



# Management Discussion and Analysis

For the First Quarter of 2020 ended March 31, 2020

(Reviewed Consolidated Financial Statement)

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## Movement of Money Market and Capital Market

In the first quarter of 2020, the Bank of Thailand has revised down GDP forecast to a contraction of 5.3% driven by the pandemic of coronavirus or COVID-19 that has severely impacted the global economy, including a drastic slowdown in Thai economy especially tourism sector which is a key source of income for Thai economy. Tourism sector has shrunk significantly from lockdown policy in many countries and the suspension of international travel while export sector has contracted from global supply chain disruption. Domestic consumption has been affected from measures to reduce business activities and social distancing due to the outbreak of COVID-19, together with a decline in household income following unemployment problem in private sector amid the economic downturn and also the drought problem in agricultural sector. Moreover, public investment has been sluggish following the delay in fiscal budget disbursement. The headline inflation for the first quarter of 2020 softened to 0.42%. The domestic car sale for the first 3 months of 2020 decreased by 24.1% (YoY) totaling 200,064 units.

In response to COVID-19 situation that significantly affected a number of people and businesses, the government and the Bank of Thailand have launched measures to help the affected debtors in forms of debt moratorium and debt restructuring for retail borrowers of credit card loan, personal loan, hire purchase, leasing, and mortgage loan. Furthermore, additional relief measures were launched to support small and medium-sized enterprises (SMEs) in term of liquidity support with measures of loan repayment holiday and soft loan offering. Additionally, the Bank of Thailand supported market liquidity to stabilize the corporate bond market through the establishment of the Corporate Bond Stabilization Fund (BSF).

During the quarter, to mitigate the impact of COVID-19 outbreak, US Federal Reserve cut the interest rates to 0.00 – 0.25% and launched qualitative easing program (QE). Meanwhile, the Bank of Thailand (BOT) also reduced the policy rate 2 times to 0.75%. The average 3-month fixed deposit rates of Top-4 commercial banks decreased from 0.86% to 0.54% (YoY) while the average minimum lending rate of Top-4 commercial banks dropped from 6.01% to 5.86% (YoY). In addition, the Bank of Thailand reduced the rate of contribution from financial institutions to the FIDF from 0.46% of deposit base to 0.23% per annum for two years, after which large commercial banks reduced all lending rates by 0.40% starting in April 2020.

In the first quarter of 2020, the global capital market dropped significantly amid COVID-19 and economic recession concerns, which led to high capital market volatility. SET index closed at 1,125.86 points, declined by 453.98 points or 28.7% comparing to 1,579.84 points at the end of 2019 from foreign fund outflow. Market trading volume increased with average daily turnover increased from 50,206.32 million baht in the fourth quarter of 2019 to 66,356.50 million baht.

## Operating Results

### The Management Discussion and Analysis compares operating performance of the first quarter of 2020 and 2019

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations on a standalone basis totaling 156.33 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.

### Operating Results for the First Quarter of 2020

In the financial statement for the year 2020, the Company has adopted the new accounting standards namely TFRS 9 – “Financial Instruments” and TFRS 16 – “Leases” which were effective since January 1, 2020. The financial reporting has the material changes from the previous reporting as follows.

- Interest income recognition shall be based on effective interest rate (EIR), and another key change is the recognition of accrued interest income of non-performing loans (NPLs).
- Gain/Loss on financial instruments measured at fair value through profit or loss, where equity investments in the past were recognized gain/loss through profit or loss when the investments were liquidated.
- Expected Credit Loss (ECL) impairment framework is used in place of provision impairment loss method. TFRS 9 framework has different loan classification and impairment model, with an addition of Forward Looking model framework to incorporate effects from business cycles. Moreover, the accrued interest income of non-performing loans is subject to ECL impairment in full.

Amidst the situation of COVID-19 outbreak and domestic economic downturn, banking businesses have been affected, consequently the net profit attributed to owners of the Company in the first quarter of 2020 decreased by 243.53 million baht totaling 1,486.07 million baht (14.1% YoY) comparing to the first quarter of 2019. This was resulted from a business slowdown, increasing risks and partially from TFRS9 effect.

