



# Management Discussion and Analysis

For the Year 2020 ended December 31, 2020

(Unreviewed Consolidated Financial Statements)

Investor Relations  
TISCO Financial Group Public Company (Limited)  
Tel : 02 633 6868  
Email : [ir@tisco.co.th](mailto:ir@tisco.co.th)  
Website: [www.tisco.co.th](http://www.tisco.co.th)

## Economic Conditions and Movement of Financial Market

Domestic economy for the year 2020 contracted drastically amid the spread of COVID-19. Throughout the year, the government continually launched the disease-control measures namely a country lockdown during the middle of the year, social distancing practice and a suspension of international flight since the second quarter. In consequence, economic activities and domestic demands fell sharply, particularly tourism sector that was directly impacted by the country lockdown and the absence of tourist arrivals. Export sector declined in relation to weaker demands from trading partners and Thai Baht appreciation. Domestic consumption also weakened resulting from declining purchasing power following unemployment problem and lower household income, along with high level of household debt. Numerous relief measures by the government were implemented through liquidity injection schemes such as “Kon La Khreung” program, “Shop Dee Mee Kuen” program and “Rao Tiew Duay Gun” program in order to stimulate economic activities, promote consumptions and support business owners. Meanwhile, private investment slowed down reflecting business concerns over economic outlook that was full of uncertainty and the risk of resurgence of the epidemic during the end of 2020. The domestic car sale for the first 11 months of 2020 totaled 688,021 units, decreased by 25.1% (YoY), while the headline inflation for the year 2020 declined by 0.85%. The Bank of Thailand forecasted 2020 GDP at a contraction of 7.8%.

The Bank of Thailand has launched relief measures to help affected customers namely debt relief programs for retail customers to ease debt burden, debt restructuring, a reduction of ceiling of lending rate and liquidity support for SMEs through soft loan. In addition, during the year, the Bank of Thailand reduced the policy rate 3 times to 0.50%, together with reduced the rate of contribution from financial institutions to the FIDF from 0.46% to 0.23% of deposit base per annum for two years in order to pass on the lower interest rate to banks’ clients. The average 3-month fixed deposit rates of Top-4 commercial banks decreased from 0.86% to 0.37% (YoY) while all lending rates of Top-4 commercial banks also declined from the previous year. The average minimum lending rate (MLR) decreased from 6.01% to 5.31% (YoY). The average minimum overdraft rate (MOR) declined from 6.84% to 5.85% (YoY), and the average minimum retail rate (MRR) reduced from 6.87% to 5.98% (YoY).

For the capital market in 2020, SET index closed at 1,449.35 points, decreased by 130.49 points or 8.3% comparing to 1,579.84 points at the end of the previous year, resulted from lower investor confidence amid the concern toward COVID-19 situation and economic downturn. Whereas, market trading volume increased significantly amid volatile market condition, thereby the average daily turnover increased from 52,468 million baht in 2019 to 67,335 million baht.

## Major Developments of the Company

### The Adoption of New Accounting Standards

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.

### Co-brand Alliance with Jefferies

On October 21, 2020, TISCO Securities announced a co-brand alliance with Jefferies Hong Kong Limited. Under this agreement, TISCO Securities aims to develop and provide equity research of Thai listed companies, as well as offer investment advisory, trading facility and corporate access services to institutional investors of Jefferies worldwide who are interested in investing in Thailand.

## Operating Results

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations in the year 2020 on a standalone basis totaling 5,063.30 million baht, mainly contributed by dividend income. 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 year 2020

The net profit attributed to owners of the Company for the year 2020 declined by 1,206.75 million baht or 16.6% from the previous year, totaling 6,063.48 million baht driven by COVID-19 pandemic that affected an economic slowdown putting pressured on core revenues from banking businesses, whereas loan loss reserve increased reflecting the current economic situation.

