by 3.8% (QoQ), mainly due to a record of gain on financial instruments measured at fair value through profit or loss (FVTPL) and dividend income. However, non-interest income from core businesses softened by 5.1% (QoQ), mainly derived from weak banking fee following lower new business volume.

Basic earnings per share for the first quarter of 2024 equaled 2.16 baht per share, decreased from 2.24 baht per share in the first quarter of 2023, and decreased from 2.22 baht per share in the previous quarter. The return on average equity (ROAE) was reported at 16.0%.

Table 1 : Statement of Comprehensive Income

Statement of Comprehensive Income					
Unit: Million baht	1Q2024	4Q2023	%QoQ	1Q2023	%YoY
Interest income					
Interest on loans	2,862.57	2,847.70	0.5	2,254.05	27.0
Interbank and money market items	271.90	255.92	6.2	140.27	93.8
Hire purchase and financial lease income	1,591.35	1,622.35	(1.9)	1,652.69	(3.7)
Investments	47.95	49.65	(3.4)	23.10	107.5
Total interest income	4,773.77	4,775.62	(0.0)	4,070.12	17.3
Interest expenses	(1,378.31)	(1,273.34)	8.2	(847.48)	62.6
Net interest income	3,395.46	3,502.28	(3.0)	3,222.64	5.4
Fee income	1,273.30	1,367.26	(6.9)	1,378.45	(7.6)
Fee expenses	(105.18)	(115.84)	(9.2)	(111.96)	(6.1)
Net fee income	1,168.11	1,251.42	(6.7)	1,266.49	(7.8)
Gain (Loss) on the financial instruments measured at fair value through PL	45.49	(68.15)	n.a.	17.79	155.7
Gain (Loss) on Investments	0.57	0.49	14.8	1.91	(70.5)
Share of profit from investment under equity method	9.53	(2.56)	n.a.	10.12	(5.8)
Other operating income	83.49	78.64	6.2	87.22	(4.3)
Total operating income	4,702.66	4,762.13	(1.2)	4,606.18	2.1
Operating expenses	(2,262.77)	(2,352.65)	(3.8)	(2,281.67)	(0.8)
Expected credit loss	(279.04)	(187.15)	49.1	(91.07)	206.4
Profit before tax and minority interest	2,160.85	2,222.33	(2.8)	2,233.44	(3.3)
Corporate income tax expenses	(427.71)	(442.05)	(3.2)	(440.74)	(3.0)
Profit before minority interest	1,733.13	1,780.28	(2.6)	1,792.70	(3.3)
Non-controlling interests of subsidiaries	(0.12)	(0.12)	0.0	(0.12)	(0.1)
Net profit	1,733.02	1,780.16	(2.6)	1,792.58	(3.3)

Details of Financial Performance for the First Quarter of 2024 comparing to the First Quarter of 2023

Net Interest Income

In the first quarter of 2024, the net interest income totaled 3,395.46 million baht, increased by 172.82 million baht (5.4% YoY). Total interest income was 4,773.77 million baht, improved by 703.65 million baht (17.3% YoY) following loan expansion and increased lending rates during interest rate upcycle. Meanwhile, interest expense was at 1,378.31 million baht, increased by 530.83 million baht (62.6% YoY) from higher funding cost aligning with the policy rate increases.

Yield on loans increased from 7.24% to 7.63% (YoY) in relation to the increased proportion of high-yield loans and the adjustment of floating interest rates. The cost of funds rose from 1.63% to 2.39% (YoY) owing to a continuing increase in funding cost following deposit rate repricing. Therefore, loan spread declined from 5.62% to 5.24% (YoY), and net interest margin (NIM) decreased from 4.88% to 4.76% (YoY). In the meantime, the Company's funding cost remains on the rising trend throughout the year 2024 resulted from the continuing adjustment of deposit rate.

Table 2 : Loan Spread

Unit: %	2023	1Q2023	4Q2023	1Q2024
Yield on Loans	7.42	7.24	7.61	7.63
Cost of Funds	1.92	1.63	2.24	2.39
Loan Spread	5.50	5.62	5.38	5.24
Net Interest Margin (NIM)	4.95	4.88	4.95	4.76

¹ Revised 2023 figures

Non-Interest Income

Non-interest income totaled 1,307.20 million baht, decreased by 5.5% (YoY) due to a slowdown in core businesses amid uneven domestic economic recovery.