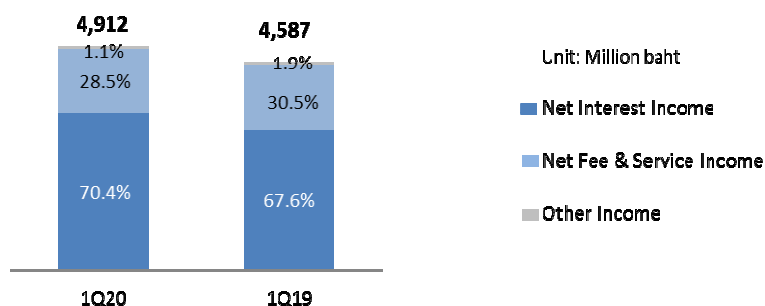
Net interest income rose due to higher yield on loan following an increase in the proportion of high-yield consumer loans, coupled with a decrease in interest expense aligning with an effective cost management during declining interest rate environment, and the reduction of FIDF cost. Non-interest income slightly declined due to lower fee income from core businesses amid economic slowdown and loss on financial instruments measured at fair value through profit or loss. Meanwhile, expected credit loss increased mainly from the extraordinary setup of ECL from an adjustment of forward looking macroeconomic assumption to reflect the current situation in accordance with new accounting standard. Non-performing loans partially increased amid economic slowdown.

Basic earnings per share for the first quarter of 2020 was 1.86 baht per share, decreased from 2.16 baht per share in the first quarter of 2019, with the return on average equity (ROAE) reported at 14.8%.

Table 1 : Consolidated Revenue Structure

Type of Revenue (Million baht)	1Q2020	1Q2019	%YoY
<b>Interest income</b>			
Interest on loans	2,148.49	1,955.46	9.9
Interest on interbank and money market items	94.32	210.15	(55.1)
Hire purchase and financial lease income	2,268.12	2,171.62	4.4
Investments	41.98	52.39	(19.9)
<b>Total interest income</b>	<b>4,552.92</b>	<b>4,389.63</b>	<b>3.7</b>
Interest expenses	(1,095.02)	(1,287.18)	(14.9)
<b>Net interest income</b>	<b>3,457.89</b>	<b>3,102.46</b>	<b>11.5</b>
<b>Fee income</b>			
Fee income	1,476.25	1,459.99	1.1
Fee expenses	(78.44)	(61.01)	28.6
<b>Net fee income</b>	<b>1,397.81</b>	<b>1,398.99</b>	<b>(0.1)</b>
Gain (Loss) on the financial instruments measured at fair value and investment	(85.6)	(23.5)	264.5
Share of profit (loss) from investments accounted for under equity method	15.5	(37.2)	(141.7)
Other operating income	126.38	146.53	(13.7)
<b>Total operating income</b>	<b>4,911.97</b>	<b>4,587.28</b>	<b>7.1</b>
Operating expenses	(1,994.83)	(2,316.70)	(13.9)
Expected Credit Loss	(1,073.35)	(108.21)	891.9
<b>Profit before income tax and minority interest</b>	<b>1,843.79</b>	<b>2,162.37</b>	<b>(14.7)</b>
Corporate income tax expenses	(357.62)	(430.90)	(17.0)
<b>Profit before minority interest</b>	<b>1,486.17</b>	<b>1,731.47</b>	<b>(14.2)</b>
Non-controlling interests of the subsidiaries	(0.10)	(1.88)	(94.7)
<b>Net profit</b>	<b>1,486.07</b>	<b>1,729.60</b>	<b>(14.1)</b>

#### Composition of Operating Income



#### Net Interest Income

In the first quarter of 2020, net interest income was 3,457.89 million baht, increased by 355.44 million baht (11.5% YoY). Total interest income was 4,552.92 million baht, increased by 163.28 million baht (3.7% YoY) due to higher yield on loan following an increase in the proportion of high-yield consumer loans. Moreover, there was an effect from the revision of the interest income recognition to be in accordance with TFRS 9 by using effective interest rate (EIR) and recognizing the accrued interest income of non-performing loans. Whereas, interest expense was 1,095.02 million baht, declined by 192.15 million baht (14.9% YoY)

aligning with an effective cost management during declining interest rate environment, and the reduction of contribution rate to the FIDF from 0.46% to 0.23% in line with the measure by the Bank of Thailand.

As a result, yield on loan increased from 6.9% to 7.4% (YoY) while the cost of fund decreased from 2.1% to 1.8% (YoY). Consequently, loan spread increased from 4.8% to 5.6% (YoY) whereas the net interest margin improved from 4.1% to 4.7% (YoY).