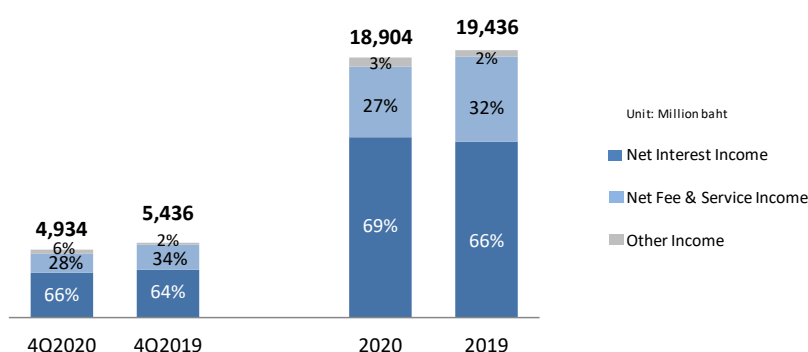
Net interest income grew by 2.4% (YoY) driven by an effective cost management during a declining interest rate environment. Non-interest income declined by 12.6% (YoY) particularly banking fee income from both bancassurance business and loan-related fee income following lower new business volume. On the contrary, fee income from capital market businesses improved by 12.8% (YoY) due to higher trading volume and the issuances of new funds that responded to investors’ needs amid volatile capital market. Operating expenses decreased in relation to revenue contraction. Expected credit loss increased from the previous year, reporting at 1.42% of average loans, to cushion against potential risk arising from economic uncertainties. Meanwhile, the Company has maintained close monitoring and follow-ups to all client groups, resulting in a slight increase in NPL ratio from the previous year to 2.50% at the end of 2020.

Basic earnings per share for the year 2020 were 7.57 baht per share, decreased from 9.08 baht per share in 2019, with the return on average equity (ROAE) reported at 15.4%.

Table 1 : Statement of Comprehensive Income

Statement of Comprehensive Income Unit: Million baht	4Q2020	4Q2019	%YoY	2020	2019	%YoY
<b>Interest income</b>						
Interest on loans	1,901.53	2,069.95	(8.1)	8,002.72	8,047.67	(0.6)
Interest on interbank and money market items	38.44	103.55	(62.9)	251.33	575.86	(56.4)
Hire purchase and financial lease income	2,026.60	2,510.75	(19.3)	8,360.38	9,025.26	(7.4)
Investments	33.15	50.58	(34.5)	142.27	232.41	(38.8)
<b>Total interest income</b>	<b>3,999.72</b>	<b>4,734.83</b>	<b>(15.5)</b>	<b>16,756.71</b>	<b>17,881.21</b>	<b>(6.3)</b>
Interest expenses	(740.48)	(1,262.89)	(41.4)	(3,659.00)	(5,088.80)	(28.1)
<b>Net interest income</b>	<b>3,259.25</b>	<b>3,471.94</b>	<b>(6.1)</b>	<b>13,097.71</b>	<b>12,792.41</b>	<b>2.4</b>
Fee income	1,475.10	1,965.13	(24.9)	5,459.69	6,510.97	(16.1)
Fee expenses	(93.17)	(118.32)	(21.3)	(313.66)	(325.75)	(3.7)
<b>Net fee income</b>	<b>1,381.93</b>	<b>1,846.82</b>	<b>(25.2)</b>	<b>5,146.03</b>	<b>6,185.22</b>	<b>(16.8)</b>
Gain (Loss) on the financial instruments measured at fair value and investment	229.46	11.05	1,976.5	269.86	(17.41)	n.a.
Share of profit (loss) from subsidiaries	(32.66)	17.79	(283.5)	(1.72)	12.11	(114.2)
Other operating income	95.83	88.65	8.1	392.06	463.32	(15.4)
<b>Total operating income</b>	<b>4,933.81</b>	<b>5,436.25</b>	<b>(9.2)</b>	<b>18,903.94</b>	<b>19,435.65</b>	<b>(2.7)</b>
Operating expenses	(2,120.11)	(2,378.82)	(10.9)	(8,011.82)	(9,270.79)	(13.6)
Expected Credit Loss	(770.65)	(738.23)	4.4	(3,330.60)	(1,109.10)	200.3
<b>Profit before tax and minority interest</b>	<b>2,043.05</b>	<b>2,319.20</b>	<b>(11.9)</b>	<b>7,561.52</b>	<b>9,055.75</b>	<b>(16.5)</b>
Corporate income tax expenses	(406.49)	(454.35)	(10.5)	(1,497.65)	(1,782.55)	(16.0)
<b>Profit before minority interest</b>	<b>1,636.56</b>	<b>1,864.85</b>	<b>(12.2)</b>	<b>6,063.86</b>	<b>7,273.20</b>	<b>(16.6)</b>
Non-controlling interests of subsidiaries	(0.08)	(0.11)	(22.9)	(0.38)	(2.96)	(87.2)
<b>Net profit</b>	<b>1,636.47</b>	<b>1,864.74</b>	<b>(12.2)</b>	<b>6,063.48</b>	<b>7,270.23</b>	<b>(16.6)</b>

Composition of Operating Income



### Net Interest Income

In 2020, net interest income was 13,097.71 million baht, increased by 305.30 million baht (2.4% YoY). Total interest income was 16,756.71 million baht, dropped by 1,124.50 million baht (6.3% YoY). Whereas, interest expense was 3,659.00 million baht, declined by 1,429.80 million baht (28.1% YoY).

