

Management Discussion and Analysis For the year ended December 31, 2018

(This report discusses principal changes in the audited consolidated financial statement for the year ended December 31, 2018)

Movement of Money Market and Capital Market

Throughout the year 2018, the domestic and global economies have been volatile causing by numerous factors. Nonetheless, Thai economy was able to expand consistently including both export sector and private consumption. Meanwhile, private investment and public spending grew at moderate pace following the ongoing government's investment projects. The domestic car sale for the year 2018 was at 1,041,739 units or increased by 19.5% (YoY). Meanwhile, the headline inflation was 1.1%, following an increase in oil prices.

The world economic conditions were highly volatile given the prolonged trade war between US and China, the US Federal Reserve's interest rate raise in total of 4 times to 2.25 – 2.50%, and the rising US bond yields. Subsequently, the effects have been observed in capital outflow from emerging markets and the devaluation of stock markets and currencies of emerging markets. However, Thai Baht remained strong owing to positive current account surplus and fund inflow from growing tourism sector.

To maintain financial stability, the Bank of Thailand (BOT) raised the policy rate once in December 2018 to 1.75%. Meanwhile, the average 3-month fixed deposit rates of Top-4 commercial banks remained stable at 0.93% (YoY), while the average minimum lending rate of Top-4 commercial banks was also stable at 6.20% (YoY).

The capital market in 2018 was highly fluctuated in response to global economic conditions. Therefore, market trading volume increased with average daily turnover rose from 47,755.37 million baht in 2017 to 56,409.06 million baht. SET index closed at 1,563.88 points, dropped by 189.83 points or 10.8% comparing to 1,753.71 points at the end of last year driven by fund outflow from foreign institution investors.

Major Events

On March 30, 2018, TISCO Bank Public Company Limited and All-Ways Company Limited have signed the agreements for the sale of personal loan portfolio and credit card business to Citibank N.A. (Bangkok Branch). TISCO Bank Public Company Limited has completed the sale of the personal loan portfolio to Citibank successfully on June 4, 2018 while All-Ways Company Limited has completed the sale of credit card business to Citibank N.A., Bangkok Branch successfully, effective starting from September 23, 2018. Thus, the Company revised the financial statement of the year 2017 to be in alignment with accounting standard of this period and for comparison and information use purposes.

Operating Results

The Management Discussion and Analysis compares operating performance of the year 2018 and 2017

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations on a standalone basis totaling 5,626.80 million baht, mainly contributed by service fee income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company 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 securities business.

In 2018, the net profit attributed to owners of the Company totaled 7,015.69 million baht, increased by 925.68 million baht (15.2% YoY), contributed by an increase in income from core businesses and the record of extraordinary income from investment and business sale. Net interest income increased by 9.1% (YoY) from the ability to maintain overall loan yield and the effective cost management, together with the transfer of retail banking business from Standard Chartered Bank (Thai) Public Company Limited. In addition, the Company recorded gain on selling investment, share of profit from subsidiaries and gain from sale of credit card business. However, non-interest income from core business slightly declined by 0.7% (YoY), from the decline in investment banking fee income. Whilst, fee income from other core businesses reported favorable growth. Provision expense declined by 12.3% (YoY) following the effective credit control.

At the end of this year, the Company has revised the loan classification criteria to be more stringent for installment loans in accordance with prudent credit control policy, despite the clients’ repayment behavior and overall asset quality have remained stable. As a result, NPLs ratio at the end of 2018 rose to 2.86%. Meanwhile, the Bank still maintained loan loss reserve to minimum loan loss reserve requirement as high as 230.1%.

