ธนาคารทหารไทยธนชาต จำกัด (มหาชน)
TMBThanachart Bank Public Company Limited

Management Discussion and Analysis

For the 1st quarter and 3-month period ended 31 March 2024

(Unreviewed financial statements)

TMBThanachart Bank Public Company Limited

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in the first quarter of 2024: Thai economy improved from the previous quarter as private consumption continued to expand given economic stimulus measures in the beginning of the year with an increased support from higher incoming tourists in tourist season and the Visa-free program for main tourist groups as reflected by the average monthly inbound figures during the first two months of this quarter of 3.19 million persons per month, compared to 2.70 million persons in the previous quarter, contributing to the improved recovery in tourism-related businesses. With respect to living costs, price pressures had continuously subsided as shown in the deceleration of headline inflation rate to be at 0.78% contraction in this quarter, in accordance with a steady decline in fresh foods and energy prices as well as the government measures of energy price subsidies while core inflation rate stood at 0.44%. In addition, merchandise exports in the first two months of this year expanded at 6.7% on an annual basis, improving from an annualized rate of 5.8% in the previous quarter following moderate expansion in the main agricultural exports and recovery in industrial products in tandem with the global product cycle. The average monthly value of merchandise exports for the first two months was at 23.0 billion US dollar per month. Nevertheless, government expenditure continued to decelerate from the previous quarter due to delayed and much lower government disbursement than before.

Financial market & banking industry: The Monetary Policy Committee (MPC) decided to maintain the policy rate at 2.50% in the first meeting of the year in February 2024. The decision based on the assessment that recent deceleration in Thai economy was largely attributable to weaker external supports and impacts from structural factors while private consumption continued to moderately expand. Overall Thai economy in 2024 would be supported by the continuous expansion in domestic demand as a key driver of Thai economy while inflation rates remain low and would rebound to the target range at a slower pace than previously assessed. Regarding domestic commercial banking, total loans in the end of February 2024 contracted by 1.3% (YoY), further decelerating from an annualized expansion of 1.4% in the previous quarter. Meanwhile, deposit grew by 1.1% (YoY), improving from a 0.4% expansion in the previous quarter. Regarding Thai baht in the first quarter of 2024, it was on an average of 35.66 baht per US dollar, largely unchanged from the previous quarter at 35.67, appreciated by 0.04% (QoQ) but depreciated by 4.3% as compared to the end of 2023. Nevertheless, movement of Thai baht had been volatile in a depreciating trend, which was partly due to continuous rebound of the US dollar strengthening on the back of robust expansion in the US economy and assessments that the US central bank would delay its policy rate cuts than previously expected due to inflation rates that despite being slightly lower but still were higher than the target range.

Economic outlook for 2Q24: Thai economy would slightly decelerate as supports from domestic demand during the main tourist season as well as impacts from economic stimulus and living cost supporting measures subsided, while domestic investment is pressured by the delays in budgeting for the fiscal year of 2024. As such, ttb analytics assesses that Thai economy remains under high uncertainties from both domestic and external factors in the periods ahead, and thus estimates that the growth figure of Thai economy in 2024 would be at 2.6%. Regarding inflation forecasts, headline inflation would gradually rebound to the lower-bound inflation target of the Bank of Thailand by the second quarter of 2024 after the end of government measures to support living costs as well as demand- and supply-side price pressures. For tourism sector, it is projected that the number of foreign tourists inbound would be at 33.1 million persons in 2024. Meanwhile, value of merchandise exports would gradually recover with the estimated value in 2024 expanding at 2.0% (YoY). In regard to investment, private investment would improve in tandem with recovery in domestic demand and investment stimulus measures while public investment is expected to rebound in an accelerating pace towards the end of fiscal year of 2024. With respect to financial market, Monetary Policy Committee (MPC) would lower the policy rate in case of weak economic growth and significantly low inflation pressure. Meantime, Thai baht in the second quarter of 2024 would move within the range of 36.0-37.0 baht per US dollar.

Research by ttb analytics

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Summary of TMBThanachart's operating performance

Against the backdrop of a uncertain economic outlook, TMBThanachart (TTB) has placed a clear business direction to selectively focus on a quality growth strategy with justified risk-adjusted returns while leveraging the Bank's core strengths, expertise, and ecosystem play initiatives. On top of that, we maintained efficient asset liability management and liquidity utilization plan to enhance margin. As a result, in 1Q24, the Bank continued to deliver good operating performance reflected by improving operating income (+5%YoY), mainly driven by NII +7%YoY with NIM +20 bps YoY. Fee income in the focus area continued to grow as planned. In addition, with stringent cost discipline, the C/I ratio was maintained at 43%. Asset quality was also manageable with a strong coverage ratio of 155%. In the long run, TTB will maintain focus on leveraging ecosystems and enhancing business performance thru the digital capability that we have been building for the past years to achieve better returns for all stakeholders.

Maintaining quality growth strategy with on-track expansion in high-yield retail space: TTB maintains the direction of a prudently growing quality portfolio in selective areas, especially the high-yield retail segment. The Bank aims to contain risk exposure by leveraging existing quality customers and acquiring potential new customers thru our ecosystem play initiatives while managing asset quality along the line to ensure portfolio quality. As of Mar-24, total loans to customers stood at THB1,315 billion, declining by -1% YTD with the well-executed shift in loan mix. Such a decrease was aligned with liquidity optimizing plans by freeing up low-yield loans and de-risking weak SMEs to redeploy in better risk-adjusted returns areas. The key targeted segments of high-yield retail loans continued to grow on track: Cash Your Car (CYC) +4% YTD, Cash Your Home (CYH) +3% YTD, and personal loans +4% YTD.

Striking a balance between loan and deposit growths: As the Bank strategically acquired deposit volumes in 4Q23 aligned with the liquidity preparation plan for the year 2024, we struck a balance between deposit growth to align with the pace of loan growth. As a result, as of Mar-24, total deposits reported at THB1,373 billion, declining by -1% YTD. Time Deposit (TD), a tactical product, continued to grow by +10% YTD as planned. Regarding the deposit direction, given this current LDR and the nearly-end rate hike cycle, we see more flexibility on deposit needs backed by the Bank's sufficient liquidity level. For the upcoming quarters, we will selectively acquire deposit volumes to ensure the efficiency of funding cost management while leveraging our digital platform to secure overall margin and profitability.

Improving operating income backed by liquidity optimization amid cost of fund pressure: With our initiatives to optimize liquidity and enhance asset yields while efficiently managing the cost of funds under a high-interest rate environment, TTB's core toplines have improved showing NII and NIM enhancement. The Bank's NII increased by +7% YoY from improving yield on earning assets. Despite downward pressure on the cost of funds, 1Q24 NIM still expanded by 20 bps YoY to 3.28%. In addition, fee income in focus areas such as credit card fees continued its positive traction cushioning overall Non-NII amidst this challenging environment. Total operating income, therefore, increased by +5% YoY to THB17,670 million in 1Q24.

On top of the revenue growth, operational efficiency in OPEX helped underpin PPOP growth: In 1Q24, TTB reported OPEX at THB7,570 million, an increase of 4% YoY due mainly to higher selling and marketing aligned with the business expansion plan. However, cost discipline remains one of our priorities to ensure efficiency in cost management where expenditures and investment still grew at a slower pace than topline growth and remained aligned with our business. Thus, the cost-to-income ratio could be maintained at 43% in 1Q24. As a result, pre-provision operating profit (PPOP) increased by 5% YoY to THB10,060 million in 1Q24.