Yield on loans for the year 2020 increased to 7.08% from 6.91% (YoY) resulting from an increase in the proportion of high-yield consumer loans, together with the adoption of TFRS 9 to use effective interest

rate (EIR) and recognize the accrued interest income of non-performing loans. If excluding the effect from TFRS 9, yield on loans decreased to 6.8% following the policy rate cuts. Meanwhile, the cost of fund decreased from 2.11% to 1.58% (YoY) owing to an effective cost management during a declining interest rate environment, as well as the reduction of contribution rate to the FIDF from 0.46% to 0.23% in accordance with the measure by the Bank of Thailand. Consequently, loan spread improved from 4.80% to 5.50% (YoY) whereas the net interest margin was at 4.62%.

Table 2 : Loan Spread

Unit: %	Old Accounting Standard	New Accounting Standard TFRS 9 <sup>2</sup>				
	2019 <sup>1</sup>	1Q2020	2Q2020	3Q2020	4Q2020	2020
Yield on loans	6.91	7.38	6.94	7.04	6.97	7.08
Cost of fund	2.11	1.83	1.66	1.46	1.34	1.58
<b>Loan Spread</b>	<b>4.80</b>	<b>5.56</b>	<b>5.27</b>	<b>5.58</b>	<b>5.63</b>	<b>5.50</b>
<b>Net Interest Margin</b>	<b>4.22</b>	<b>4.72</b>	<b>4.31</b>	<b>4.70</b>	<b>4.76</b>	<b>4.62</b>

<sup>1</sup> Excluding the revision of interest income recognition and credit cost prior to TFRS 9 adoption

<sup>2</sup> TFRS 9 reported interest income based on effective interest rate (EIR) and recognized accrued interest income of non-performing loans

### Non-interest Income

Non-interest income totaled 5,806.23 million baht, softened by 12.6% (YoY) from a slowdown in economic activities amid the spread of COVID-19. Non-interest income from core businesses totaled 5,735.91 million baht, declined by 12.4% (YoY) mainly from a decrease in banking fee income by 1,085.37 million baht (24.6% YoY) to 3,321.19 million baht, caused by weaker bancassurance business and loan-related fee income following lower new business volume. Meanwhile, brokerage fee income increased by 66.75 million baht (9.3% YoY) to 784.80 million baht owing to higher trading volume amid volatile capital market. Asset management basic fee also increased by 115.86 million baht (8.3% YoY) to 1,514.32 million baht, thanks to the issuances of new funds in response to investors' needs. Furthermore, the Company recorded investment banking fee amounting 83 million baht from underwriting service throughout the year.

Table 3 : Non-Interest Income from Core Businesses

Type of Fee Income Unit: Million baht	4Q2020	4Q2019	%YoY	2020	2019	%YoY
Banking Fee	847.67	1,190.63	(28.8)	3,321.19	4,406.56	(24.6)
<i>Bancassurance Fee</i>	587.70	897.64	(34.5)	2,222.66	3,129.05	(29.0)
<i>Other Banking Fee</i>	259.98	292.99	(11.3)	1,098.53	1,277.51	(14.0)
Asset Management Basic Fee	410.91	357.38	15.0	1,514.32	1,398.46	8.3
Brokerage Fee	201.85	151.39	33.3	784.80	718.04	9.3
Investment Banking Fee	54.22	5.21	941.3	115.60	24.76	367.0
<b>Total Non-Interest Income from Core Businesses</b>	<b>1,514.65</b>	<b>1,704.61</b>	<b>(11.1)</b>	<b>5,735.91</b>	<b>6,547.82</b>	<b>(12.4)</b>

Other non-interest income increased by 44.1% (YoY). This year, the Company recorded the gain on financial instruments measured at fair value through profit or loss (FVTPL) amounting 257 million baht to reflect an increase in investment value to be in accordance with TFRS 9.

