

Management Discussion and Analysis Q1 2024

Executive Summary

**“ Net profit for 1st quarter 2024 of Baht 1,104.1 million, strong growth of 15.6% (YoY)
Lending and insurance brokerage businesses have continued to expand across branches, online
and digital platforms with a focus on healthy-quality business growth ”**

Ngern Tid Lor Public Company Limited (“TIDLOR” or “Company”) reported a net profit of Baht 1,104.1 million for the first quarter of 2024, reflecting a robust growth of 15.6% (YoY) from Baht 955.1 million. This growth stemmed from increased revenue and efficient cost management. The Company achieved a total revenue of Baht 5,309.1 million, a rise of 22.2% (YoY) driven by business expansion. The main revenue was derived from the interest income on loans and hire-purchase receivables, which experienced 22.6% growth (YoY), and fee and service income, which rose by 21.3% (YoY). Meanwhile, total expenses amounted to Baht 3,935.2 million, increasing by 24.9% (YoY), primarily due to increased service and administrative expenses associated with business expansion and higher financial costs resulting from adjustments made in the policy rates. However, the cost-to-income ratio stood at 54.1%, reflecting effective cost control measures implemented over the past 2-3 years.

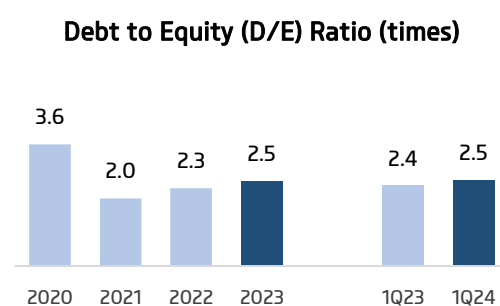
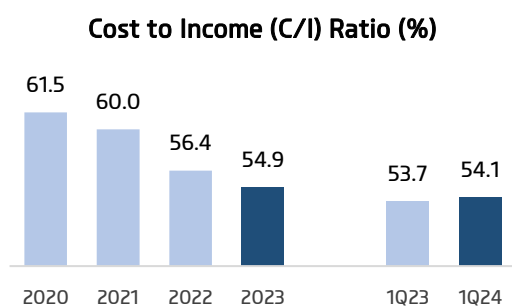
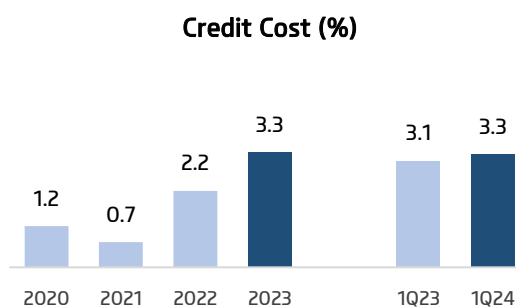
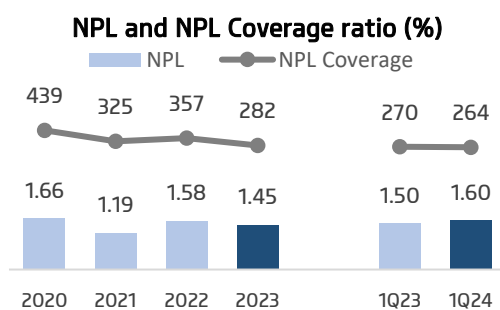
As of the end of the first quarter of 2024, the Company's outstanding loan portfolio stood at Baht 100,133.3 million, marking a growth of 20.6% (YoY). One of the significant growth drivers included investments and enhancements to technology, notably the TIDLOR Card and loan transfer service (E-Withdraw) through NTL application, which continued to experience growing usage. The Non-Performing Loan (NPL) ratio was at 1.60%, a slight increase from 1.45% at the end of 2023, however the loan portfolio quality remained within the set targets and still maintained a high NPL coverage ratio at 264.1%. Additionally, the insurance brokerage business continued to experience sustained growth, propelled by diverse sales and service channels, with premiums increasing by 22.9% (YoY) in this quarter.

During the first quarter of 2024, the Company continued to focus on developing products and services to enhance financial inclusion through its core businesses in lending and insurance brokerage. The Company sustained its growth, with performance aligning with established goals. Robust revenue growth, efficient cost management, and stringent loan quality management were evident. Moreover, appropriate and sufficient reserves have been set aside to support business expansion and mitigate risks associated with external uncertainties. Committed to quality business growth under an effective risk management policy, the Company generated profits while maintaining a strong financial position.