If excluding the revision of the accounting standard, yield on loan increased from 6.9% to 7.0% (YoY) following the increase in the proportion of high-yield consumer loans. The cost of fund decreased to 1.8%, as a result, loan spread improved from 4.8% to 5.1% (YoY). Whilst, the net interest margin increased from 4.1% to 4.4% (YoY).

*Table 2 : Loan Spread*

	Old Account Standard				New TFRS 9
	2019*	1Q2019	4Q2019*	1Q2020	1Q2020
Yield on Loans (%)	6.9	6.9	6.9	7.0**	7.4
Cost of fund (%)	2.1	2.1	2.1	1.8	1.8
<b>Loan Spread (%)</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>5.1</b>	<b>5.6</b>
<b>Net Interest Margin (%)</b>	<b>4.2</b>	<b>4.1</b>	<b>4.2</b>	<b>4.4</b>	<b>4.7</b>
Credit Cost (%)	0.5	0.2	0.6	0.8***	1.8
<b>Loan Spread after Credit Cost (%)</b>	<b>4.3</b>	<b>4.6</b>	<b>4.2</b>	<b>4.3</b>	<b>3.8</b>
<b>Net Interest Margin after Credit Cost (%)</b>	<b>3.8</b>	<b>3.9</b>	<b>3.7</b>	<b>3.6</b>	<b>2.9</b>

\* Excluding the revision of interest income recognition and credit cost prior to TFRS 9 adoption

\*\* Excluding the impact from the accrued interest income from NPLs in accordance with TFRS 9

\*\*\* ECL under TFRS 9 but excluding the adjustment of forward looking assumption and excess reserve release for comparison purpose

### Non-interest Income

In the first quarter of 2020, non-interest income declined by 2.1% (YoY) resulting from the decrease in fee income from core businesses amid economic slowdown, and the record of loss on financial instruments measured at fair value through profit or loss in accordance with TFRS 9.

Non-interest income from core businesses totaled 1,570.50 million baht, remained stable YoY. Banking fee income dropped by 82.89 million baht (7.8% YoY) to 975.95 million baht following a slowdown in bancassurance business aligning with declining new business volume, together with decreasing loan-related fee income. Brokerage fee income rose by 43.46 million baht (25.2% YoY) to 215.83 million baht contributed by higher trading volume from local institution investors and retail investors. Asset management basic fee increased by 36.41 million baht (10.8% YoY) to 374.75 million baht from the issuance of new funds amid volatile market condition.

In addition, during this quarter, other non-interest income declined mainly from loss on financial instruments measured at fair value through profit or loss amounting 87 million baht, which reflected a decrease in market value following declining capital market.

### Operating Expenses

Non-interest expenses were 1,994.83 million baht, decreased by 321.87 million baht (13.9% YoY), resulting from a decrease in variable expenses associated with revenue and profit contraction. The Company still maintained effective operating cost control with cost to income ratio at 40.8%.

### Expected Credit Loss

Expected credit loss (ECL) totaled 1,073.35 million baht, increased comparing with bad debt, doubtful accounts and impairment losses of 108.21 million baht in the first quarter of 2019, and accounted for 1.79% of average loans. In 2020 going forward, the expected credit loss under TFRS 9 model takes into account the potential credit loss from loans and additional risks from forward looking macroeconomic factors. The increase in ECL in this quarter was mainly resulted from the extraordinary setup of ECL from an adjustment of forward looking macroeconomic assumption to reflect the current situation in accordance with TFRS 9, approximate amount of 840 million baht. This assumption adjustment reflected a significant change during the quarter in the forward looking macroeconomic factors for full year 2020. In addition, normal ECL also increased following the increase in non-performing loans from 2.40% to 2.56%.

The Company still has remaining excess reserve from end-year 2019, approximately totaling 2,100 million baht, which is subject to the gradual release under straight-line amortization method for 2-year time, revised from 5-year time, approximately amounting 264 million baht per quarter. If excluding the extraordinary ECL from the assumption adjustment and excess reserve release, the Company would have normalized ECL expense for the quarter of approximately 497 million baht, or credit cost ratio of 0.8%.

### Corporate Income Tax

In the first quarter of 2020, the corporate income tax was 357.62 million baht, equivalent to the effective tax rate of 19.4% increased from 19.9% in the first quarter of last year.