### Operating Expenses

Operating expenses totaled 8,011.82 million baht, decreased by 1,258.97 million baht (13.6% 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 42.4%.

### Expected Credit Loss

Expected credit loss (ECL) totaled 3,330.60 million baht, increased comparing with bad debt, doubtful accounts and impairment losses of 1,109.10 million baht in 2019, and accounted for 1.42% of average loans. The increasing ECL was resulted from an increase in credit risk during an economic slowdown caused by COVID-19 pandemic. ECL for the fourth quarter further increased from the previous quarter even though the NPLs improved. However, with the resurgence of the pandemic during the end of the year, the Company considered the increase in ECL to cushion against potential risk arising from ongoing uncertainties. Moreover, the Company released the excess reserve amounting 1,056 million baht (or 264 million baht per quarter) which is subject to the gradual release under straight-line amortization method for 2-year time (Year 2020-2021) in alignment of the Bank of Thailand's guideline.

Regarding the debt relief measures by the Bank of Thailand, the Company has provided the relief programs through debt restricting and debt moratorium while the Company maintained stringent ECL impairment policy based on the actual loan repayment status in accordance with TFRS 9 standard.

### Corporate Income Tax

In 2020, the corporate income tax was 1,497.65 million baht, equivalent to the effective tax rate of 19.8%, increased from 19.7% in 2019.

## Financial Positions

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

### Assets

As of December 31, 2020, the Company's total assets were 275,443.21 million baht, decreased by 7.6% (YoY). Loan portfolio declined from 242,826.14 million baht at the end of 2019 to 224,811.55 million baht (7.4% YoY). Interbank and money market decreased from 45,300.14 million baht to 38,212.03 million baht (15.6% YoY). Moreover, investments were divided into financial assets measured at fair value through profit or loss amounting 2,173.02 million baht and net investments amounting 9,953.26 million baht.

Table 4 : Assets Breakdown

Assets Unit: Million baht	As of Dec 31, 2020	As of Sep 30, 2020	%QoQ	As of Dec 31, 2019	%YoY
Cash	1,220.21	1,040.89	17.2	1,102.56	10.7
Interbank and Money Market Items	38,212.03	36,852.22	3.7	45,300.14	(15.6)
Derivatives	62.09	0.20	31,183.9	21.91	183.4
Financial assets measured at fair value through profit or loss	2,173.02	1,945.02	11.7	-	n.a.
Investments – Net	9,953.26	12,036.38	(17.3)	9,363.03	6.3
Investments in subsidiaries, associates and JV	804.92	836.29	(3.8)	813.60	(1.1)
Loans	224,811.55	224,899.65	(0.0)	242,826.14	(7.4)
Allowance for expected credit loss	(11,825.54)	(11,605.34)	1.9	(10,716.71)	10.3
Other Assets	10,031.68	9,943.81	0.9	9,432.42	6.4
<b>Total Assets</b>	<b>275,443.21</b>	<b>275,949.12</b>	<b>(0.2)</b>	<b>298,143.09</b>	<b>(7.6)</b>

### Liabilities

As of December 31, 2020, total liabilities were 235,981.13 million baht, decreased by 8.9% (YoY). Total deposits decreased from 216,121.47 million baht to 203,509.74 million baht (5.8% YoY) and debentures declined from 24,980.00 million baht to 12,789.00 million baht (48.8% YoY). Whereas, interbank and money market increased from 4,656.13 million baht to 5,807.65 million baht (24.7% YoY)

Table 5 : Liabilities Breakdown

Liabilities Unit: Million baht	As of Dec 31, 2020	As of Sep 30, 2020	%QoQ	As of Dec 31, 2019	%YoY
Deposits	203,509.74	204,792.89	(0.6)	216,121.47	(5.8)
Interbank and money market items	5,807.65	5,595.55	3.8	4,656.13	24.7
Debentures	12,789.00	14,210.00	(10.0)	24,980.00	(48.8)
Others	13,874.74	13,505.70	2.7	13,189.37	5.2
<b>Total Liabilities</b>	<b>235,981.13</b>	<b>238,104.14</b>	<b>(0.9)</b>	<b>258,946.98</b>	<b>(8.9)</b>



**Shareholders' Equity**

As of December 31, 2020, shareholders' equity was 39,462.08 million baht, increased by 265.97 million baht (0.7% YoY) from an increase in retained earnings of the year 2020. As a result, the book value per share (BVPS) as of December 31, 2020 was 49.29 baht per share, increased from 48.96 baht per share at the end of 2019.