Non-interest income from core businesses totaled 1,317.89 million baht, declined by 7.9% (YoY). Banking fee income totaled 780.59 million baht, dropped by 2.5% (YoY), mainly caused by weakened bancassurance business following lower new business volume corresponding with shrinking domestic car sale. Brokerage fee income totaled 124.30 million baht, decreased by 33.5% (YoY) following a significant reduction in market trading volume amid volatile capital market. Investment banking fee also dropped to totaling 0.11 million baht. Asset management basic fee totaled 412.90 million baht, decreased by 0.8% (YoY).

During the quarter, the Company recognized a gain on financial instruments measured at fair value through profit or loss (FVTPL) amounting 45.49 million baht, comparing to a gain of 17.79 million baht in the first quarter of 2023, owing to improved investment value.

Table 3 : Non-Interest Income Breakdown

Type of Incomes Unit: Million baht	1Q2024	4Q2023	%QoQ	1Q2023	%YoY
Banking Fee	780.59	887.81	(12.1)	800.88	(2.5)
<i>Bancassurance Fee</i>	<i>594.54</i>	<i>699.32</i>	<i>(15.0)</i>	<i>615.29</i>	<i>(3.4)</i>
<i>Other Banking Fee</i>	<i>186.05</i>	<i>188.49</i>	<i>(1.3)</i>	<i>185.59</i>	<i>0.2</i>
Asset Management Basic Fee	412.90	390.61	5.7	416.33	(0.8)
Brokerage Fee	124.30	109.30	13.7	186.80	(33.5)
Investment Banking Fee	0.11	1.57	(93.2)	27.65	(99.6)
Non-Interest Income from Core Businesses	1,317.89	1,389.29	(5.1)	1,431.66	(7.9)
Gain (Loss) on Financial Instruments measured at fair value through PL	45.49	(68.15)	n.a.	17.79	155.7
Gain (Loss) on Investments	0.57	0.49	14.8	1.91	(70.5)
Share Profit from subsidiaries	9.53	(2.56)	n.a.	10.12	(5.8)
Dividend Income	36.95	5.22	607.3	33.04	11.8
Asset Management Performance Fee	1.95	51.39	(96.2)	0.97	100.5
Fee Expenses	(105.18)	(115.84)	(9.2)	(111.96)	(6.1)
Total Non-Interest Income	1,307.20	1,259.85	3.8	1,383.54	(5.5)

Operating Expenses

Operating expenses totaled 2,262.77 million baht, declined by 18.90 million baht (0.8% YoY), resulted from a decrease in variable expenses associated with revenue and profit reduction. The Company still maintained effective operating cost control with cost to income ratio at 48.1%.

Expected Credit Loss

Expected credit loss (ECL) was reported at 279.04 million baht, increased comparing to 91.07 million baht in the same period of last year, and accounted for 0.5% of average loans. The increase in ECL expense was in accordance with the provision policy to reflect the rising consumer credit risk arising from the growth into high-yield businesses and fragile economic factors. Non-performing loans (NPLs) increased from the end of last year to 2.27%, and loan loss coverage ratio declined to 177.8%.

Corporate Income Tax

The corporate income tax for the first quarter of 2024 was at 427.71 million baht, equivalent to the effective tax rate of 19.8%.

Financial Positions

Assets

As of March 31, 2024, the Company's total assets were 282,405.01 million baht, decreased by 2.9% (QoQ), from a decline in interbank and money market items by 18.0% (QoQ) totaling 39,738.41 million baht. On the other hand, loans increased by 0.2% (QoQ) totaling 235,217.77 million baht. Financial assets measured at fair value through Profit or Loss amounted 2,122.64 million baht, increased by 2.0% (QoQ), and investments amounted 3,319.56 million baht, increased by 0.2% (QoQ).

Table 4 : Assets Breakdown

Assets Unit: Million baht	As of Mar 31, 2024	As of Dec 31, 2023	%QoQ
Cash	971.91	918.26	5.8
Interbank and money market items	39,738.41	48,489.70	(18.0)
Derivatives	-	-	n.a.
Financial assets measured at fair value through Profit or Loss	2,122.64	2,081.77	2.0
Investments - net	3,319.56	3,313.59	0.2
Investments in subsidiaries and JV	891.24	891.49	(0.0)
Loans	235,217.77	234,815.18	0.2
Accrued interest receivables	1,949.78	1,928.55	1.1
Allowance for expected credit loss	(9,498.29)	(9,915.97)	(4.2)
Loans and accrued interest receivables – net	227,669.26	226,827.76	0.4
Other assets	7,691.99	8,201.68	(6.2)
Total assets	282,405.01	290,724.25	(2.9)

Liabilities

As of March 31, 2024, total liabilities were 238,196.57 million baht, decreased by 4.1% (QoQ), contributed from a decline in debentures by 64.4% (QoQ) totaling 6,140.00 million baht. Total deposits were stable at 208,623.51 million baht while interbank and money market items increased by 12.3% (QoQ) to 9,551.65 million baht.