## Financial Positions

The Management Discussion and Analysis on operating results on financial status is a comparison between the financial positions as of March 31, 2020 and December 31, 2019

### Assets

As of March 31, 2020, the Company's total assets were 303,554.69 million baht, increased by 1.8% (YTD). Loan portfolio declined from 242,826.14 million baht to 237,873.02 million baht (2.0% YTD). Interbank and money market increased from 45,300.14 million baht to 51,686.63 million baht (14.1% YTD).

Referring to TFRS 9, financial reporting has revised the classification of investments into "Financial assets measured at fair value through profit or loss" and "Investments". As of the first quarter of 2020, financial assets measured at fair value through profit or loss totaled 1,837.89 million baht, which included the measurement of investments in equity instruments of non-listed companies at fair value on January 1, 2020. Investments totaled 11,577.76 million baht.

In addition, TFRS 16 required the recognition and measurement of lease contract which is presented under "Right-of-use assets" amounting 1,019 million baht.

Table 3 : Assets Breakdown

Assets	March 31, 2020		December 31, 2019		Change (%YTD)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	1,278.09	0.4	1,102.56	0.4	15.9
Interbank and Money Market Items	51,686.63	17.0	45,300.14	15.2	14.1
Derivatives	0.00	0.0	21.91	0.0	n.a.
Financial assets measured at fair value through profit or loss	1,837.89	0.6	0.00	0.0	n.a.
Investments – Net	11,577.76	3.8	9,363.03	3.1	n.a.
Investments in subsidiaries, associate and JV	826.50	0.3	813.60	0.3	1.6
Corporate Loans	35,413.23	11.7	36,693.77	12.3	(3.5)
Commercial Loans	11,681.84	3.8	13,200.02	4.4	(11.5)
Retail Loans	188,466.42	62.1	190,646.76	63.9	(1.1)
Other Loans	2,311.54	0.8	2,285.59	0.8	1.1
Allowance for expected credit loss	(11,536.26)	(3.8)	(10,716.71)	(3.6)	7.6
Other Assets	10,011.05	3.3	9,593.42	3.2	4.4
<b>Total Assets</b>	<b>303,554.69</b>	<b>100.0</b>	<b>298,304.10</b>	<b>100.0</b>	<b>1.8</b>

### Liabilities

As of March 31, 2020, total liabilities were 262,420.02 million baht, increased by 1.3% (YTD). Total deposits increased from 216,121.47 million baht to 220,665.65 million baht (2.1% YTD). Interbank and money market decreased from 4,656.13 million baht to 4,126.11 million baht (11.4% YTD) and debentures declined from 24,980.00 million baht to 23,590.00 million baht (5.6% YTD).

Table 4 : Liabilities Breakdown

Liabilities	March 31, 2020		December 31, 2019		Change (%YTD)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits	220,665.65	84.1	216,121.47	83.4	2.1
Interbank and money market items	4,126.11	1.6	4,656.13	1.8	(11.4)
Debentures	23,590.00	9.0	24,980.00	9.6	(5.6)
Others	14,038.26	5.3	13,350.38	5.2	5.2
<b>Total Liabilities</b>	<b>262,420.02</b>	<b>100.0</b>	<b>259,107.98</b>	<b>100.0</b>	<b>1.3</b>

### Shareholders' Equity

As of March 31, 2020, shareholders' equity was 41,134.66 million baht, increased by 1,938.55 million baht (4.9% YTD) from an increase in retained earnings of the first quarter of 2020, and the measurement of investments at fair value on January 1, 2020 by approximately 444 million baht following the adoption of TFRS 9. As a result, the book value per share (BVPS) as of March 31, 2020 was 51.38 baht per share, rose from 48.96 baht per share (YTD).



## Business Segment Operations

### (1) Banking Business

#### Loans

Total loans and receivables as of March 31, 2020 were 237,873.02 million baht, declined by 4,953.12 million baht (2.0% YTD), driven by the slowdown in all business sectors amid economic downturn. The composition of loan portfolio was 79.2% of retail loans, 14.9% of corporate loans, 4.9% of commercial loans and 1.0% of other loans.

**Retail Lending** portfolio totaled 188,466.42 million baht, decreased by 1.1% (YTD). The total retail portfolio as of March 31, 2020 consisted of 71.9% car and motorcycle hire purchase loans, 19.6% loans against auto license and 8.5% housing loans. The outstanding hire purchase loans totaled 135,548.10 million baht, dropped by 1.8% (YTD) following weaker domestic consumption. The domestic car sale for the first 3 months of 2020 was 200,064 units, decreased by 24.1% (YoY), compared to 263,549 units in the first 3 months of 2019. The car penetration rate of TISCO for the first 3 months of 2020 dropped from 6.5% to 6.2% (YoY).