Composition of Operating Income

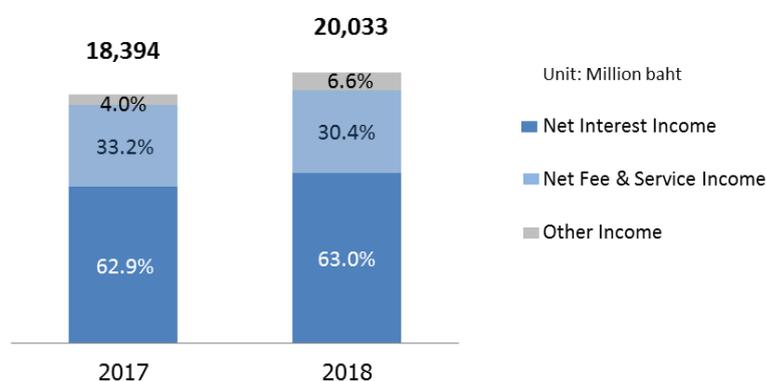


Table 1 : Consolidated Revenue Structure

Type of Revenue (Million baht)	2018	2017	%YoY
Interest income			
Interest on loans	8,090.39	6,608.71	22.4
Interest on interbank and money market items	706.37	584.92	20.8
Hire purchase and financial lease income	8,691.42	8,993.74	(3.4)
Investments	202.09	194.16	4.1
Total interest income	17,690.28	16,381.52	8.0
Interest expenses	(5,075.51)	(4,814.37)	5.4
Net interest income	12,614.77	11,567.15	9.1
Fee income			
Fee income	6,339.09	6,344.65	(0.1)
Fee expenses	(243.67)	(245.96)	(0.9)
Net fee income	6,095.43	6,098.69	(0.1)
Gain on investment and foreign exchange transaction	502.63	(41.89)	n.a.
Share of profit from invest in subsidiaries	222.71	130.42	70.8
Other operating income	597.64	639.65	(6.6)
Total operating income	20,033.17	18,394.02	8.9
Other operating expenses	(8,753.27)	(7,670.71)	14.1
Bad debt and doubtful account and impairment loss of debt securities	(2,701.45)	(3,078.65)	(12.3)
Profit before income tax and minority interest	8,578.45	7,644.66	12.2
Corporate income tax expenses	(1,663.02)	(1,486.82)	11.9
Profit from continuing operations	6,915.43	6,157.84	12.3
Profit/Loss from discontinued operations	128.31	(40.54)	n.a.
Profit before minority interest	7,043.74	6,117.31	15.1
Non-controlling interests of the subsidiaries	(28.06)	(27.30)	2.8
Net profit	7,015.69	6,090.01	15.2

Basic earnings per share for the year 2018 was 8.76 baht per share, increased from 7.61 baht per share in 2017. Meanwhile, the return on average equity (ROAE) increased from 18.5% in 2017 to 19.4%.

Net Interest Income

Net interest income for the year 2018 was 12,614.77 million baht, increased by 1,047.62 million baht (9.1% YoY). Total interest income was 17,690.28 million baht, increased by 1,308.76 million baht (8.0% YoY), while interest expense increased by 261.13 million baht to 5,075.51 million baht (5.4% YoY).

Yield on loan increased from 6.8% to 6.9% (YoY) from the shift in loan portfolio mix from hire purchase loans to consumer loans that offer higher yield, along with the transfer of retail banking business from Standard Chartered Bank (Thai). While, the cost of fund declined from 2.1% to 2.0% (YoY) following the Company's effective cost management. Consequently, loan spread improved from 4.8% to 4.9% (YoY). The net interest margin remained stable at 4.2% (YoY).

Table 2 : Loan Spread

%	2017	2018
Yield on Loans	6.8	6.9
Cost of fund	2.1	2.0
Loan spread	4.8	4.9

The Company reported the net interest income after impairment loss of loans and debt securities totaled 9,913.32 million baht, increased by 1,424.82 million baht (16.8% YoY). Impairment losses on loans totaled 2,701.45 million baht, dropped comparing with 3,078.65 million baht in 2017 following the effective credit control.

Non-interest Income

In 2018, non-interest income of the Company reported at 7,418.40 million baht, increased by 8.7% (YoY), comprising non-interest income from core businesses of 6,936.73 million baht, decreased by 47.58 million baht (0.7% YoY) following the decline in investment banking fee income from the absence of underwriting fee in 2017. Nonetheless, banking fee income rose by 286.94 million baht (6.9% YoY) to 4,436.69 million baht from the strong improvement in bancassurance business. Brokerage fee income increased by 3.35 million baht (0.4% YoY) to 834.11 million baht stemming from higher market trading volume. Furthermore, asset management basic fee grew by 132.47 million baht (10.4% YoY) to 1,411.83 million baht, from the issuance of new funds corresponding to the customer demand during the volatile capital market.

In addition, this year the Company recorded the gain on selling investment amounting 496 million baht, extraordinary profit sharing from the investment in subsidiaries amounting 152 million baht and gain from sale of credit card business which was reported under "Profit from discontinued operations" amounting 128 million baht.

Non-interest Expenses

Non-interest expenses were 8,753.27 million baht, increased by 1,082.56 million baht (14.1% YoY), mainly from an increase in variable expenses associated with revenue and profit growth. Nevertheless, the Company still maintained effective operating cost control, resulting in low cost-to-income ratio at 43.7%.