Proactively de-risking loan portfolio resulted in manageable asset quality: With our quality growth strategy and stringent risk management principles over the past years, the overall portfolio quality remained manageable with the pace of NPL formation and loan slippage under control. The modified portfolio remained stable with the smooth transition towards post-forbearance as we have been prudent in staging classification. As of Mar-24, NPLs totaled THB39,759 million, which declined from Dec-23, and the NPL ratio reduced to 2.56%, well-contained within the target guidance. In addition, the Bank continued to strengthen the risk absorption buffer to limit future downside risks by setting aside additional provisions on top of the normal provision level amounting to THB602 million. Therefore, the total expected credit loss (ECL) for this quarter was THB5,117 million. If excluded such an extra provision, 1Q24 normal ECL level equaled THB4,515 million, equivalent to a credit cost of 137 bps. The level of normal provision was relatively in line with the Bank's target. The coverage ratio maintained at a high level of 155%.

After provision and tax benefit, TTB reported THB5,334 million of net profit in 1Q24 which increased by +24% YoY, representing an improving ROE of 9.2% from 7.9% in 1Q23.

At the end of March 2024, the Bank still has the remaining tax benefit of THB14.1 billion that can be subsequently recognized within 2028. The recognition will not be on a straight-line basis but will be subject to the estimation of future net profit stream.

Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income

(THB million)	1Q24	4Q23	% QoQ	1Q23	% YoY
Interest income	21,084	21,000	0.4%	18,475	14.1%
Interest expenses	6,688	6,052	10.5%	4,973	34.5%
Net interest income	**14,396**	**14,948**	**-3.7%**	**13,502**	**6.6%**
Fees and service income	3,414	3,545	-3.7%	3,500	-2.5%
Fees and service expenses	960	907	5.9%	941	2.0%
Net fees and service income	**2,454**	**2,638**	**-7.0%**	**2,559**	**-4.1%**
Other operating income	819	745	9.8%	809	1.3%
Non-interest income	**3,273**	**3,384**	**-3.3%**	**3,368**	**-2.8%**
Total operating income	**17,670**	**18,332**	**-3.6%**	**16,870**	**4.7%**
Total other operating expenses	**7,570**	**8,336**	**-9.2%**	**7,303**	**3.7%**
Expected credit loss	5,117	9,326	-45.1%	4,276	19.7%
Profit before income tax expense	**4,982**	**670**	**643.8%**	**5,291**	**-5.8%**
Income tax expense	-351	-4,197	N/A	996	-135.3%
Profit for the period	**5,334**	**4,866**	**9.6%**	**4,295**	**24.2%**
Profit (loss) to non-controlling interest of subsidiaries	**0.009**	**0.010**	**-13.7%**	**0.004**	**115.8%**
Profit to equity holders of the Bank	**5,334**	**4,866**	**9.6%**	**4,295**	**24.2%**
Other comprehensive income	409	701	-41.6%	1,275	-67.9%
Total comprehensive income	**5,743**	**5,567**	**3.2%**	**5,569**	**3.1%**
Basic earnings per share (THB/share)	**0.05**	**0.05**	**0.8%**	**0.04**	**12.6%**

Note: Consolidated financial statement

Net interest income (NII) and Net interest margin (NIM)

For the 1st quarter of 2024: TTB recorded THB14,396 million of net interest income (NII) in 1Q24, decreasing by 3.7% compared to the previous quarter (QoQ). Details are as follows:

- Interest income increased marginally by 0.4% QoQ to THB21,084 million mainly from improvement in loan yield thanks partly to the shift in loan mix towards high-yield spaces while maintaining quality loan growth strategy.
- Interest expenses increased by 10.5% QoQ to THB6,688 million which was attributable to higher funding costs following the volumes acquisition in 4Q23 in preparation for the year 2024 amid the high interest rate environment.

On a year-on-year basis: Net interest income increased by 6.6% YoY from THB13,502 million. Details are as follows:

- Interest income rose 14.1% YoY from THB18,475 million. The increase was primarily due to improving yield on earning assets as a result of the liquidity utilization plan and the rising interest rate environment amidst the quality growth strategy.

- Interest expenses increased by 34.5% YoY from THB4,973 million, mainly owing to funding costs under the rising interest rate environment.

NIM was at 3.28% in 1Q24, in line with target.

NIM stood at 3.28% in 1Q24 which declined by 11 bps from 3.39% in 4Q23 but increased by 20 bps from 3.08% in 1Q23. Such a QoQ decline was primarily due to short-term pressure on the cost of deposits following the deposit volume acquisition in 4Q23, alleviated by the improvement in yield on loans. The YoY increase was mainly owing to improving yield on earnings assets as a result of the liquidity utilization plan together with the change in loan mix amid the peak of the interest rate cycle.

The Bank will continue to enhance risk-adjusted returns by shifting the loan mix towards selective high-yield retail loan areas. This would help lessen the impact on the funding cost side under a high policy rate environment and potentially increasing deposit competition. On top of that, we remain proactive in asset liability management to uphold overall margin down the road.

Figure 2: Net interest income (NII)

(THB million)	1Q24	4Q23	% QoQ	1Q23	% YoY
Interest income	**21,084**	**21,000**	**0.4%**	**18,475**	**14.1%**
Interest on interbank and money market items	1,853	1,414	31.1%	815	127.4%
Investments and trading transactions	28	13	112.2%	11	166.1%
Investments in debt securities	817	811	0.8%	639	27.8%
Interest on loans	12,577	13,085	-3.9%	11,267	11.6%
Interest on hire purechase and financial lease	5,809	5,677	2.3%	5,743	1.1%
Others	0.2	0.2	-31.7%	0.4	-63.8%
Interest expenses	**6,688**	**6,052**	**10.5%**	**4,973**	**34.5%**
Interest on deposits	3,825	3,220	18.8%	2,456	55.8%
Interest on interbank and money market items	593	607	-2.2%	266	123.4%
Contributions to the Deposit Protection Agency	1,615	1,572	2.7%	1,630	-0.9%
Interest on debt issued and borrowings	639	638	0.1%	607	5.2%
Borrowing fee	5	5	2.9%	6	-5.1%
Others	10	10	0.7%	9	7.1%
Net interest income (NII)	**14,396**	**14,948**	**-3.7%**	**13,502**	**6.6%**

Note: Consolidated financial statements

Figure 3: Yields and cost

(Annualized percentage)	1Q24	4Q23	3Q23	2Q23	1Q23
Yield on loans	5.60%	5.53%	5.33%	5.19%	5.05%
Yield on earning assets	4.80%	4.77%	4.60%	4.39%	4.21%
Cost of deposit	1.58%	1.40%	1.28%	1.24%	1.18%
Cost of funds	1.76%	1.59%	1.46%	1.39%	1.31%
Net interest margin (NIM)	3.28%	3.39%	3.34%	3.18%	3.08%

Note: Consolidated financial statements

Non-interest income (Non-NII)

For the 1st quarter of 2024: The Bank posted THB3,273 million of non-interest income in 1Q24, which declined by 3.3% QoQ mainly due to the seasonality of net fees and service income. Details are as follows:

- Net fees and service income was reported at THB2,454 million which decreased by 7.0% QoQ. Such a QoQ decline was from both retail and commercial fees. For the key strategic fees, bancassurance fees (BA) softened from the seasonality effect and change in accounting estimation of deferred revenue amortization. Gross credit card fees also slowed down due to the seasonality effect of consumer spending in 4Q23. Having said that, mutual fund fees (MF) could see an improving momentum from front-end fees amid an unfavorable market environment. For commercial fees, loan-related and trade finance fees decelerated their paces aligned with business and merchandise export activities.