## Business Segment Operations

### (1) Banking Business

#### Loans

Total loans and receivables as of December 31, 2020 were 224,811.55 million baht, declined by 18,014.59 million baht (7.4% YoY) from a contraction in retail lending and commercial lending. The composition of loan portfolio was 77.8% of retail loans, 16.7% of corporate loans, 4.5% of commercial loans and 1.1% of other loans.

**Retail Lending** portfolio totaled 174,870.98 million baht, decreased by 8.3% (YoY). The total retail portfolio as of December 31, 2020 consisted of 72.7% car and motorcycle hire purchase loans, 19.4% loans against auto license and 7.9% housing loans. The outstanding hire purchase loans totaled 127,110.32 million baht, dropped by 7.9% (YoY) following stricter loan underwriting policy amidst rising risk and high level of household debt. The domestic car sale for the first 11 months of 2020 was 688,021 units, decreased by 25.1% (YoY), compared to 918,267 units in the first 11 months of 2019. The car penetration rate of TISCO for the first 11 months of 2020 declined to 5.3%.

Loans against auto licenses ("Auto Cash") amounted 33,889.01 million baht, contracted by 5.0% (YoY), from all channels. Even though during the economic downturn, the demand for consumer loans remained high, however with the rising risk from economic uncertainties, the Company remained stringent and cautious on the loan underwriting policy awaiting for clarity on economic recovery. Loans from "Somwang" channels amounted 18,039.46 million baht, declined by 373.46 million baht (2.0% YoY), and accounted for 53.2% of total loans against auto licenses. Nevertheless, the Company continued the network expansion strategy, which by the end of 2020 "Somwang" loan offices totaled 347 branches nationwide.

Housing loans totaled 13,871.64 million baht, dropped by 18.4% (YoY) following highly competitive market condition and rising risk.

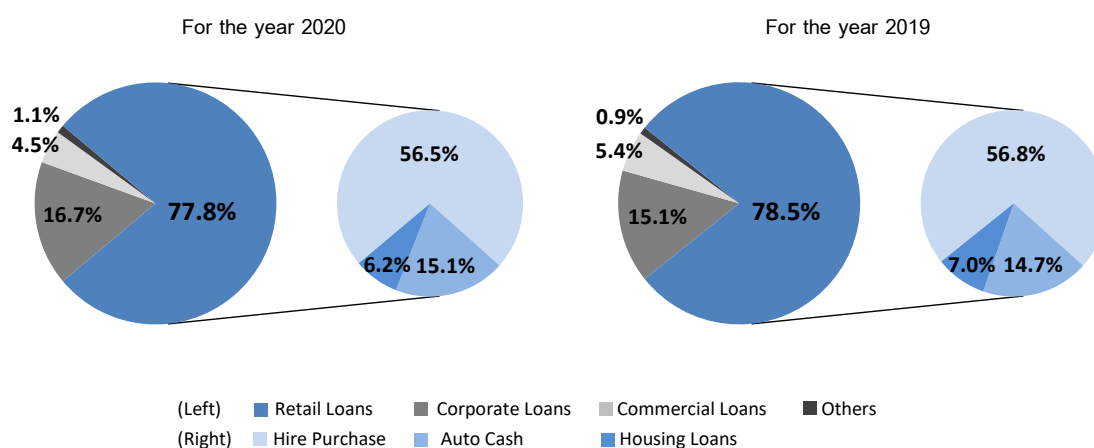
**Corporate Lending** portfolio totaled 37,433.59 million baht, increased by 2.0% (YoY), due to the loan drawdown from real estate and construction sector.

**Commercial Lending** portfolio totaled 10,035.11 million baht, dropped by 24.0% (YoY) owing to a slowdown in car inventory financing business during subdued economic situation.