Corporate Income Tax

In 2018, the corporate income tax was 1,663.02 million baht, equivalent to the effective tax rate of 19.4% unchanged from the previous year.

Financial Positions

The Management Discussion and Analysis on operating results on financial status is a comparison between the financial positions as of December 31, 2018 and December 31, 2017

Assets

As of December 31, 2018, the Company's total assets were 302,544.63 million baht, decreased by 0.3% (YoY), due to the decline in loan portfolio from 251,383.80 million baht to 240,654.34 million baht (4.3% YoY). Meanwhile, interbank and money market grew from 44,647.15 million baht to 54,071.39 million baht (21.1% YoY), and investment increased from 7,547.14 million baht to 9,012.34 million baht (19.4% YoY).

Table 3 : Assets Breakdown

Assets	December 31, 2018		December 31, 2017		Change (%YoY)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	1,191.80	0.4	1,324.81	0.4	(10.0)
Interbank and Money Market Items	54,071.39	17.9	44,647.15	14.7	21.1
Derivatives	5.68	0.0	-	-	n.a.
Investment – Net	9,012.34	3.0	7,547.14	2.5	19.4
Investments in subsidiaries, associate and JV	800.15	0.3	573.93	0.2	39.4
Corporate Loans	45,048.72	14.9	50,607.52	16.7	(11.0)
Retail Loans	179,045.33	59.2	184,184.72	60.7	(2.8)
Commercial Loans	14,865.66	4.9	15,099.95	5.0	(1.6)
Other Loans	1,694.63	0.6	1,491.61	0.5	13.6
Allowance for doubtful accounts and for loss on debt restructuring	(11,673.64)	(3.9)	(11,456.11)	(3.8)	1.9
Other Assets	8,482.56	2.8	9,367.70	3.1	(9.4)
Total Assets	302,544.63	100.0	303,388.41	100.0	(0.3)

Liabilities

As of December 31, 2018, total liabilities were 264,715.18 million baht, decreased by 1.5% (YoY) due to the decrease in debentures from 63,601.70 million baht to 49,680.00 million baht (21.9% YoY). Whereas, total deposits increased from 188,280.76 million baht to 198,985.23 million baht (5.7% YoY), and interbank and money market increased from 4,017.51 million baht to 4,374.67 million baht (8.9% YoY) The liabilities mix comprised of total deposits including bill of exchange at 75.2%, interbank and money market items at 1.7%, debentures at 18.8% and 4.4% of other liabilities.

Table 4 : Liabilities Breakdown

Liabilities	December 31, 2018		December 31, 2017		Change (%YoY)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits	198,985.23	75.2	188,280.76	70.1	5.7
Interbank and money market items	4,374.67	1.7	4,017.51	1.5	8.9
Debentures	49,680.00	18.8	63,601.70	23.7	(21.9)
Others	11,675.28	4.4	12,756.67	4.7	(8.5)
Total Liabilities	264,715.18	100.0	268,656.64	100.0	(1.5)

Shareholders' Equity

As of December 31, 2018, shareholders' equity was 37,829.46 million baht, increased by 3,097.69 million baht (8.9% YoY) from an increase in retained earnings for the year 2018. As a result, the book value per share (BVPS) as of December 31, 2018 was 47.25 baht per share, rose from 43.38 baht per share (YoY).

Business Segment Operations

(1) Banking Business

Loans¹

Total loans and receivables as of December 31, 2018 were 240,654.34 million baht, decreased by 10,729.46 million baht (4.3% YoY), mainly driven by the sale of personal loan and credit card loan, together with the highly competitive market condition in housing loan and the write-off of retail loans and commercial loans. The composition of loan portfolio was 75.9% of retail loans, 16.6% of corporate loans, 6.2% of commercial loans and 1.3% of other loans.

Retail Lending portfolio totaled 182,743.81 million baht, decreased by 2.9% (YoY). The total retail portfolio as of December 31, 2018 consisted of 71.6% car and motorcycle hire purchase loans, 17.6% loans against auto license, 9.6% mortgage loans and 1.2% home-equity loans. The outstanding hire purchase loans totaled 130,861.49 million baht, increased by 0.9% (YoY) following the improvement in domestic consumption. The domestic car sale for the year 2018 was 1,041,739 units, increased by 19.5% (YoY), compared to 871,647 units in 2017. The car penetration rate of TISCO for the year 2018 dropped from 7.2% to 6.6% (YoY).