- Gain on financial instruments measured at fair value through profit or loss was THB457 million which increased by 16.7% QoQ. However, the FX fee softened this quarter following the decline in volume transaction and activity.

- Share of profit from investment using equity method decreased by 8.7% QoQ and recorded at THB69 million.

On a year-on-year basis: Non-NII reported dropped by 2.8% YoY due to net fees and service income. Key items are as follows:

- Net fees and service income decreased by 4.1% YoY from THB2,559 million, mainly due to soft BA and loan-related fees. Having said that, credit card fees, the key engine for strategic fees, continued to show positive traction following the Banks' consumer lending focus shoring up the overall fee income, while MF remained largely stable YoY. If excluding BA amortization impact, BA growth also remained stable.

- Gain on financial instruments measured at fair value through profit or loss decreased by 3.5% YoY from THB474 million. On the other hand, we saw an improving momentum of FX fee due to business model development from providing more hedging solutions.

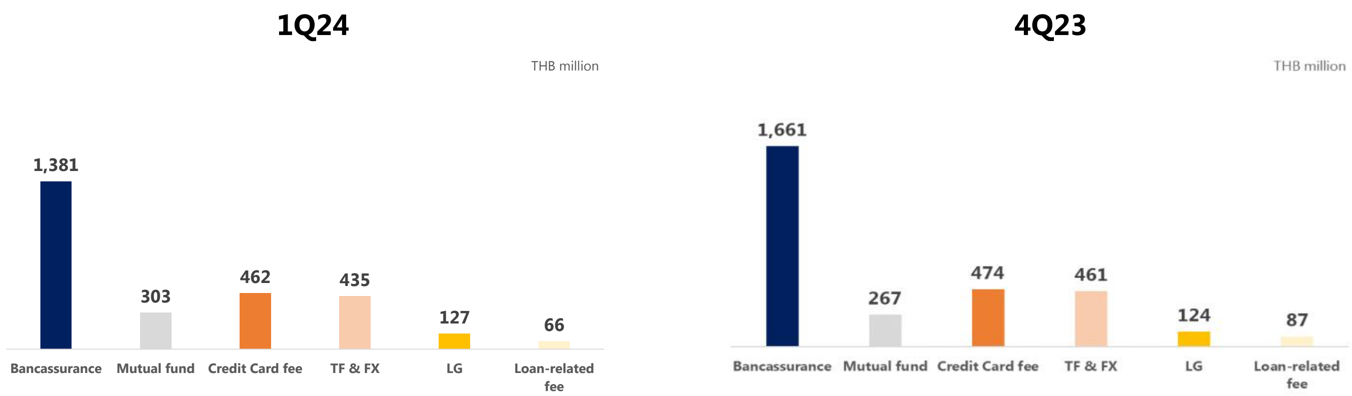
- Share of profit from investment using equity method decreased by 7.9% YoY from THB75 million.

Figure 4: Non-interest income (Non-NII)

(THB million)	1Q24	4Q23	% QoQ	1Q23	% YoY
Fees and service income	**3,414**	**3,545**	**-3.7%**	**3,500**	**-2.5%**
Acceptance, Aval & Guarantee	134	129	3.8%	145	-7.8%
Other fee and service income	3,280	3,416	-4.0%	3,355	-2.2%
Fees and service expenses	**960**	**907**	**5.9%**	**941**	**2.0%**
Net fees and service income	**2,454**	**2,638**	**-7.0%**	**2,559**	**-4.1%**
Gain on financial instrument measured at fair value through profit or loss	457	392	16.7%	474	-3.5%
Gain (loss) on investments, net	47	0	N/A	-11	N/A
Share of profit from investment using equity method	69	76	-8.7%	75	-7.9%
Gain on sale of properties foreclosed, assets & other assets	39	44	-11.4%	52	-24.9%
Dividend income	0	24	-99.8%	2	-97.7%
Others	206	209	-1.8%	216	-4.9%
Non-interest income	**3,273**	**3,384**	**-3.3%**	**3,368**	**-2.8%**

Note: Consolidated financial statements

Figure 5: Strategic non-interest income



Note: Consolidated financial statements (prelim data) gross income.
**Bancassuarance is included fees from TMBThanachart Broker, ttb broker, our fully owned subsidiary and operating non-life brokerage business, is becoming an important role to auto car insurance. TTB has moved car insurance renewal to service at ttb broker and improve sale efficiency in branch staff.*

Non-interest expenses

For the 1st quarter of 2024: The Bank recorded THB7,570 million of total non-interest expenses which dropped by 9.2% QoQ. Key items are as follows:

- Employee expenses decreased marginally by 0.4% QoQ to THB4,129 million, mainly owing to lower incentives aligned with seasonality in 4Q23 and our streamlining costs and efficiencies.
- Premises and equipment expenses decreased by 3.1% QoQ to THB1,197 million. The QoQ decline was from repair and maintenance and depreciation expenses.
- Other expenses dropped by 29.9% QoQ to THB1,724 million mainly due to selling and marketing expenses in line with the seasonality.

On a year-on-year basis: Non-interest expenses increased by 3.7% YoY from THB7,303 million. Key factors are as follows:

- Employee expenses increased by 1.2% YoY from THB4,082 million due to higher staff costs aligned with the employee management plan and growing business volume.
- Premises and equipment expenses decreased marginally by 0.7% YoY from THB1,206 million, mainly resulting from premise management.
- Other expenses increased by 8.5% YoY from THB1,589 million, owing to software and selling and marketing expenses in-line with business volumes.

Figure 6: **Non-interest expenses**

(THB million)	1Q24	4Q23	% QoQ	1Q23	% YoY
Employee expenses	4,129	4,147	-0.4%	4,082	1.2%
Directors' remuneration	28	23	19.2%	10	181.0%
Premises and equipment expenses	1,197	1,236	-3.1%	1,206	-0.7%
Taxes and duties	493	470	4.9%	417	18.2%
Other expenses	1,724	2,460	-29.9%	1,589	8.5%
Non-interest expenses	**7,570**	**8,336**	**-9.2%**	**7,303**	**3.7%**

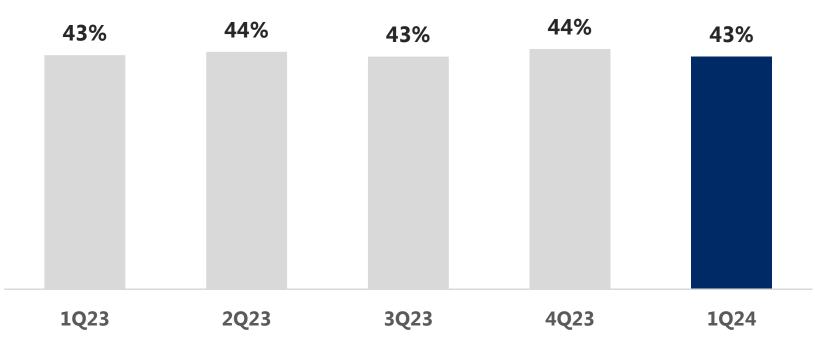
Note: Consolidated financial statement

1Q24 Cost to income ratio was maintained at 43%, improving from the previous quarter.

In 1Q24, the cost-to-income ratio (C/I ratio) was at 43%, down from 44% in 4Q23 and maintained from 1Q23. With the stringent cost discipline and topline recovery, the level of C/I ratio was well-managed within the range of 43%-44%, reflecting our efficiency in cost management although we continue to invest in digital capabilities.