Financial Highlights

(Unit: THB million)	1Q23	1Q24	% YoY Increase/ (Decrease)
Interest income on loans and hire-purchase receivables	3,567.3	4,374.1	22.6%
Fee and service income	760.2	921.9	21.3%
Other income	17.8	13.1	(26.4%)
Total revenues	4,345.3	5,309.1	22.2%
Service and administrative expenses	(2,119.7)	(2,569.3)	21.2%
Finance costs	(395.0)	(556.6)	40.9%
Profit before credit loss	1,830.6	2,183.2	19.3%
Credit loss	(634.8)	(809.3)	27.5%
Loss arising from derecognition of financial assets measured at amortized cost	(466.7)	(561.8)	20.4%
Impairment loss determined in accordance with TFRS 9	(168.1)	(247.5)	47.2%
Profit before income tax expense	1,195.8	1,373.9	14.9%
Income tax expenses	(240.7)	(269.8)	12.1%
Net profit for the period	955.1	1,104.1	15.6%

Key Financial Ratio



Operating Result for Q1 2024

Overview of the Loan and Insurance Brokerage Business

“ The total loan portfolio grew by 20.6% YoY, with net interest margin at an optimal level while non-life insurance premiums continuously increased by 22.9% YoY ”

By the end of the first quarter of 2024, the total lending portfolio exhibited consistent growth, expanding by 20.6% (YoY) and 2.7% (QoQ), reaching a total portfolio value of Baht 100,133.3 million. The portfolio is divided into two categories: loans to customers and accrued interest receivables, amounting to Baht 89,773.8 million, and hire-purchase receivables amounting to Baht 10,359.5 million. The allowance for expected credit losses stood at Baht 4,243.9 million.

The loan portfolio's growth remains on target, supported by stringent credit approval policies to ensure that the risk level remains appropriate. This growth has been fueled by over 1,708 branches nationwide and additional non-branch channels like telesales, agents, and online platforms. Investment and development in technology play critical factors in driving the growth of lending business, with the TIDLOR Card and the loan transfer services (E-Withdraw) through NTL application serving as pivotal contributors. These innovations enhance user convenience and choice in accessing credit facilities, with a consistent increase in user penetration. As at the end of March 2024, the Company had distributed more than 666,000 Cards, an increase of 25.0% (YoY). This reflects the Company's dedication to differentiating service quality across various channels and enhancing its capability to deliver high-quality financial services.

A Detailed Breakdown of the Lending Portfolio:

(Unit: THB million)	Loans to customers and accrued interest receivables	Hire-purchase receivables*	Total
Stage 1 (Performing)	75,330.7	6,722.9	82,053.6
Stage 2 (Under-performing)	13,111.3	3,361.5	16,472.8
Stage 3 (Non-performing)	1,331.8	275.1	1,606.9
Total loans and hire purchase receivables and accrued interest receivables	89,773.8	10,359.5	100,133.3
Less Allowance for expected credit loss	(3,812.6)	(431.3)	(4,243.9)
Net total loans and hire purchase receivables and accrued interest receivables	85,961.2	9,928.2	95,889.4

*After deduction of unearned interest income

Alongside the lending business, another core business that contributes to the Company's robust performance is the insurance brokerage business. In the first quarter of 2024, non-life insurance premium saw a continuous rise, amounting to Baht 2,549.5 million, a growth of 22.9% (YoY). This increase was achieved across offline channels, Areegator platforms, and online insurance brokerage platforms (heygoody). Furthermore, in March, the Company underwent a rebranding from “Prakan TIDLOR” to “Shield Insurance” to differentiate its brand identity and enhance service quality across all stages, from sales to claims processing, as well as for potential future diversification into additional insurance product lines.

**“ NPL at 1.60% maintained effective quality management within target
and robust NPL Coverage Ratio of 264.1% ”**

As of March 31, 2024, the Non-Performing Loan (NPL) ratio stood at 1.60%, rising from 1.45% at the end of 2023. Despite this increase, the loan portfolio quality remained well-managed and within the targeted range. The allowance for expected credit losses was Baht 4,243.9 million, corresponding to NPL coverage ratio of 264.1%, a slight decrease from the end of the previous year which was at 282.1%, but still robust. This reflects rigorous risk management and prudent business operation.

The Company maintains a commitment to sustaining the asset quality and managing meticulous risk management, including constantly refining and strict adherence to its loan approval processes as well as considering the impact from external uncertainties. This strategic approach ensures the overall quality of loan portfolio remains at an optimal level, in alignment with the Company's risk management policies.

**“ Low D/E ratio at 2.5 times
maintaining diversified funding strategy ”**

By the end of the first quarter of 2024, the Company's total borrowings and debentures amounted to Baht 70,648.6 million, increasing by 3.6% (YoY). The funding structure was distributed in a ratio of 55:45 between debentures and bank loans. The Company persistently focuses on diversified funding in its funding sources through borrowing from both domestic and international financial institutions and issuing debt instruments; an approach which increased financial flexibility and mitigated concentration risk. Additionally, the debt-to-equity ratio remained low at 2.5 times, demonstrating cautious financial management and ability to sustain strong debt and equity proportions.