Loans against auto license ("Auto Cash") amounted 32,134.02 million baht, grew by 4,385.50 million baht (15.8% YoY), from the increased new business through all channels – bank branches and loan offices – aligning with network expansion strategy, especially from the expansion through "Somwang" channels which resulted in loan growth of 4,086.78 million baht (39.9% YoY) to total of 14,323.02 million baht, which accounted for 44.6% of total loans against auto license. All in all, at the end of 2018, "Somwang" loan offices totaled 238 branches nationwide.

Mortgage loans totaled 17,581.10 million baht, dropped by 15.3% (YoY) while home-equity loans amounted 2,167.21 million baht, declined by 30.2% (YoY) amidst the highly competitive market condition, as well as the loan write-off for asset quality control purposes.

Moreover, during 2018, the Company sold personal loan and credit card loan at the amount around 5,200 million baht.

Corporate Lending portfolio totaled 39,961.73 million baht, declined by 4,643.86 million baht (10.4% YoY), due to the loan repayment from the clients in agriculture and mining sector and real estate and construction sector.

Commercial Lending portfolio totaled 14,865.66 million baht, dropped by 234.29 million baht (1.6% YoY) mainly contributed by the loan write-off for asset quality control purposes. Nevertheless, car inventory financing still maintained robust growth throughout the year 2018.

Other Loans portfolio totaled 3,083.13 million baht, decreased by 11.0 from the previous year.

¹ Remark: Loans Breakdown analyzed by product types referring to Table 5.2

Table 5.1 : Loans Breakdown (in accordance with Notes to Financial Statement)

Type of Business	December 31, 2018		December 31, 2017		Change (%YoY)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and Commerce	9,699.49	4.0	11,019.73	4.4	(12.0)
Real Estate and Construction	11,386.13	4.7	14,972.95	6.0	(24.0)
Public Utilities and Services	23,289.33	9.7	22,696.33	9.0	2.6
Agriculture and Mining	673.77	0.3	1,918.50	0.8	(64.9)
Corporate Loans	45,048.72	18.7	50,607.52	20.1	(11.0)
Commercial Loans	14,865.66	6.2	15,099.95	6.0	(1.6)
Hire Purchase	130,861.49	54.4	129,719.70	51.6	0.9
Mortgage Loans	17,581.10	7.3	20,757.33	8.3	(15.3)
Loans against auto license	28,435.54	11.8	23,719.47	9.4	19.9
Home-Equity Loans	2,167.21	0.9	3,105.06	1.2	(30.2)
Personal Loans	-	-	3,930.96	1.6	n.a.
Credit Card Loans	-	-	2,952.19	1.2	n.a.
Retail Loans	179,045.33	74.4	184,184.72	73.3	(2.8)
Others	1,694.63	0.7	1,491.61	0.6	13.6
Total Loans	240,654.34	100.0	251,383.80	100.0	(4.3)

Table 5.2 : Loans Breakdown (by product types)

Type of Business	December 31, 2018		December 31, 2017		Change (%YoY)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and Commerce	6,366.10	2.6	6,931.35	2.8	(8.2)
Real Estate and Construction	11,067.46	4.6	14,658.52	5.8	(24.5)
Public Utilities and Services	22,320.99	9.3	21,620.21	8.6	3.2
Agriculture and Mining	207.18	0.1	1,395.52	0.6	(85.2)
Corporate Loans	39,961.73	16.6	44,605.59	17.7	(10.4)
Commercial Loans	14,865.66	6.2	15,099.95	6.0	(1.6)
Hire Purchase	130,861.49	54.4	129,719.70	51.6	0.9
Mortgage Loans	17,581.10	7.3	20,757.33	8.3	(15.3)
Loans against auto license	32,134.02	13.4	27,748.52	11.0	15.8
Home-Equity Loans	2,167.21	0.9	3,105.06	1.2	(30.2)
Personal Loans	-	-	3,929.32	1.6	n.a.
Credit Card Loans	-	-	2,952.19	1.2	n.a.
Retail Loans	182,743.81	75.9	188,212.12	74.9	(2.9)
Others	3,083.13	1.3	3,466.13	1.4	(11.0)
Total Loans	240,654.34	100.0	251,383.80	100.0	(4.3)

Deposits and Borrowings

Total deposits and borrowings amounted 248,665.23 million baht, decreased by 1.3% (YoY). Total deposits reported at 198,985.23 million baht, increased by 10,704.47 million baht (5.7% YoY) while debentures totaled 49,680.00 million baht, decreased by 13,921.70 million baht (21.9% YoY). As of December 31, 2018, the Bank had liquid assets totaling 59,803.87 million baht, increased by 11,587.89

million baht (24.0% YoY). Thus, the liquid assets were accounted for 24.0% of total deposits and borrowings.