As the cost control is also one of our priorities, the Bank will balance between cost management and investment to improve business efficiency towards digital-first business model. With the support of such business direction, this would help enhance revenue generation and improve operational efficiency, aiming to achieve the aspirational target of low-40s C/I within 2026.

Figure 7: **Cost to income ratio**

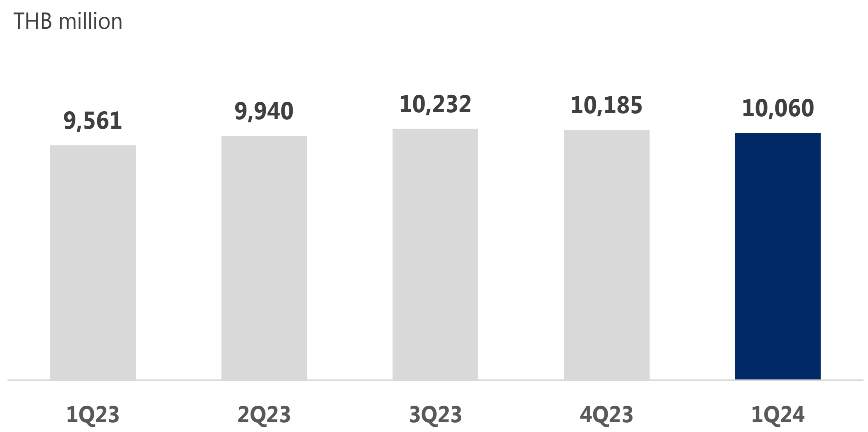


Note: Consolidated financial statements

Operating profit and Expected Credit Loss

Pre-provision operating profit (PPOP): PPOP amounted to THB10,060 million in 1Q24, slightly decreased by 1.2% QoQ but increased by 5.2% YoY.

Figure 8: Pre-provision operating profit (PPOP)



Note: Consolidated financial statements

Setting aside 1Q24 ECL of THB5,117 million including special provision under prudent ECL model

Expected Credit Loss (ECL): Asset quality management remained one of our priorities amid uncertain economic recovery. The Bank has maintained a prudent approach and closely monitored asset quality with a prudent ECL model and considered forward-looking risks through Management Overlay.

Over the past years, TTB has focused on growing quality loans, de-risking weak loans, and closely monitoring portfolio quality. In this quarter, the Bank did some partial write-offs to resolve weak loans, ensuring balance sheet healthiness. Meanwhile, the normal risk cost equaled THB4,515 million, equivalent to a credit cost of 137 bps which remained in line with the plan. Given our financial flexibility, we continued to set aside extra management overlay (MO) by THB602 million, to strengthen the risk absorption buffer for the unexpected risk. Thus, the total ECL in 1Q24 amounted to THB5,117 million, which was equivalent to 156 bps in terms of credit cost. As a result, the coverage ratio maintained at 155% at the end of March 2024.

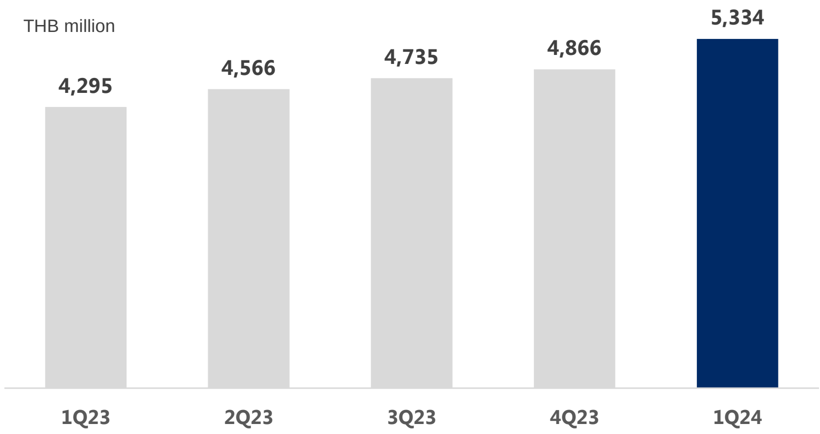
Figure 9: Expected Credit Loss (ECL) and credit cost

(THB million)	1Q24	4Q23	% QoQ	1Q23	% YoY
Expected credit loss	**5,117**	9,326	-45.1%	4,276	19.7%
Credit cost (bps) - annualized	**156**	275		127	

Note: Consolidated financial statements

Net profit: After provision and tax benefit, net profit in 1Q24 was THB5,334 million which increased by 9.6% QoQ and 24.2% from the same period last year. It represented an ROE of 9.2%, improved from 8.5% in 4Q23 and 7.9% in 1Q23.

Figure 10: **Net Profit (to equity holder of the Bank)**



Note: Consolidated financial statements

Please see the next session for the discussion of financial position.

Discussion of financial position

Figure 11: Selected financial position (Consolidated)

(THB million)	Mar-24	Dec-23	%YTD
Cash	13,367	15,487	-13.7%
Interbank and money market items, net	265,963	267,486	-0.6%
Financial assets measured at fair value through profit or loss	6,308	2,470	155.4%
Derivative assets	8,982	7,236	24.1%
Investments, net	170,199	179,088	-5.0%
Investments in subsidiaries and associate, net	8,684	8,614	0.8%
Total loans to customers	1,314,641	1,327,964	-1.0%
Add accrued interest receivables and undue interest receivables*	8,702	8,674	0.3%
Less allowance for expected credit loss	61,801	63,502	-2.7%
Total loans to customers and accrued interest receivables, net	1,261,542	1,273,136	-0.9%
Properties for sale, net	12,509	12,312	1.6%
Premises and equipment, net	20,307	20,859	-2.6%
Goodwill and other intangible assets, net	23,444	23,434	0.0%
Deferred tax assets	1,856	1,560	19.0%
Other assets, net	14,443	12,751	13.3%
Total Assets	**1,807,603**	**1,824,434**	**-0.9%**
Deposits	1,372,643	1,386,581	-1.0%
Interbank and money market items	82,143	87,794	-6.4%
Financial liabilities measured at fair value through profit or loss	3,190	1,816	75.6%
Debts issued and borrowings, net	60,319	59,531	1.3%
Other liabilities	54,192	59,364	-8.7%
Total Liabilities	**1,572,487**	**1,595,087**	**-1.4%**
Equity attributable to equity holders of the Bank	235,116	229,347	2.5%
Non-controlling interest	0	0	19.8%
Total equity	**235,116**	**229,347**	**2.5%**
Total liabilities and equity	**1,807,603**	**1,824,434**	**-0.9%**
Book value per share (Baht)	2.42	2.36	2.5%

Note: Consolidated financial statements

** For credit impaired loans to customers and accrued interest are presented net from allowances for expected credit loss*

Assets

As of 31 March 2024, total assets on a consolidated basis were THB1,807,603 million, decreasing marginally by 0.9% YTD. Key items are as follows:

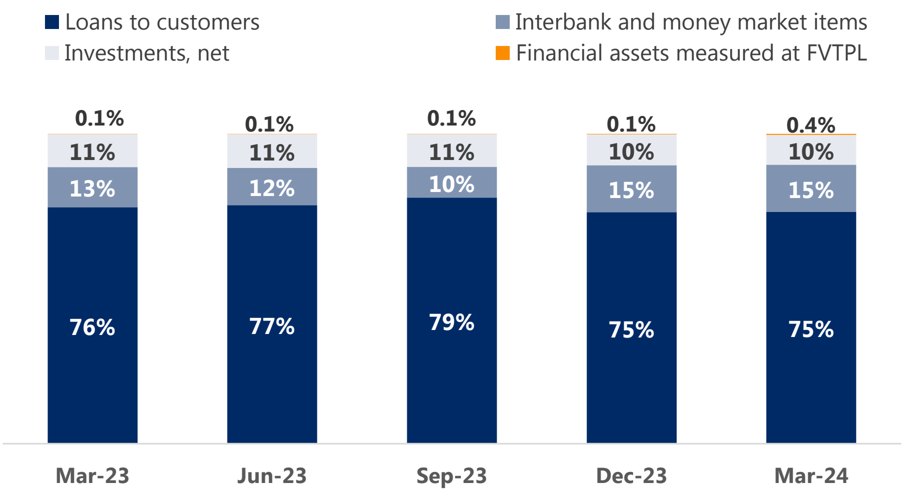
- Total loans to customers and accrued interest receivables net declined by 0.9% YTD to THB1,261,542 million. (Details in the following section).