For the first quarter of 2024, the Company's interest income rate from its lending business was 17.7%, increasing from the same period last year, which was 17.4%. Moreover, funding costs rose to 2.3% from 1.9% in first quarter of the previous year, primarily due to rising market interest rates and policy rate adjustments. Nonetheless, the Company continues to prioritize the alignment of average assets and liabilities durations and utilizes fixed-rate borrowing to maintain a consistent interest margin, thereby enabling the Company to consistently generate profitability.

Overview of Revenue and Expenses

**“ Sustained revenue growth from interest and fees and service income,
while expenses rose aligning with business expansion and interest rate increases ”**

Revenue: In the first quarter of 2024, the Company recorded total revenues of Baht 5,309.1 million, marking an increase of 22.2% (YoY). Interest income accounted for 82.4% of total revenues, which was derived from interest income on loans of Baht 4,002.5 million, and interest income on hire-purchase receivables of Baht 371.6 million. The growth in interest income was a result of the broadened total loan portfolio.

Moreover, in the first quarter of 2024, fee and service income totaled Baht 921.9 million, indicating a 21.3% (YoY) increase and representing 17.4% of the total revenue. This rise was mainly driven by the ongoing robust performance of insurance brokerage business, including both non-life and life insurance.

(Unit: THB million)	1Q23	% Total Revenue	1Q24	% Total Revenue	% YoY Increase/ (Decrease)
Interest income on hire-purchase receivables	397.2	9.1%	371.6	7.0%	(6.4%)
Interest income on loans	3,170.1	73.0%	4,002.5	75.4%	26.3%
Fee and service income	760.2	17.5%	921.9	17.4%	21.3%
Other income	17.8	0.4%	13.1	0.2%	(26.4%)
Total revenues	4,345.3	100.0%	5,309.1	100.0%	22.2%

Expenses: In the first quarter of 2024, the company reported total expenses of Baht 3,935.2 million, primarily stemming from service and administrative expenses, which totaled Baht 2,569.3 million, increasing by 21.2% (YoY). This rise corresponded to the continuous growth across both the lending and insurance brokerage businesses. The cost-to-income ratio for this quarter stood at 54.1%, a slight increase from the 53.7% recorded in the first quarter of 2023

Financial costs were at Baht 556.6 million, a rise of 40.9% (YoY), driven by the recent hike in policy interest rates and additional borrowing from financial institutions and bond issuances to facilitate business expansion. As for the credit loss, it amounted to Baht 809.3 million, increasing by 27.5% (YoY), aligned with the growth in the total loan portfolio, write-offs, prudent provisioning to mitigate uncertainties arising from external factors, and market adjustments in vehicle prices, as well as asset quality after the expiry of the debt moratorium.

(Unit: THB million)	1Q23	% Total Revenue	1Q24	% Total Revenue	% YoY Increase/ (Decrease)
Service and administrative expenses	2,119.7	48.8%	2,569.3	48.4%	21.2%
Finance costs	395.0	9.1%	556.6	10.5%	40.9%
Credit loss	634.8	14.6%	809.3	15.2%	27.5%
Loss arising from de-recognition of financial assets measured at amortized cost	466.7	10.7%	561.8	10.6%	20.4%
Impairment loss determined in accordance with TFRS 9	168.1	3.9%	247.5	4.6%	47.2%

Financial Position

As of March 31, 2024, the total assets of the Company reached Baht 103,824.9 million, reflecting an increase of 3.7% from the Baht 100,147.9 million reported as of December 31, 2023. This growth was fueled by the expansion of lending and insurance brokerage businesses, with the company's primary assets comprising loans and high purchase receivables totaling Baht 100,133.3 million.

Total liabilities amounted to Baht 74,317.0 million, rising 3.6% from the Baht 71,724.4 million reported as of December 31, 2023. This growth was primarily fueled by the increase in debenture, which was secured to facilitate portfolio expansion and support working capital.

The total shareholders' equity amounted to Baht 29,507.9 million, experiencing an increase of 3.8% from the Baht 28,423.5 million reported as of December 31, 2023. This growth can be attributed to the increase in net profit for the three-month period ending March of 2024.

(Unit: THB million)	31 December 2023	31 March 2024	%Increase/ (Decrease)
Cash and cash equivalents	1,656.0	2,870.2	73.3%
Loans and hire purchase receivables	97,456.5	100,133.3	2.7%
Allowance for expected credit loss	(3,981.4)	(4,243.9)	6.6%
Other current assets	1,431.2	1,156.4	(19.2%)
Other non-current assets	3,585.6	3,908.9	9.0%
Total assets	100,147.9	103,824.9	3.7%
Current liabilities	35,246.2	33,469.3	(5.0%)
Non-current liabilities	36,478.2	40,847.7	12.0%
Total liabilities	71,724.4	74,317.0	3.6%
Total shareholders' equity	28,423.5	29,507.9	3.8%
Total liabilities and shareholders' equity	100,147.9	103,824.9	3.7%