Table 6 : Deposits Structure

Type of Deposits	December 31, 2018		December 31, 2017		Change (% YoY)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	2,483.56	1.2	3,785.00	2.0	(34.4)
Saving accounts	54,683.84	27.5	64,544.34	34.3	(15.3)
Fixed accounts	40,074.74	20.1	19,860.34	10.5	101.8
Negotiate certificate deposit	95,866.17	48.2	92,614.16	49.2	3.5
Short-term borrowings	5,876.92	3.0	7,476.92	4.0	(21.4)
Total Deposits	198,985.23	100.0	188,280.76	100.0	5.7

Non-Performing Loans (NPLs) and Loan Loss Provision

At the end of 2018, the Company reported NPLs amounting 6,876.21 million baht, increased by 1,046.85 million baht (18.0% YoY), which comprised of 6,309.06 million baht from the Bank and 567.14 million baht from other subsidiaries. Thus, NPL ratio rose from 2.32% to 2.86% from the previous year. NPL ratio of retail loans, corporate loans, and commercial loans were 3.36%, 1.32%, and 0.75% respectively.

In 2018, the Company has revised the loan classification and the provisioning criteria to be more stringent for installment loans, including mortgage loans and loan against auto licenses, to be in accordance with prudent credit control policy. Consequently, total NPLs as of 2018 increased even though the repayment behavior and overall asset quality of these clients remained stable. The prudent criteria comprehensively consider the payment of installment, principal and interest.

The increase in NPLs of these installment loans was resulted from the difference between the prudent loan classification and current payment hierarchy, where the revision of the payment hierarchy system for consistency is still in process and is expected to be completed in 2019. After the revision, the increased NPLs will reduce back to the level close to the NPLs prior to the change. While the provisioning criteria were conducted based on prudent principle, the NPLs before the revision of the loan classification as of 31 December 2018 would be reported at 2.23%.

Moreover, the Company also managed NPLs through the process of loan write-off of some retail loan portfolio and commercial loan portfolio in order to control the level of NPLs according to the risk management policy to maintain strong financial position.

The Company set up provision at 2,701.45 million baht, accounted for 1.1% of average loan, and decreased comparing with 3,078.65 million baht (YoY), following the effective credit control. This year, the Company also additionally set up general reserve of 113 million baht from the previous year. Loan loss reserve of the Company was 11,673.64 million baht while total loan loss reserve of the Bank was 11,051.80 million baht which was higher than the minimum loan loss reserve required by the Bank of Thailand at 4,791.88 million baht or accounted 230.1% of minimum loan loss reserve requirement. The loan loss provision coverage ratio at the end of 2018 reported at 169.8%.

Table 7 : NPLs Breakdown

Type of NPLs	December 31, 2018			December 31, 2017			Change (%YoY)
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and Commerce	2.99	290.02	4.2	2.06	227.38	3.9	27.6
Real Estate and Construction	0.84	95.93	1.4	0.51	76.05	1.3	26.1
Public Utilities and Services	0.68	159.22	2.3	0.66	149.10	2.6	6.8
Agriculture and Mining	7.04	47.43	0.7	1.23	23.63	0.4	100.8
NPLs - Corporate Loans	1.32	592.61	8.6	0.94	476.16	8.2	24.5
NPLs - Commercial Loans	0.75	111.60	1.6	1.27	191.48	3.3	(41.7)
Hire Purchase	2.76	3,611.56	52.5	2.56	3,325.24	57.0	8.6
Mortgage Loans	6.06	1,066.00	15.5	4.08	847.30	14.5	25.8
Consumer Loans	4.39	1,342.43	19.5	3.18	852.68	14.6	57.4
Personal Loans	-	-	-	0.15	5.95	0.1	n.a.
Credit Card Loans	-	-	-	0.61	18.07	0.3	n.a.
NPLs - Retail Loans	3.36	6,019.98	87.5	2.74	5,049.25	86.6	19.2
Others	8.97	152.02	2.2	7.54	112.46	1.9	35.2
Total NPLs	2.86	6,876.21	100.0	2.32	5,829.35	100.0	18.0

(2) Securities Business

In 2018, average daily turnover of TISCO Securities was 2,486.32 million baht, increased by 11.7% (YoY) from 2,226.82 million baht, following an increase in market trading volume amid the capital market volatility. Therefore, brokerage fee income rose by 0.4% (YoY), totaling 834.11 million baht. However, TISCO Securities' market share weakened from 2.6% to 2.5% (YoY). The market share of retail investors dropped from 1.9% to 1.7% (YoY) and the market share of foreign institution sector increased from 2.3% to 2.2% (YoY). Meanwhile, the market share of local institution sector (excluding proprietary trading) increased from 6.4% to 6.5% (YoY). All in all, TISCO brokerage volume comprised of 31.5% of local institutions, 37.8% of foreign institutions, and 30.7% of retail customers.