- Net interbank and money market items decreased slightly by 0.6% YTD to THB265,963 million. Such a decrease was aligned with our liquidity management.

- Net investments and financial asset measured at fair value through profit or loss decreased by 2.8% YTD to THB176,507 million, mainly due to the sales and maturity of some investments in debt securities measured at FVOCI, outweighing the increase in financial assets measured at FVTPL.

After the merger, loans to customers were still the largest portion of earning assets. As of 31 March 2024, loans to customers represented 74.8% of earning assets. This was followed by interbank and money market of 15.1%, investments of 9.7%, and financial assets measured at fair value through profit or loss of 0.4%, respectively.

Figure 12: Earning assets



Note: Consolidated financial statements

Investment Classification

Under TFRS9, investment items are classified into 3 categories; fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and measured at amortized cost. As of 31 March 2024, investments were classified as follows:

(THB million)	31 Mar 2024	31 Dec 2023
Financial assets measured at FVTPL	**6,308**	**2,470**
Investments in debt securities measured at amortized cost	55,881	55,891
Investments in debt securities measured at FVOCI	112,017	120,973
Investments in equity securities measured at FVOCI	2,301	2,224
Net Investment*	**170,199**	**179,088**
Total Investment	**176,507**	**181,558**

Note: Consolidated financial statements

* *Net investments comprised of investments measured at amortized cost and measured at FVOCI*

Total loans to customers and accrued interest receivables

As of 31 March 2024, TTB recorded total loans to customers and accrued interest receivables-net on a consolidated basis of THB1,262 billion, decreasing slightly by 0.9% from December 2023 (YTD). In terms of total loans to customers on a consolidated basis (excluding allowance for ECL), the figure amounted to THB1,315 billion, which declined by 1.0% YTD.

Against the backdrop of a faltering economy, the current growth momentum developed consistently with the Bank's strategy to selectively grow quality portfolios with justified risk-adjusted returns while leveraging the Bank's core strengths and expertise. Details are as follows:

- Retail lending on a consolidated basis declined by 1.3% YTD, mainly attributable to secured portfolios both hire purchase and mortgage lending as well as credit card loan due to the seasonality while the target segments of top-up loans namely Cash Your Car (CYC), Cash Your Home (CYH) expanded on-track.

  Overall hire purchase portfolio decelerated by 1.6% YTD mainly from the slowdown in new car and used car segments that were aligned with our strategy to selectively grow the quality portfolio and tighten underwriting criteria considering ongoing challenges and risk factors in the market. Having said that, we have focused on top-up loans that allow us to leverage quality existing customers while improving risk-adjusted returns; Cash Your Car (CYC) grew by 3.5% YTD.

  Similarly, the Bank remained vigilant in the mortgage area during the unfavorable environment for homebuyers. As a result, mortgage lending saw a contraction of 1% YTD. However, the targeted home equity, Cash Your Home (CYH), continued to grow steadily by 2.9% YTD.

  In terms of consumer lending, personal loans continued the positive momentum by expanding 3.9% YTD while credit card loans declined by 4.9% YTD, given the seasonality effect.

- Corporate lending on a consolidated basis increased marginally by 0.2% YTD, mainly from pickup demand in working capital while trade finance and term loans slowed down aligned with our strategic move in recycling liquidity from low yield portfolio to selectively grow towards secured higher-yield loan space.

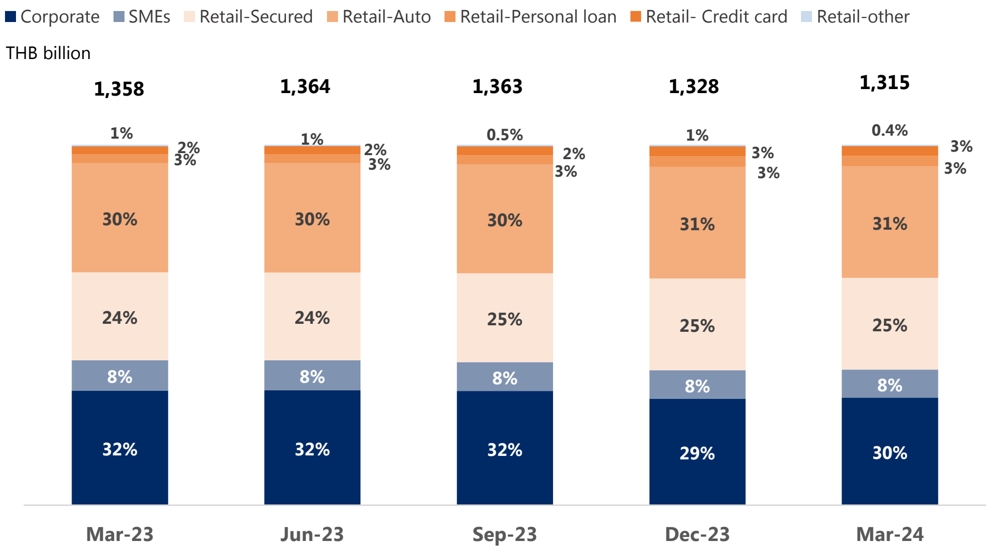
- SME segment (Small and Medium SME) declined by 3.0% YTD, aligned with our stance to maintain a conservative position by de-risking the SME portfolio.

In terms of loan breakdown by customer segments, the loan portfolio has diversified and shifted to the retail segment since the merger. As of 31 March 2024, retail loans accounted for 62% while corporate loans were 30% and SMEs were 8% of total portfolio.

In terms of key products, 31% of total loan was hire purchase, followed by mortgage of 25%, term loan of 17%, working capital (OD&RPN) of 15%, unsecured & credit card of 6%, trade finance of 5%, and others 1%, respectively.

As of 31 March 2024, HP portfolio consisted of new car of 67%, Cash Your Car (CYC) of 19%, used car of 14%, and Cash Your Book (CYB) of 0.3%, respectively.

Figure 13: Total loan to customers breakdown by customer segment

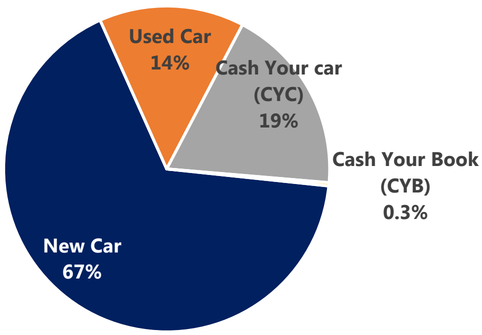


Note: Consolidated financial statements

There was the reclassification of retail-other to mortgage loan in Jan 2023 after internal annual review loan portfolio and, for comparison purpose, we reclassified retrospectively.