Loans against auto licenses ("Auto Cash") amounted 36,875.24 million baht, grew by 3.4% (YTD), 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 807.40 million baht (4.4% YTD) to total of 19,220.32 million baht, which accounted for 52.1% of total loans against auto licenses. At the end of the quarter, "Somwang" loan offices totaled 301 branches nationwide.

Housing loans consisted of mortgage loans totaling 14,006.89 million baht, dropped by 5.4% (YTD) and home-equity loans totaling 2,036.19 million baht, declined by 7.0% (YTD) amidst the weakened economy.

**Corporate Lending** portfolio totaled 35,413.23 million baht, declined by 3.5% (YTD), due to the loan repayment from the clients in public utilities and services sector and manufacturing and commerce sector.

**Commercial Lending** portfolio totaled 11,681.84 million baht, dropped by 11.5% (YTD) due to the subdued private sector.

**Other Loans** portfolio totaled 2,311.54 million baht, increased by 1.1% from the end of previous year.

Table 5 : Loans Breakdown

Type of Loans	March 31, 2020		December 31, 2019		Change (%YTD)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and Commerce	2,187.20	0.9	2,630.54	1.1	(16.9)
Real Estate and Construction	15,112.75	6.4	14,674.57	6.0	3.0
Public Utilities and Services	18,113.28	7.6	19,388.66	8.0	(6.6)
<b>Corporate Loans</b>	<b>35,413.23</b>	<b>14.9</b>	<b>36,693.77</b>	<b>15.1</b>	<b>(3.5)</b>
<b>Commercial Loans</b>	<b>11,681.84</b>	<b>4.9</b>	<b>13,200.02</b>	<b>5.4</b>	<b>(11.5)</b>
Hire Purchase	135,548.10	57.0	137,990.30	56.8	(1.8)
Loans against auto licenses	36,875.24	15.5	35,660.00	14.7	3.4
Mortgage Loans	14,006.89	5.9	14,806.18	6.1	(5.4)
Home-Equity Loans	2,036.19	0.9	2,190.28	0.9	(7.0)
<b>Retail Loans</b>	<b>188,466.42</b>	<b>79.2</b>	<b>190,646.76</b>	<b>78.5</b>	<b>(1.1)</b>
Others	2,311.54	1.0	2,285.59	0.9	1.1
<b>Total Loans</b>	<b>237,873.02</b>	<b>100.0</b>	<b>242,826.14</b>	<b>100.0</b>	<b>(2.0)</b>

### Non-Performing Loans (NPLs) and Loan Loss Provision

In the first quarter of 2020, the Company reported NPLs amounting 6,080.60 million baht, increased by 246.16 million baht (4.2% YTD). NPL ratio increased from 2.40% to 2.56% from the end of 2019, due to the effect of the economic slowdown from the spread of COVID-19. NPL ratio of retail loans, corporate loans, and commercial loans were 3.02%, 0.73%, and 1.13% respectively. The NPLs consisted of 5,492.85 million baht from the Bank and 587.75 million baht from other subsidiaries.

Referring to the loan classification and ECL framework by TFRS 9, Stage 2 loans as of the first quarter of 2020 increased to 26,330.30 million baht comparing to Special Mention loans in the previous accounting standard. The increase was mainly resulted from the revision of TFRS 9 loan classification that included an assessment of a significant increase in credit risk (SICR) which defined additional classification factors on top of the loan overdue guideline. The result of this classification has already been reflected in the ECL.

Table 6 : Loan Classification

Loan Classification	March 31, 2020		December 31, 2019		Change (%YTD)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Performing Loans / Stage 1	205,462.12	86.4	220,168.77	90.7	(6.7)
Special Mention Loans / Stage 2	26,330.30	11.1	16,822.93	6.9	56.5
Non-Performing Loans / Stage 3	6,080.60	2.6	5,834.44	2.4	4.2
<b>Total Loans</b>	<b>237,873.02</b>	<b>100.0</b>	<b>242,826.14</b>	<b>100.0</b>	<b>(2.0)</b>