Table 5 : Liabilities Breakdown

Liabilities Unit: Million baht	As of Mar 31, 2024	As of Dec 31, 2023	%QoQ
Deposits	208,623.51	208,680.79	(0.0)
Interbank and money market items	9,551.65	8,506.34	12.3
Debentures	6,140.00	17,250.00	(64.4)
Others	13,881.41	13,839.14	0.3
Total liabilities	238,196.57	248,276.27	(4.1)

Shareholders' Equity

As of March 31, 2024, shareholders' equity was 44,208.44 million baht, increased by 1,760.45 million baht (4.1% QoQ) following an increase in retained earnings of the first quarter of 2024. As a result, the book value per share (BVPS) as of March 31, 2024 equaled to 55.21 baht per share.

Business Segment Operations

(1) Banking Business

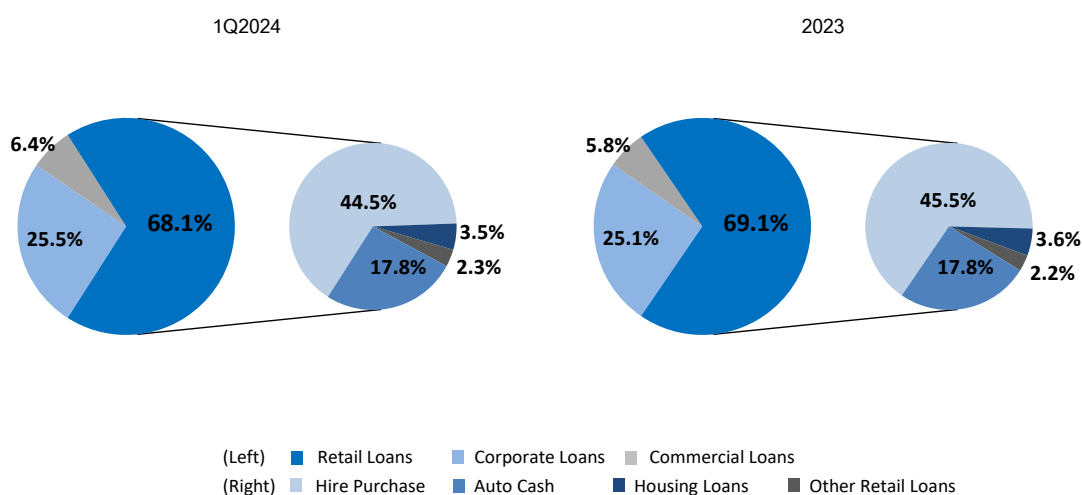
1.1 Loans

Total loans and receivables as of March 31, 2024 totaled 235,217.77 million baht, grew by 0.2% (QoQ), primarily contributed by the growth in corporate loans and commercial loans.

Table 6 : Loans

Loans Unit: Million baht	As of Mar 31, 2024	As of Dec 31, 2023	%QoQ
Hire purchase	104,728.01	106,851.35	(2.0)
Loans against auto licenses	41,890.55	41,719.93	0.4
Housing loans	8,125.60	8,536.27	(4.8)
Other retail loans	5,398.27	5,100.97	5.8
Retail loans	160,142.43	162,208.52	(1.3)
Corporate loans	60,011.55	58,964.25	1.8
Commercial loans	15,063.79	13,642.41	10.4
Total loans	235,217.77	234,815.18	0.2

Loan Breakdown



Retail Lending portfolio totaled 160,142.43 million baht, reduced by 1.3% (QoQ). The total retail portfolio as of March 31, 2024 consisted of 65.4% car and motorcycle hire purchase loans, 26.2% loans against auto licenses, 5.1% housing loans and 3.4% other retail loans.