**Other Loans** portfolio totaled 2,471.87 million baht, increased by 8.2% from the previous year.

Table 6 : Loans

Loans Unit: Million baht	As of Dec 31, 2020	As of Sep 30, 2020	%QoQ	As of Dec 31, 2019	%YoY
Manufacturing and Commerce	1,686.33	1,599.57	5.4	2,630.54	(35.9)
Real Estate and Construction	16,430.04	15,189.86	8.2	14,674.57	12.0
Public Utilities and Services	19,317.22	19,388.29	(0.4)	19,388.66	(0.4)
<b>Corporate Loans</b>	<b>37,433.59</b>	<b>36,177.72</b>	<b>3.5</b>	<b>36,693.77</b>	<b>2.0</b>
<b>Commercial Loans</b>	<b>10,035.11</b>	<b>8,110.85</b>	<b>23.7</b>	<b>13,200.02</b>	<b>(24.0)</b>
Hire Purchase	127,110.32	128,963.70	(1.4)	137,990.30	(7.9)
Loans against Auto Licenses	33,889.01	34,838.40	(2.7)	35,660.00	(5.0)
Housing Loans	13,871.64	14,566.42	(4.8)	16,996.46	(18.4)
<b>Retail Loans</b>	<b>174,870.98</b>	<b>178,368.52</b>	<b>(2.0)</b>	<b>190,646.76</b>	<b>(8.3)</b>
Others	2,471.87	2,242.56	10.2	2,285.59	8.2
<b>Total Loans</b>	<b>224,811.55</b>	<b>224,899.65</b>	<b>(0.0)</b>	<b>242,826.14</b>	<b>(7.4)</b>

Loan Breakdown

At the end of 2020, Bank of Thailand's debt relief program phase 1 has ended. Most of the clients in the program can resume their normal debt repayment while a few of them requested for the extension of relief program phase 2.

**Asset Quality and Expected Credit Loss**

At the end of 2020, the Company reported NPLs amounting 5,618.48 million baht, decreased by 215.95 million baht (3.7% YoY), and accounted for NPL ratio of 2.50%. The decline was mainly resulted from one corporate client that resumed debt repayment. On the other hand, NPLs of hire purchase loans and loans against auto licenses increased caused by an economic slowdown from the spread of COVID-19 that affected the debt serviceability of clients. Nevertheless, during the second half of the year, the Company focused more on debt collection processes, therefore NPLs of retail portfolio did not increase much comparing to at the end of 2019. In the meantime, the Company has maintained close monitoring and follow-ups to all client groups, as well as continued the cautious setup of ECL.

Stage 2 loans at the end of 2020 totaled 29,517.41 million baht, increased comparing with Special Mention loans in the previous accounting standard in 2019, mainly from the inclusion of an assessment of a

significant increase in credit risk (SICR) which defined additional classification factors in addition to the loan overdue guideline, to be in accordance with TFRS 9.

Table 7 : Loan Classification

Loan Classification Unit: Million baht	As of Dec 31, 2020	As of Sep 30, 2020	%QoQ	As of Dec 31, 2019	%YoY
Loans with no significant increase in credit risk (Performing)	189,675.65	189,524.57	0.1	220,168.77	(13.8)
Loans with significant increases in credit risk (Under-performing)	29,517.41	29,457.30	0.2	16,822.93	75.5
Loans that are credit-impaired (NPLs)	5,618.48	5,917.78	(5.1)	5,834.44	(3.7)
<b>Total Loans</b>	<b>224,811.55</b>	<b>224,899.65</b>	<b>(0.0)</b>	<b>242,826.14</b>	<b>(7.4)</b>

Table 8 : NPLs Breakdown

NPLs Unit: Million baht, %	As of Dec 31, 2020		As of Sep 30, 2020		%QoQ	As of Dec 31, 2019		%YoY
	Million baht	%	Million baht	%		Million baht	%	
Manufacturing and Commerce	-	-	-	-	n.a.	259.45	9.86	(100.0)
Real Estate and Construction	-	-	-	-	n.a.	-	-	n.a.
Public Utilities and Services	-	-	-	-	n.a.	-	-	n.a.
<b>NPLs - Corporate Loans</b>	-	-	-	-	<b>n.a.</b>	<b>259.45</b>	<b>0.71</b>	<b>(100.0)</b>
<b>NPLs - Commercial Loans</b>	<b>64.03</b>	<b>0.64</b>	<b>117.89</b>	<b>1.45</b>	<b>(45.7)</b>	<b>158.45</b>	<b>1.20</b>	<b>(59.6)</b>
Hire Purchase	3,267.99	2.57	3,575.44	2.77	(8.6)	3,248.86	2.35	0.6
Loans against Auto Licenses	1,295.44	3.82	1,221.97	3.51	6.0	848.02	2.38	52.8
Housing Loans	986.35	7.11	996.32	6.84	(1.0)	1,315.69	7.74	(25.0)
<b>NPLs - Retail Loans</b>	<b>5,549.77</b>	<b>3.17</b>	<b>5,793.72</b>	<b>3.25</b>	<b>(4.2)</b>	<b>5,412.57</b>	<b>2.84</b>	<b>2.5</b>
Others	4.68	0.19	6.17	0.27	(24.0)	3.97	0.17	18.0
<b>Total NPLs</b>	<b>5,618.48</b>	<b>2.50</b>	<b>5,917.78</b>	<b>2.63</b>	<b>(5.1)</b>	<b>5,834.44</b>	<b>2.40</b>	<b>(3.7)</b>