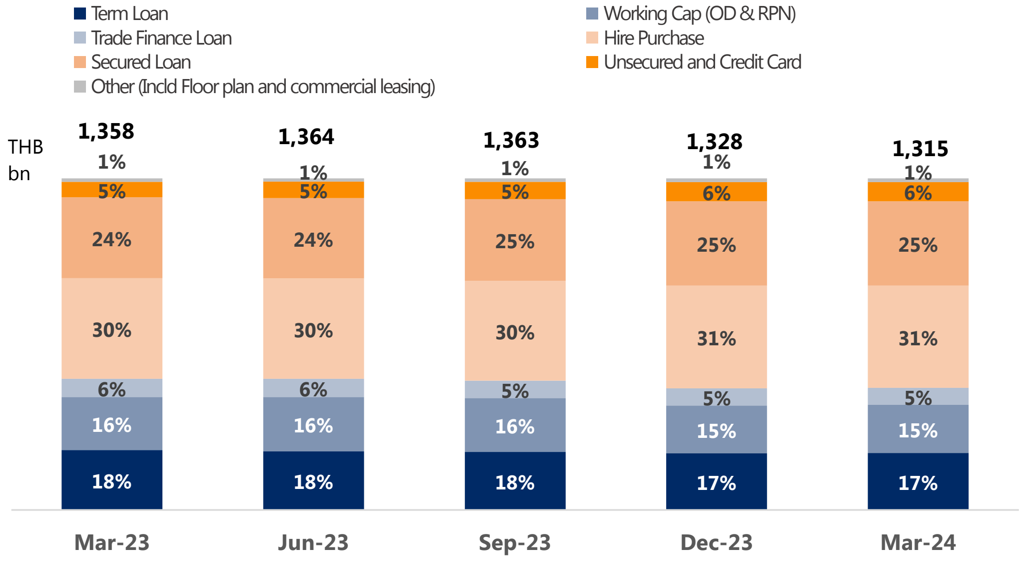
Segment definition:
Corporate: customers with annual sales volume more than THB400 million
SME: small and medium SME customers with annual sales volume up to THB400 million, including owner operators

Figure 14: Hire purchase breakdown



Note: Consolidated financial statements

Figure 15: Total loan to customer breakdown by product



Note: Consolidated financial statements

Total modified loan portfolio

Although the temporary accounting relief measures during Covid-19 expired on 31 December 2023, the Bank continues to give proper aids to customers amidst rising interest rate environment. From 1 January 2024, the loan's staging and provisioning of all modifications are classified as per the requirement of relevant financial reporting standards.

The Bank's overall portfolio quality remained stable as we have been prudent in staging classification as well as risk management. As of March 2024, TTB's total modified portfolio (which included legacy restructured loans before Covid-19 and all types of modified loans under the debt restructuring program) stood at approx. 11% of total loans, relatively stable from December 2023.

Under the modified portfolio, approx. 7% of total loans was light modified terms which was comparable to BoT's orange scheme and approx. 4% of total loans in deep modification which was comparable to BoT's blue scheme.

Asset Quality

Under TFRS9, loans are classified into 3 stages based on changes in credit quality identified since initial recognition. The expected credit loss (ECL) framework is based on the requirements of the Thai Financial Reporting Standard No. 9 Financial Instruments (TFRS 9) which became effective on January 1, 2020 onwards.

The Bank calculated and reported impairment based on our ECL model-based calculation which is 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.

As of 31 March 2024, Loans and allowance for expected credit loss were classified as follows:

Figure 16: Loan and accrued interest receivables classification and allowance for expected credit loss*

	31 Mar 2024	
(THB million)	Loans to customer and accrued interest receivables	Allowance for expected credit Loss
Stage 1 (Performing)	1,163,013	14,717
Stage 2 (Under-performing)	120,571	29,201
Stage 3 (Non-performing)	39,759	17,883
Total	**1,323,343**	**61,801**

	31 Dec 2023	
(THB million)	Loans to customer and accrued interest receivables	Allowance for expected credit Loss
Stage 1 (Performing)	1,174,852	15,602
Stage 2 (Under-performing)	120,780	28,195
Stage 3 (Non-performing)	41,006	19,705
Total	**1,336,638**	**63,502**

Note: Consolidated financial statement, Loan and accrued interest receivable of stage 3 is presented on a net basis

Stage 3 loans (Non-performing loan) and NPL ratio, excluded accrued interest receivables

According to the new accounting standard under TFRS9 which was implemented on 1 January 2020, non-performing loans is classified as stage 3.

With the current economic backdrop where uncertainties stemming from slow economic recovery and structural challenges such as high household debt and other idiosyncratic risks, especially in the vulnerable segment, these factors overclouded the overall banking industry outlook.

Having said that, with our quality growth strategy and stringent risk management principles, the overall portfolio quality of the Bank remained manageable; the pace of NPL formation and loan slippage remained under control. Despite that, the Bank will maintain prudent and precautionary approaches in managing loan modification to mitigate future downside risks as well as ensure B/S quality and soundness.

We continued to proactively de-risk and resolve weak loans to ensure our portfolio quality and limit future downside risks through NPL sales and write-off activities. In this quarter, the Bank and its subsidiaries wrote off NPLs amounting to approximately THB6.8 billion, increasing from THB3.7 billion in 4Q23, and sold THB0.4 billion of NPLs compared to THB0.8 billion the previous quarter.

As a result, as of 31 March 2024, Stage 3 loans (NPLs), excluded accrued interest receivables on a consolidated basis, were reported at THB39,759 million, which decreased from THB41,006 million at the end of December 2023 and from THB42,006 million at the end of March 2023.

Stage 3 loans (NPLs) on a bank-only basis amounted to THB36,532 million, increasing marginally from THB36,347 million in December 2023 but decreasing from THB37,253 million in March 2023.

As of 31 March 2024, NPL ratio on a consolidated basis was recorded at 2.56%, well-contained in comparison with 2.62% at the end of December 2023 and 2.69% at the end of March 2023. Meanwhile, NPL ratio on a bank-only basis stood at 2.36%, which remained manageable compared to 2.33% at the end of December 2023 and 2.39% as of March 2023.

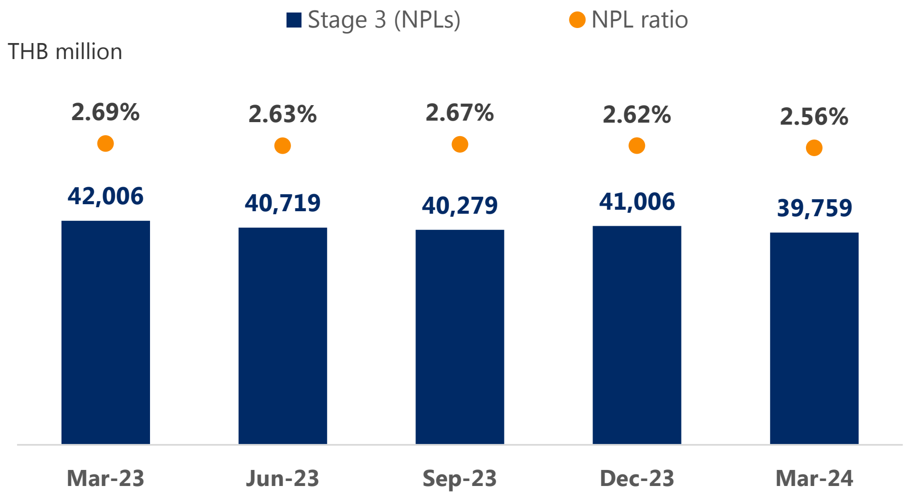
In sum, the asset quality situation of the Bank remained at a manageable level as a result of the quality growth strategy and proactive NPL resolution. In addition, with our prudent risk management, stage 3 ratio remained within the target guidance of ≤2.9%.