The outstanding hire purchase loans totaled 104,728.01 million baht, declined by 2.0% (QoQ) from a contraction in new car hire purchase of 3.0% (QoQ) following cautious underwriting policy. The domestic car sale for the first 2 months of 2024 totaled 107,657 units, decreased by 21.5% compared to 137,130 units in the first 2 months of 2023, due partly to tightened loan underwriting by the financial institutions. The car penetration rate of TISCO for the first 2 months of 2024 was at 4.4%, improved from 4.3% at the

same period of last year. Meanwhile, used car hire purchase and motorcycle hire purchase expanded by 2.5% and 4.2% (QoQ) respectively, following the high-yield loan expansion strategy.

Loans against auto licenses ("Auto Cash") totaled 41,890.55 million baht, increased by 0.4% (QoQ) following the growth strategy into high-yield businesses and "Somwang" branch network expansion strategy, whereas the Company has tightened loan underwriting and become more cautious and prudent amid the high level of household debt. Loans through "Somwang" channels totaled 29,099.47 million baht, expanded by 2.5% (QoQ) and accounted for 69.5% of total loans against auto licenses. In this quarter, "Somwang" opened 29 new loan offices with a total number of 674 branches nationwide.

Housing loans totaled 8,125.60 million baht, dropped by 4.8% (QoQ) following highly competitive market condition and rising risks. Other retail loans totaled 5,398.27 million baht, increased by 5.8% (QoQ).

Corporate Lending portfolio totaled 60,011.55 million baht, expanded by 1.8% (QoQ), driven by loan drawdown in public utilities and service sector and real estate and construction sector.

Commercial Lending portfolio totaled 15,063.79 million baht, grew by 10.4% (QoQ) from an expansion in car inventory financing.

1.2 Asset Quality and Expected Credit Loss

In the first quarter of 2024, the Company reported NPLs amounting 5,341.07 million baht, increased by 2.3% (QoQ), and accounted for NPL ratio of 2.27% of total loans, increased from 2.22% at the end of 2023. The rising NPLs were mostly caused by the growth strategy into high-yield businesses, together with the fragile economic conditions and high household debt level.

Total allowance for expected credit loss of the Company reported at 9,498.29 million baht, and loan loss coverage ratio stood at 177.8%.

Table 7 : Loan Classification

Loan Classification¹ Unit: Million baht	As of Mar 31, 2024	As of Dec 31, 2023	%QoQ
Stage 1 loans (Performing)	210,480.21	209,708.78	0.4
Stage 2 loans (Under-performing)	19,396.50	19,883.50	(2.4)
Non-performing loans (NPLs)	5,341.07	5,222.91	2.3
Total loans	235,217.77	234,815.18	0.2

¹Excluding accrued interest in accordance with BOT's guideline.

Table 8 : NPLs Breakdown

NPLs ¹ Unit: Million baht, %	As of Mar 31, 2024		As of Dec 31, 2023	
	Million baht	%	Million baht	%
Hire purchase	2,781.68	2.66	2,982.41	2.79
Loans against auto licenses	1,863.74	4.45	1,687.47	4.04
Housing loans	446.21	5.49	417.63	4.89
Other retail loans	13.00	0.24	8.30	0.16
NPLs - Retail loans	5,104.63	3.19	5,095.81	3.14
NPLs - Corporate loans	-	-	-	-
NPLs - Commercial loans	236.44	1.57	127.09	0.93
Total NPLs	5,341.07	2.27	5,222.91	2.22

¹Excluding accrued interest in accordance with BOT's guideline

1.3 Deposits and Borrowings

Total deposits and borrowings amounted 214,763.51 million baht, decreased by 4.9% (QoQ). Total deposits reported at 208,623.51 million baht, stood stable (QoQ), whereas debentures totaled 6,140.00 million baht, reduced by 11,110.00 million baht (64.4% QoQ) from debenture maturity. As of March 2024, the Bank had high-quality liquid assets according to the Liquidity Coverage Ratio (LCR) of 42,373.00 million baht, decreased by 16.8% (QoQ). Thus, the high-quality liquid assets accounted for 19.7% of total deposits and borrowings, and projected LCR ratio was at 151.9%.

Table 9 : Deposit Structure

Deposits Unit: Million baht	As of Mar 31, 2024	As of Dec 31, 2023	%QoQ
Current accounts	1,736.19	1,529.43	13.5
Saving accounts	27,017.31	28,987.69	(6.8)
Fixed accounts	69,754.29	64,142.81	8.7
Negotiate certificate deposits	110,079.60	113,984.75	(3.4)
Short-term borrowings	36.12	36.12	0.0
Total deposits	208,623.51	208,680.79	(0.0)

(2) Securities Business

In the first quarter of 2024, market trading volume significantly declined comparing to the first quarter of 2023 amid weak capital market condition, which consequently resulted in a decrease in average daily turnover of TISCO Securities from 1,785.85 million baht in the first quarter of 2023 to 1,220.31 million baht. Brokerage fee income of TISCO Securities thereby dropped by 33.5% (YoY) to 124.30 million baht. TISCO Securities' overall market share remained stable at 1.5%. TISCO brokerage volume comprised of 60.4% of local institutions, 6.1% of foreign institutions, and 33.4% of retail investors.