The Company reported expected credit loss (ECL) amounting 3,330.60 million baht, increased comparing with bad debt, doubtful accounts and impairment losses of 1,109.10 million baht in 2019, and accounted for 1.42% of average loans. The increasing ECL was resulted from an economic slowdown caused by COVID-19 pandemic. ECL for the fourth quarter further increased from the previous quarter even though the NPLs improved. However, with the resurgence of the pandemic during the end of the year, the Company considered the increase in ECL to cushion against potential risk arising from ongoing uncertainties. Moreover, the Company released the excess reserve amounting 1,056 million baht (or 264 million baht per quarter) which is subject to the gradual release under straight-line amortization method for 2-year time (Year 2020-2021) in alignment of the Bank of Thailand's guideline.

Total allowance for expected credit loss of the Company was 11,825.54 million baht, which consisted of ECL impairment of 10,769.15 million baht and excess reserve of 1,056.40 million baht. Hence, loan loss coverage ratio improved to 210.5% at the end of 2020.

## Deposits and Borrowings

Total deposits and borrowings amounted 216,298.74 million baht, decreased by 10.3% (YoY). Total deposits reported at 203,509.74 million baht, decreased by 12,611.73 million baht (5.8% YoY), and debentures decreased by 12,191.00 million baht (48.8% YoY), totaling 12,789.00 million baht. As of December 2020, the Bank had liquid assets totaling 46,914.55 million baht, decreased by 2,522.90 million baht (5.1% YoY). Thus, the liquid assets were accounted for 21.7% of total deposits and borrowings, and projected LCR ratio stood at 146.4%.

Table 9 : Deposits Structure

Deposits Unit: Million baht	As of Dec 31, 2020	As of Sep 30, 2020	%QoQ	As of Dec 31, 2019	%YoY
Current accounts	3,199.91	2,580.02	24.0	2,638.32	21.3
Saving accounts	50,319.59	44,138.39	14.0	37,801.62	33.1
Fixed accounts	43,882.32	49,282.18	(11.0)	56,560.88	(22.4)
Negotiate certificate deposits	106,071.01	108,755.38	(2.5)	119,083.73	(10.9)
Short-term borrowings	36.92	36.92	0.0	36.92	0.0
<b>Total Deposits</b>	<b>203,509.74</b>	<b>204,792.89</b>	<b>(0.6)</b>	<b>216,121.47</b>	<b>(5.8)</b>

## (2) Securities Business

In 2020, brokerage fee income of TISCO Securities grew by 9.3% (YoY) to 784.80 million baht, driven by an increase in trading volume of local institutions and retail investors. Whereas, average daily turnover of TISCO Securities weakened from 1,918.01 million baht to 1,768.61 million baht mainly from lower market trading volume of foreign institutions after the termination of the joint venture agreement in "Deutsche TISCO Investment Advisory Company Limited". TISCO Securities' market share contracted from 2.1% to 1.5% (YoY) from a decline in market share of foreign institutions and retail investors from 1.2% to 0.03% (YoY) and 1.9% to 1.5% (YoY) respectively. On the other hand, the market share of local institutions (excluding proprietary trading) increased from 6.3% to 6.7% (YoY). All in all, TISCO brokerage volume comprised of 51.0% of local institutions, 0.9% of foreign institutions, and 48.1% of retail investors.

On October 21, 2020, TISCO Securities started a business co-brand alliance with Jefferies Hong Kong Limited which is expected to support an increase in trading activity of foreign institutional investors in the future.