Allowance for expected credit loss

Given the current unfavorable economic conditions and unforeseen risks, the Bank remains prudent in provision setting and proactively reviews and set aside management overlay (MO) to cover both the Probability of default (PD) and Loss given default (LGD) shift. Furthermore, the Bank has closely monitored customers debt serviceability in order to reflect real behavior in ECL model and offered further assistance to those in need in a timely manner. Thus, the allowance for expected credit loss was set at the prudent level, preparing for the future uncertainties.

As of 31 March 2024, the Bank and its subsidiaries reported the allowance for expected credit loss at THB61,801 million, which decreased by 2.7% YTD. Given stable trend in asset quality, we have strictly classified loan staging and prudently strengthened our loan loss buffer by setting aside additional provisions on top of the normal provision level as extra cushion for economic uncertainties together with proactively de-risking the weak portfolio. As a result, the coverage ratio maintained at a high level of 155%.

Figure 17: Stage 3 loan (NPLs) and NPL ratio



Note: Consolidated financial statement, non-performing loans classified as stage 3

Liabilities and Equity

As of 31 March 2024, total liabilities and equity on consolidated basis was reported at THB1,807,603 million, decreasing by 0.9% from the end of December 2023.

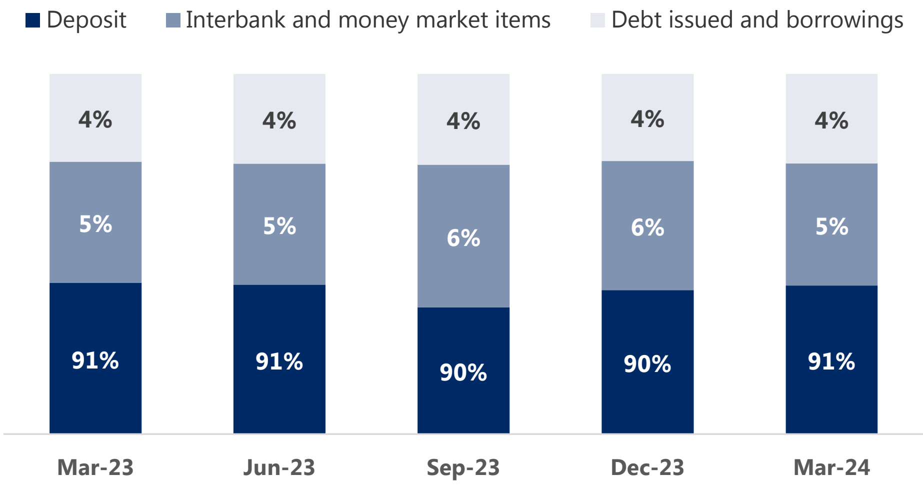
Total consolidated liabilities were THB1,572,487 million, declining by 1.4% from the end of December 2023. Details of key figures are as follows;

- Total deposits were THB1,372,643 million, which dropped by 1.0% YTD. (see details in the following section)
- Interbank and money market items amounted to THB82,143 million which decreased by 6.4% YTD, mainly due to the Bank's liquidity management.
- Borrowings were recorded at THB60,319 million which increased by 1.3% YTD. (see details in the following section)

The consolidated equity was THB235,116 million, increasing by 2.5% YTD. Such an increase was mainly due to the accumulation of the net profit.

The deposit was the largest composition of interest-bearing liabilities. As of 31 March 2024, deposits represented 91% of interest-bearing liabilities. This was followed by interbank and money market items of 5% and debt issued and borrowings of 4%.

Figure 18: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

As of 31 March 2024, the Bank and its subsidiaries reported total deposits on a consolidated basis of THB1,372,643 million which declined by 1.0% from the end of 2023. Such YTD contraction was mainly due to shifting in low-yielding non-transactional deposits like No-Fixed to Time Deposit (TD) which offers higher rates, reflecting the lock-in demand in the light of the peak of the current interest rate cycle.

Deposit breakdown by products

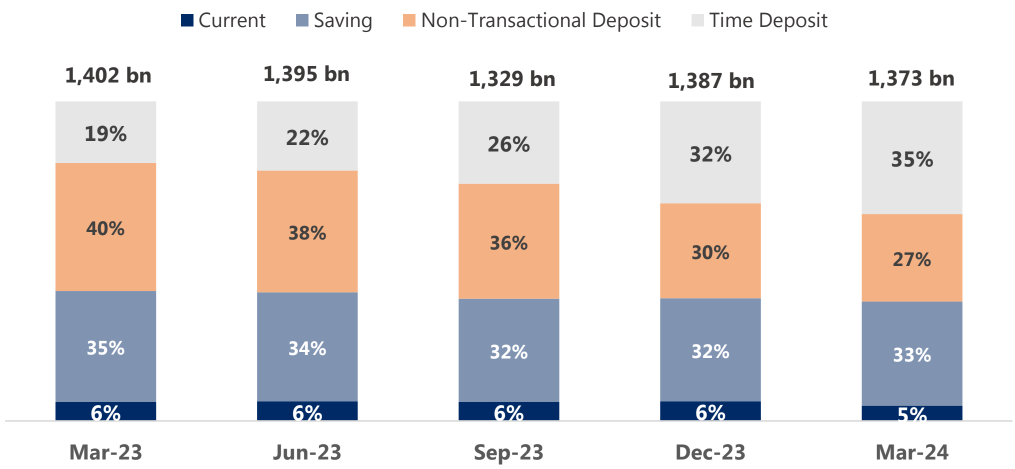
TTB has optimized the liquidity to be aligned and sufficient for accommodating the pace of loan growth while managing the cost of funds under the high-rate environment along the line. In addition, given our pre-emptive move as we already acquired and secured the liquidity on hand since 4Q23 ahead of the anticipation of higher deposit competition that will be arising from government initiatives, our liquidity position should remain ample.

Under the current interest rate environment, we continued to see demand for TD and alternative investments. Therefore, we strategically churn our existing No-Fixed customers to TD as well as used TD as a tactical product to attract new customers. As a result, TD expanded by 9.7% YTD, resulting in TD mix shift to 35% of total deposits compared to 32% as of the end of December 2023 while No-Fixed deposits decelerated by 9.4% YTD. Overall, deposit momentum remained stable YTD.

Despite the higher cost of funds incurred due to high-cost deposit inflow, the overall deposit momentum YTD was still in line with the bank's target guidance, asset growth momentum, and liquidity management. The Bank's liquidity remained sufficient as suggested by the loan-to-deposit ratio (LDR) at 96%. With this current LDR and the already-end rate hike cycle, we see more flexibility on deposit needs and deposit cost management for the coming quarters. We will selectively acquire deposit volumes while leveraging our digital platform to ensure that overall margin and profitability remain intact.

As of March 2024, retail deposit proportion represented 73% and commercial deposit represented 27% of total deposits. In terms of deposit structure, the ratio of non-transactional deposit to total deposit was reported at 27% while transactional deposit (CASA-excluded No-Fixed and ME Save) accounted for 38%, Time Deposit accounted for 35%, respectively.

Figure 19: Deposit structure by products



Note: Consolidated financial statement
Remark: "TTB No Fixed" and "ME" are classified as savings account as they are not required to maintain minimum balance and have no restriction to term of deposit, presented in this graph as non-transactional deposit.