Table 7 : NPLs Breakdown

NPLs	March 31, 2020			December 31, 2019			Change (%YTD)
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and Commerce	11.86	259.45	4.3	9.86	259.45	4.4	-
Real Estate and Construction	-	-	0.0	-	-	0.0	n.a.
Public Utilities and Services	-	-	0.0	-	-	0.0	n.a.
<b>NPLs - Corporate Loans</b>	<b>0.73</b>	<b>259.45</b>	<b>4.3</b>	<b>0.71</b>	<b>259.45</b>	<b>4.4</b>	<b>-</b>
<b>NPLs - Commercial Loans</b>	<b>1.13</b>	<b>132.33</b>	<b>2.2</b>	<b>1.20</b>	<b>158.45</b>	<b>2.7</b>	<b>(16.5)</b>
Hire Purchase	2.79	3,788.37	62.3	2.35	3,248.86	55.7	16.6
Loans against auto licenses	2.80	1,032.36	17.0	2.38	848.02	14.5	21.7
Mortgage Loans	4.36	610.25	10.0	6.65	985.00	16.9	(38.0)
Home-Equity Loans	12.45	253.46	4.2	15.10	330.69	5.7	(23.4)
<b>NPLs - Retail Loans</b>	<b>3.02</b>	<b>5,684.44</b>	<b>93.5</b>	<b>2.84</b>	<b>5,412.57</b>	<b>92.8</b>	<b>5.0</b>
Others	0.19	4.38	0.1	0.17	3.97	0.1	10.2
<b>Total NPLs</b>	<b>2.56</b>	<b>6,080.60</b>	<b>100.0</b>	<b>2.40</b>	<b>5,834.44</b>	<b>100.0</b>	<b>4.2</b>

The Company set up ECL at 1,073.35 million baht, accounted for 1.79% of average loans, and increased comparing with bad debt, doubtful accounts and impairment losses of 108.21 million baht in the first quarter of last year. In 2020 going forward, the expected credit loss under TFRS 9 model takes into account the potential credit loss from loans and additional risks from forward looking macroeconomic factors. The increase in ECL in this quarter was mainly resulted from the extraordinary setup of ECL from an adjustment of forward looking macroeconomic assumption to reflect the current situation in accordance with TFRS 9, approximate amount of 840 million baht. This assumption adjustment reflected a significant change during the quarter in the forward looking macroeconomic factors for full year 2020. In addition, normal ECL also increased following the increase in non-performing loans from 2.40% to 2.56%. Hence, loan loss coverage ratio increased from 183.7% to 189.7% (YTD).

The Company still has remaining excess reserve from end-year 2019, approximately totaling 2,100 million baht, which is subject to the gradual release under straight-line amortization method for 2-year time, revised from 5-year time, approximately amounting 264 million baht per quarter. If excluding the extraordinary ECL from the assumption adjustment and excess reserve release, the Company would have normalized ECL expense for the quarter of approximately 497 million baht, or credit cost ratio of 0.8%.

Total allowance for expected credit loss of the Company was 11,536.26 million baht, which consisted of ECL impairment of 9,687.56 million baht and excess reserve of 1,848.70 million baht. Excess reserve is subject to the gradual release as mentioned above to be in alignment of the Bank of Thailand's guideline.

### Deposits and Borrowings

Total deposits and borrowings amounted 244,255.65 million baht, increased by 1.3% (YTD). Total deposits reported at 220,665.65 million baht, increased by 4,544.18 million baht (2.1% YTD) while debentures totaled 23,590.00 million baht, decreased by 1,390.00 million baht (5.6% YTD). As of March 31, 2020, the Bank had liquid assets totaling 62,636.43 million baht, decreased by 13,289.95 million baht (26.9% YTD). Thus, the liquid assets were accounted for 25.6% of total deposits and borrowings.

Table 8 : Deposits Structure

Type of Deposits	March 31, 2020		December 31, 2019		Change (%YTD)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	3,392.78	1.5	2,638.32	1.2	28.6
Saving accounts	45,887.08	20.8	37,801.62	17.5	21.4
Fixed accounts	54,887.83	24.9	56,560.88	26.2	(3.0)
Negotiate certificate deposit	116,461.05	52.8	119,083.73	55.1	(2.2)
Short-term borrowings	36.92	0.0	36.92	0.0	0.0
<b>Total Deposits</b>	<b>220,665.65</b>	<b>100.0</b>	<b>216,121.47</b>	<b>100.0</b>	<b>2.1</b>