## (3) Asset Management Business

As of December 31, 2020, assets under management of TISCO Asset Management reported at 318,567.53 million baht, improved by 9.8% (YoY) from a growth in all businesses especially provident fund. Total fee income from asset management totaled 1,571.26 million baht, decreased by 10.7% (YoY) which comprised of basic fee income amounting 1,514.32 million baht, rose by 8.3% (YoY) owing to issuances of new funds in response with investors' needs. In addition, performance fee for the year 2020 was reported at 56.95 million baht.

The composition of total asset under management was 64.7% provident fund, 18.6% private fund, and 16.7% mutual fund. Total market share of TISCO Asset Management as of November 30, 2020 was 3.8%, ranking 8<sup>th</sup> in the market. The market share of provident fund was 16.4%, ranking 1<sup>st</sup> in the market.

The market share of private fund was 2.9%, ranking 5<sup>th</sup> in the market and the market share of mutual fund was 1.0%, ranking 14<sup>th</sup> in the market.

*Table 10 : Assets under Management Breakdown*

<b>Funds</b> Unit: Million baht	<b>As of Dec 31, 2020</b>	<b>As of Sep 30, 2020</b>	<b>%QoQ</b>	<b>As of Dec 31, 2019</b>	<b>%YoY</b>
Provident Fund	205,993.72	194,984.56	5.6	184,246.82	11.8
Private Fund	59,240.02	55,043.46	7.6	56,824.62	4.3
Mutual Fund	53,333.79	47,634.36	12.0	49,167.53	8.5
<b>Total AUMs</b>	<b>318,567.53</b>	<b>297,662.38</b>	<b>7.0</b>	<b>290,238.97</b>	<b>9.8</b>

## Risk Management

As of December 31, 2020, TISCO Group's internal capital (ICAAP) stood at 40,538.25 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital increased by 200.04 million baht from the end of 2019 to 13,024.70 million baht mainly resulting from an increase in credit risk capital. In addition, the capital surplus remained strong at 27,513.55 million baht or 67.9% of total capital.

Comparing to the end of 2019, the credit risk capital rose by 324.60 MM, or 3.3%, to 10,188.77 million baht. Loan portfolio contracted by 7.4% mostly in retail portfolio, while non-performing loan of TISCO Group increased from 2.4% to 2.5% mainly resulting from the impact of economic slowdown due to the COVID-19 situation.

The market risk capital decreased from 206.20 million baht to 73.09 million baht as a result of an increase in SET index. Meanwhile, the overall duration gap decreased from 0.89 year to 0.70 year, which was in a manageable level. The assets duration fell from 1.39 year to 1.27 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, increased from 0.50 year to 0.57 year.

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

	Duration Unit: Years		1-Y Net interest income change to 1% interest rate increase Unit: Million baht	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Assets	1.27	1.39	1,218.16	1,380.93
Liabilities <sup>1</sup>	0.57	0.50	(1,095.93)	(1,376.57)
<b>Net Gap</b>	<b>0.70</b>	<b>0.89</b>	<b>122.23</b>	<b>4.36</b>

<sup>1</sup> Excluding current accounts and saving accounts

In terms of regulatory capital requirement of the Bank, TISCO Group, and Securities Company, the positions were strong and sufficient levels to cushion for the expansion of asset in the future. At the end of December 2020, the projected regulatory capital based on IRB approach of the Bank was 38,327.37 million baht, while the projected capital adequacy ratio (BIS ratio) stood at 22.83%, remaining higher than 11.0% required by the Bank of Thailand. The projected Tier-I and Tier-II ratios of the Bank stood at 18.12% and 4.72%, respectively, in which Tier-I ratio also remained higher than the minimum requirement at 8.5%. For TISCO Group, the projected regulatory capital based on IRB approach was 40,468.36 million baht, with projected BIS ratio, Tier-I and Tier-II ratios at 21.95%, 17.56% and 4.39%, respectively, which also remained higher than the minimum capital requirement. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 43.47%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 12 : Regulatory Capital Requirement

Capital Adequacy Unit: %	As of Dec 31, 2020	As of Sep 30, 2020	As of Dec 31, 2019
<b>TISCO Financial Group</b>			
Tier-I	17.6	17.5	16.3
Tier-II	4.4	4.3	4.4
<b>BIS Ratio</b>	<b>22.0</b>	<b>21.8</b>	<b>20.7</b>
<b>TISCO Bank</b>			
Tier-I	18.1	17.9	17.3
Tier-II	4.7	4.6	4.7
<b>BIS Ratio</b>	<b>22.8</b>	<b>22.5</b>	<b>22.1</b>