(3) Asset Management Business

As of December 31, 2018, assets under management of TISCO Asset Management Co., Ltd. reported at 249,061.80 million baht, increased by 3.7% (YoY), from the growth in provident fund business and private fund business. The basic fee income from asset management totaled 1,411.83 million baht, grew by 10.4% (YoY) owing to the issuance of various types of funds corresponding to market demands amidst the volatile capital market.

The composition of total asset under management was 65.1% provident fund, 16.9% private fund, and 18.0% mutual fund. Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2018 was 3.5%, ranking 8th in the market. The market share of provident fund was 14.4%, ranking 2nd in the market. The market share of private fund was 4.3%, ranking 5th in the market and the market share of mutual fund was 0.9%, ranking 14th in the market.

Table 8 : Assets under Management Breakdown

Type of Funds	December 31, 2018		December 31, 2017		Change (%YoY)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	162,127.22	65.1	151,053.43	62.9	7.3
Private Fund	42,064.87	16.9	41,855.28	17.4	0.5
Mutual Fund	44,869.71	18.0	47,334.10	19.7	(5.2)
Total AUMs	249,061.80	100.0	240,242.80	100.0	3.7

Risk Management

As of December 31, 2018, TISCO Group's internal capital stood at 35,427.67 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital increased by 353.16 million baht from the end of 2017 to 14,795.51 million baht, mostly resulting from increasing in market and operational risk capital. In addition, the capital surplus remained strong at 20,632.16 million baht or 58.2% of total capital.

Comparing to the end of year 2017, the credit risk capital stood at 11,901.96 million baht, which increased by 48.28 million baht or 0.4%, while loan portfolio contracted by 4.3% during the year. The non-performing loan of TISCO Group increased from 2.3% to 2.9%.

The market risk capital rose from 125.06 million baht to 265.14 million baht, as a result of an increase in risk capital of investment portfolio along with pressure on SET index. Meanwhile, the overall duration gap increased to 0.85 year, which was in a manageable level. The assets duration increased from 1.32 year to 1.43 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, fell from 0.63 year to 0.58 year.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions were strong and sufficient levels to cushion for the expansion of asset in the future. At the end of December 2018, the regulatory capital adequacy ratio based on IRB approach (BIS ratio) of the bank stood at 22.91%, remaining higher than the 10.375% required by the Bank of Thailand. The Tier-I and Tier-II capital adequacy ratio stood at 17.85% and 5.06%, respectively, in which Tier-I capital adequacy ratio also remained higher than the minimum requirement at 7.875%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 105.91%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 9 : Average Duration Mismatch of Assets and Liabilities and Its Impact

	Duration (years)		1-Y Net interest income change to 1% interest rate increase (MB)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Assets	1.43	1.32	1,398.00	1,423.78
Liabilities*	0.58	0.63	(1,198.29)	(1,154.74)
Net Gap	0.85	0.69	199.72	269.04

*Note: * Exclude saving and current account*

Business Updates for the year 2018

On March 30, 2018, TISCO Bank Public Company Limited and All-Ways Company Limited, the subsidiaries of TISCO Financial Group Company, have signed the agreements for the sale of personal loan portfolio and credit card business to Citibank N.A. (Bangkok Branch). TISCO Bank will be the seller of personal loan portfolio, and All-Ways will be the seller of credit card business.

The Sale of Personal Loan Portfolio

On June 4, 2018, TISCO Bank Public Company Limited has completed the sale of the personal loan portfolio to Citibank successfully. The sale included approximately 30,000 personal loan clients at total personal loan portfolio around 2,900 million baht.

The Sale of Credit Card Business

All-Ways Company Limited, as a credit card operator of TISCO Group, has completed the sale of credit card business to Citibank N.A., Bangkok Branch successfully, effective starting from September 23, 2018. The sale included approximately 120,000 credit card accounts with credit card portfolio around 2,300 million baht.