## (2) Securities Business

In the first quarter of 2020, average daily turnover of TISCO Securities was 1,843.84 million baht, decreased from 1,968.94 million baht (YoY), following declining market share from 2.5% to 1.6% (YoY) resulting from the termination of the joint venture agreement in "Deutsche TISCO Investment Advisory Company Limited". The market share of foreign institution sector dropped from 2.1% to 0.02% (YoY) and the market share of retail investors decreased from 1.8% to 1.5% (YoY). Whereby, the market share of local institution sector (excluding proprietary trading) improved from 6.1% to 6.6% (YoY). TISCO brokerage volume comprised of 58.4% of local institutions, 0.5% of foreign institutions, and 41.1% of retail customers. Brokerage fee income on the other hand grew by 25.2% (YoY), totaling 215.83 million baht contributed by the increase in trading volume of local institutions and retail investors amid volatile capital market.

## (3) Asset Management Business

As of March 31, 2020, assets under management of TISCO Asset Management Co., Ltd. reported at 278,599.65 million baht, decreased by 4.0% (YTD) from weaker capital market. Nevertheless, the basic fee income from asset management totaled 374.75 million baht, increased by 10.8% (YoY) following the issuance of funds amid volatile capital market. The composition of total asset under management was 65.9% provident fund, 19.3% private fund, and 14.8% mutual fund. Total market share of TISCO Asset Management Co., Ltd. as of March 31, 2020 was 4.1%, ranking 7<sup>th</sup> in the market. The market share of provident fund was 15.9%, ranking 1<sup>st</sup> in the market. The market share of private fund was 4.8%, ranking 5<sup>th</sup> in the market and the market share of mutual fund was 0.9%, ranking 13<sup>th</sup> in the market.

Table 9 : Assets under Management Breakdown

Type of Funds	March 31, 2020		December 31, 2019		Change (%YTD)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	183,635.46	65.9	184,246.82	63.5	(0.3)
Private Fund	53,708.69	19.3	56,824.62	19.6	(5.5)
Mutual Fund	41,255.50	14.8	49,167.53	16.9	(16.1)
<b>Total AUMs</b>	<b>278,599.65</b>	<b>100.0</b>	<b>290,238.97</b>	<b>100.0</b>	<b>(4.0)</b>

## Risk Management

As of March 31, 2020, TISCO Group's internal capital stood at 35,084.17 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital increased by 594.75 million baht from the end of 2019 to 13,407.60 million baht, mainly resulting from an increase in credit risk and market risk capital. In addition, the capital surplus remained strong at 21,676.56 million baht or 61.8% of total capital.

Comparing to the end of 2019, loan portfolio contracted by 2.0%. The credit risk capital stood at 10,267.38 million baht, which increased by 415.01 million baht or 4.2%, while non-performing loans of TISCO Group increased from 2.40% to 2.56%, mainly resulting from the impact of economic slowdown due to the COVID-19 outbreak situation.

The market risk capital increased from 206.20 million baht to 385.94 million baht as a result of a decrease in SET index and higher risk capital of investment portfolio, together with recognition and measurement of financial assets at fair value through profit and loss (FVTPL) in accordance with the new Thai Financial Reporting Standard No. 9 (TFRS9) which is effective from January 1, 2020. Meanwhile, the overall duration gap slightly increased to 0.94 year, which was in a manageable level. The assets duration slightly rose from 1.447 year to 1.455 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, decreased from 0.523 year to 0.516 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. The regulatory capital adequacy ratio based on IRB approach (BIS ratio) of the bank stood at 22.16%, remaining higher than 11.0% required by the Bank of Thailand. The Tier-I and Tier-II capital adequacy ratio stood at 17.57% and 4.59%, respectively, in which Tier-I capital adequacy ratio also remained higher than the minimum requirement at 8.5%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 61.58%, which was higher than the minimum required ratio by the SEC of 7.0%.

*Table 10 : Average Duration Mismatch of Assets and Liabilities and Its Impact*

	Duration (years)		1-Y Net interest income change to 1% interest rate increase (MB)	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Assets	1.45	1.45	1,399.55	1,519.18
Liabilities*	0.52	0.52	(1,315.82)	(1,382.07)
<b>Net Gap</b>	<b>0.93</b>	<b>0.92</b>	<b>83.73</b>	<b>137.10</b>

*Note: \* Excluding current accounts and saving accounts*