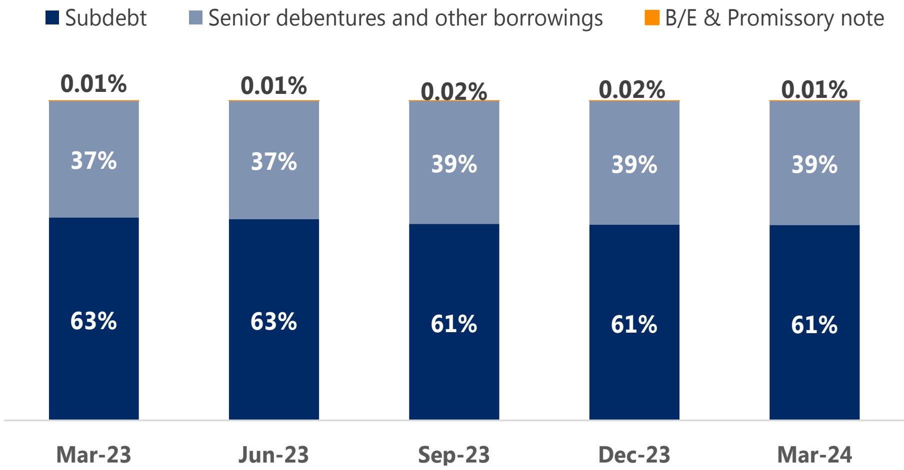
Borrowing increased by 1.3% YTD mainly due to foreign currency exchange rate

Borrowings

As of 31 March 2024, total borrowings of the Bank and its subsidiaries recorded at THB60,319 million which increased by 1.3% YTD. Such an increase was mainly due to foreign currency exchange rate.

In terms of borrowing structure, 61% was sub-debt. This was followed by senior debentures of 39% and BE of 0.01%.

Figure 20: Borrowings breakdown



Note: Consolidated financial statements

Liquidity and loan-to-deposit ratio

TTB has a strong liquidity position and has maintained a high proportion of liquid and low-risk assets.

As of 31 March 2024, on a consolidated basis, total liquid assets represented 18.6% of the total assets. The liquid assets consisted of cash (0.7%), interbank & money market items (14.7%), short-term investment (2.8%), and short-term financial assets measured at FVTPL (0.3%).

In terms of loan-to-deposit ratio (LDR), on a consolidated basis was at 96%, maintaining from December 2023 and declining from 97% from March 2023.

With the Bank's funding strategy to diversify funding sources through debt issued and borrowings, Loan to deposit and debt issue and borrowings was recorded at 92% as of March 2024.

Figure 21: Liquid asset allocation and loan to deposit ratio

Liquid assets	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
Cash	0.7%	0.8%	0.8%	0.8%	0.8%
Interbank and money market	14.7%	14.7%	9.6%	11.6%	12.7%
Short-term investment	2.8%	3.4%	3.5%	3.3%	2.0%
Short-term financial assets at FVTPL	0.3%	0.1%	0.03%	0.1%	0.1%
Liquid assets/Total assets	**18.6%**	**19.0%**	**13.9%**	**15.8%**	**15.6%**
Loan to deposit ratio (LDR)	**96%**	**96%**	**102%**	**98%**	**97%**

Note: Consolidated financial statement

Capital Adequacy

Maintain high capital ratios under Basel III

The Bank consistently ensures a robust capital base. As of 31 March 2024, Capital Adequacy Ratio (CAR) on a consolidated basis under Basel III calculation was at 20.8%, while Tier 1 ratio and CET 1 ratio stayed at 17.0% and 16.7%, respectively. Such levels were well above the Bank of Thailand's minimum requirement (including conservation buffer and the D-SIBs buffer) of 12.0%, 9.5%, and 8.0% of CAR, Tier 1 ratio, and Core Tier 1 ratio, respectively.

Figure 22: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

(as % to risk-weighted assets)	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
Capital Adequacy Ratio (CAR)	**20.8%**	20.7%	19.9%	19.8%	19.9%
Tier I Ratio (Tier 1)	**17.0%**	17.0%	16.3%	16.1%	16.2%
Core Tier 1 Ratio (CET1)	**16.7%**	16.7%	16.1%	15.7%	15.7%

Note: Consolidated financial statement

TTB’s Financial Summary

(THB million)	1Q24	% QoQ	% YoY
Net interest income (NII)	**14,396**	-3.7%	6.6%
Non-interest income (Non-NII)	**3,273**	-3.3%	-2.8%
Non-interest expenses	**7,570**	-9.2%	3.7%
Pre-provision operating profit (PPOP)	**10,060**	-1.2%	5.2%
Expected credit loss (ECL)	**5,117**	-45.1%	19.7%
Net profit to equity holders of the Bank	**5,334**	9.6%	24.2%

(THB million)	31-Mar-24	31-Dec-23	% YTD
Total loan to customers	**1,314,641**	1,327,964	-1.0%
Total assets	**1,807,603**	1,824,434	-0.9%
Deposit	**1,372,643**	1,386,581	-1.0%
Debt issued and borrowings, net	**60,319**	59,531	1.3%
Total liabilities	**1,572,487**	1,595,087	-1.4%
Total equity	**235,116**	229,347	2.5%

Key ratios	1Q24	4Q23	1Q23
Net interest margin (NIM)	**3.28%**	3.39%	3.08%
Non-interest income to total assets	**0.72%**	0.75%	0.75%
Cost to income ratio	**43.0%**	44.4%	43.2%
Return on equity (ROE)	**9.2%**	8.5%	7.9%
Return on asset (ROA)	**1.2%**	1.1%	1.0%
NPL / Stage 3 (THB mn)	**39,759**	41,006	42,006
NPL / Stage 3 ratio	**2.56%**	2.62%	2.69%
Credit cost (bps) - annualized	**156**	275	127
Loan to deposit ratio (LDR)	**96%**	96%	97%
LDR + Debt issued & borrowings to deposit ratio	**92%**	92%	93%
Capital adequacy ratio (CAR)	**20.8%**	20.7%	19.9%
Tier 1 capital ratio (Tier 1)	**17.0%**	17.0%	16.2%
Core tier 1 capital ratio (CET 1)	**16.7%**	16.7%	15.7%
TTB Bank's employees	**14,232**	14,328	14,319
Group's employees	**15,240**	15,320	15,272
Domestic branches	**513**	532	555
ATMs, ADMs and All-in-One	**2,693**	3,015	3,259

Note: Consolidated financial statements (prelim data)

Additional Information: Credit rating profile

Moody's		
	International rating	**Outlook**
Bank Deposits	Baa1/P-2	Stable
Baseline Credit Assessments (BCAs)	baa3	
Senior Unsecured	(P)Baa1	

Latest Changes: June 2020, Moody's has affirmed long-term rating and revised outlook to stable.

Standard & Poor's		
	International rating	**Outlook**
Long-Term Counterparty	BBB-	Stable
Short-Term Counterparty	A-3	
Senior Unsecured	BBB-	
Stand-Alone Credit Profile (SACP)	bb	

Latest Changes: March 2022, Standard & Poor's has downgraded long-term rating and revised outlook to stable.

Fitch Ratings		
	International rating	**Outlook**
Long-Term IDR	BBB	Stable
Short-Term IDR	F2	
Senior Unsecured	BBB	
Viability Rating	bbb-	
Support Rating Floor	BBB	
Support Rating	2	
	National Rating	
Long-Term	AA+ (tha)	
Short-Term	F1+(tha)	
Subordinated Debt	A (tha)	

Latest Changes: September 2021, Fitch Ratings has upgraded long-term IDR and Support rating floor with stable outlook.

Make **REAL** Change

Disclaimer

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