(3) Asset Management Business

As of March 31, 2024, assets under management of TISCO Asset Management totaled 396,831.40 million baht, grew by 1.2% (QoQ) in all businesses. Asset management basic fee income amounted 412.90

million baht, improved by 5.7% (QoQ), but decreased by 0.8% (YoY). The composition of total assets under management was 66.9% provident fund, 18.9% private fund, and 14.2% mutual fund. Total market share of TISCO Asset Management as of February 29, 2024 was 4.4%, ranking 9th in the market. The market share of provident fund was 18.6%, ranking 1st in the market. The market share of private fund was 3.1%, ranking 6th in the market and the market share of mutual fund was 1.1%, ranking 14th in the market.

Table 10 : Assets under Management Breakdown

Funds Unit: Million baht	As of Mar 31, 2024	As of Dec 31, 2023	%QoQ
Provident fund	265,554.44	262,352.77	1.2
Private fund	74,999.83	74,839.44	0.2
Mutual fund	56,277.14	54,936.11	2.4
Total AUMs	396,831.40	392,128.31	1.2

Risk Management

As of March 31, 2024, TISCO Group's internal capital (ICAAP) stood at 35,151.96 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital rose by 226.72 million baht from the end of 2023 to 15,477.09 million baht mainly resulting from an increase in credit risk capital. In addition, the capital surplus remained strong at 19,674.87 million baht or 56.0% of total capital.

Compared to the end of 2023, the credit risk capital increased by 213.13 million baht, or 1.7%, to 12,619.35 million baht mostly resulting from loan expansion in corporate and auto cash portfolios. Total loan portfolio of TISCO Group expanded by 0.2%, while non-performing loans increased from 2.2% at the end of December 2023 to 2.3% at the end of March 2024. Meanwhile, TISCO Group still maintains a sufficient level of allowance for expected credit loss as cushion for future uncertainties.

The market risk capital increased by 13.60 million baht during the quarter, from 290.95 million baht to 304.55 million baht, primarily due to the underwriting position during the period. Meanwhile, the overall duration gap slightly decreased from 0.75 year to 0.74 year, which was in a manageable level. The assets duration declined from 1.13 year to 1.11 year, while the liabilities duration remained stable at 0.38 year.

Table 11 : Average Duration Mismatch of Assets and Liabilities and Its Impact

	Duration Unit: Years		1-Y Net interest income change to 1% interest rate increase Unit: Million baht	
	Mar 31, 2024	Dec 31, 2023	Mar 31, 2024	Dec 31, 2023
Assets	1.11	1.13	1,416.44	1,464.91
Liabilities	0.38	0.38	(1,504.92)	(1,659.48)
Net gap	0.74	0.75	(88.48)	(194.57)

In terms of regulatory capital requirement of the Bank, TISCO Group, and Securities Company, the positions were strong and sufficient levels to cushion for the expansion of asset in the future. At the end of March 2024, the projected regulatory capital based on IRB approach of the Bank was 38,750.86 million baht, while the projected capital adequacy ratio (BIS ratio) stood at 20.9%, remaining higher than 11.0% required by the Bank of Thailand. The projected Tier-I and Tier-II ratios of the Bank stood at 18.7% and 2.1%, respectively, in which Tier-I ratio also remained higher than the minimum requirement at 8.5%. For TISCO Group, the projected regulatory capital based on IRB approach was 37,556.51 million baht, with projected BIS ratio, Tier-I and Tier-II ratios at 18.2%, 16.2% and 2.0%, respectively, which also remained higher than the minimum capital requirement. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 59.7%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 12 : Regulatory Capital Requirement

Capital Adequacy Unit: %	As of Mar 31, 2024 ¹	As of Dec 31, 2023
TISCO Financial Group		
Tier-I	16.2	16.3
Tier-II	2.0	3.2
BIS Ratio	18.2	19.5
TISCO Bank		
Tier-I	18.7	18.9
Tier-II	2.1	3.5
BIS Ratio	20.9	22.3

¹ Projected figures