



Management Discussion and Analysis

For the Third Quarter of 2021 ended September 30, 2021

(Reviewed Consolidated Financial Statements)

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Economic Conditions and Movement of Financial Market

During the third quarter of 2021, the spread of COVID-19 intensified with the daily infection rate higher than 10,000 cases per day, resulting in the imposed lockdown in many provinces nationwide, along with tightened pandemic control measures. Toward the end of September, COVID-19 situation showed a sign of improvement, therefore the government started to gradually ease the control restrictions. Nevertheless, the domestic economy during the past quarter was weakened substantially from subdued economic activities, shrinking purchasing power and household income, as well as a slowdown in private consumption and private investment. On the other hand, export sector continued to expand owing to strong demands from trading partners and weakened Baht. Tourism sector showed an initial sign of a recovery with increasing number of tourist arrivals via Phuket Sandbox program. The domestic car sale for the first 9 months of 2021 totaled 531,931 units, decreased by 0.5% comparing to the same period of last year. The headline inflation for the third quarter of 2021 increased by 0.7%.

On the banking industry, the Bank of Thailand offered an urgent assistance to clients who were directly impacted from the latest lockdown with the 2-month debt moratorium for SMEs and retail clients starting in July 2021. Moreover, additional policies were announced to support a sustainable and long-term recovery for debtors. New policies included liquidity support for SMEs and retail clients, and the enhancement of long-term debt restructuring through the relaxation of loan classification for financial institutions. In addition, the reduction of FIDF contribution to 0.23% from 0.46% per year which will end in 2021 will be extended to the end of 2022.

The policy rate remained unchanged at 0.50%. The average 3-month fixed deposit rates of Top-4 commercial banks was stable at 0.33% (QoQ), and the lending rates of all types of Top-4 commercial banks also remained stable (QoQ). The average minimum lending rate (MLR), the average minimum overdraft rate (MOR) and the average minimum retail rate (MRR) were 5.31%, 5.85% and 6.03% respectively.

The capital market in the third quarter of 2021 remained subdued amid the intense COVID-19 situation, coupled with the highly volatile global market, particularly the "Evergrande" crisis in China. Therefore, market trading volume weakened from the previous quarter with the average daily turnover of 86,544.85 million baht, decreased from 93,864.39 million baht in the second quarter of 2021. SET index closed at 1,605.68 points, slightly increased by 17.89 points or 1.1% (QoQ).

Operating Results

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations in the third quarter of 2021 on a standalone basis totaling 8.91 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 Third Quarter of 2021

The net profit attributed to owners of the Company for the third quarter of 2021 was reported at 1,560.33 million baht or decreased by 6.3% comparing to the previous quarter, caused by the intensified COVID-19 outbreak and the lockdown measure in many areas, resulting in a slowdown in core businesses. During the quarter, net interest income softened by 1.8% (QoQ) aligning with loan contraction. Fee income from core businesses dropped by 9.9% (QoQ) from bancassurance business and capital market businesses, as well as the record of loss on some investment value that fluctuated along with the volatile global capital market. Whilst, expected credit loss (ECL) decreased to 0.5% of average loans following portfolio contraction and better-than-expected asset quality control, coupled with a sign of improvement in pandemic situation. Thus, loan loss coverage ratio remained high at 196.5%.

Comparing to the third quarter of 2020, net profit decreased by 3.2% (YoY) from sluggish core businesses affected by COVID-19 resurgence, together with a loss on investment portfolio. Net interest income declined by 4.9% (YoY) following loan contraction, whereas fee income from core businesses dropped by 12.1% (YoY) particularly from bancassurance business which was affected by weak economic activities during lockdown. Nevertheless, expected credit loss (ECL) decreased from the third quarter of 2020 owing to sufficient provisioning against potential loss in the previous periods.

Basic earnings per share for the third quarter of 2021 were 1.95 baht per share, decreased from 2.08 baht per share in the second quarter of 2021 and decreased from 2.01 baht per share in the third quarter of 2020. The return on average equity (ROAE) was reported at 16.2%.

Table 1.1 : Statement of Comprehensive Income

Statement of Comprehensive Income					
Unit: Million baht	3Q2021	2Q2021	%QoQ	3Q2020	%YoY
Interest income					
Interest on loans	1,771.87	1,798.65	(1.5)	1,934.63	(8.4)
Interbank and money market items	37.23	42.21	(11.8)	40.14	(7.3)
Hire purchase and financial lease income	1,814.14	1,897.85	(4.4)	2,075.74	(12.6)
Investments	20.89	15.20	37.4	31.76	(34.2)
Total interest income	3,644.13	3,753.91	(2.9)	4,082.27	(10.7)
Interest expenses	(551.14)	(604.93)	(8.9)	(829.92)	(33.6)
Net interest income	3,092.98	3,148.98	(1.8)	3,252.35	(4.9)
Fee income	1,212.77	1,355.34	(10.5)	1,367.54	(11.3)
Fee expenses	(85.50)	(130.46)	(34.5)	(87.62)	(2.4)
Net fee income	1,127.27	1,224.88	(8.0)	1,279.92	(11.9)
Gain (Loss) on the financial instruments measured at fair value to PL and investments	(108.62)	256.52	(142.3)	62.34	(274.2)
Share of profit from investment under equity method	(13.64)	10.78	(226.5)	(1.93)	606.7
Other operating income	79.70	73.48	8.5	103.12	(22.7)
Total operating income	4,177.70	4,714.64	(11.4)	4,695.80	(11.0)
Operating expenses	(1,968.28)	(2,079.96)	(5.4)	(2,081.98)	(5.5)
Expected credit loss	(254.34)	(555.35)	(54.2)	(604.95)	(58.0)
Profit before tax and minority interest	1,955.07	2,079.32	(6.0)	2,008.87	(2.7)
Corporate income tax expenses	(394.64)	(413.17)	(4.5)	(397.23)	(0.7)
Profit before minority interest	1,560.44	1,666.15	(6.3)	1,611.64	(3.2)
Non-controlling interests of subsidiaries	(0.11)	(0.09)	17.8	(0.11)	2.3
Net profit	1,560.33	1,666.06	(6.3)	1,611.53	(3.2)

Operating Results for the First 9 Months of 2021

The net profit for the first 9 months of 2021 was reported at 4,990.01 million baht or increased by 12.7% (YoY), contributed by an increase in fee income from capital market businesses, the recognition of gain on investment and lower ECL. In detail, the net interest income decreased by 4.9% (YoY) aligning with loan contraction, while non-interest income increased by 12.3% (YoY) driven by capital market fee income and gain from an increased investment value. However, banking fee income weakened (YoY) from both bancassurance business and loan-related fee income. Meanwhile, ECL declined (YoY) as a result of adequate upfront provisioning in the past periods in accordance with cautious provisioning policy.

Basic earnings per share for the first 9 months of 2021 were 6.23 baht per share, increased from 5.53 baht per share in the first 9 months of 2020. The return on average equity (ROAE) was reported at 16.9%.

Table 1.2 : Statement of Comprehensive Income

Statement of Comprehensive Income			
Unit: Million baht	9M2021	9M2020	%YoY
Interest income			
Interest on loans	5,376.66	6,101.19	(11.9)
Interbank and money market items	122.67	212.89	(42.4)
Hire purchase and financial lease income	5,614.36	6,333.78	(11.4)
Investments	60.63	109.13	(44.4)
Total interest income	1,174.32	12,756.99	(12.4)
Interest expenses	(1,822.07)	(2,918.52)	(37.6)
Net interest income	9,352.26	9,838.46	(4.9)
Fee income	4,303.15	4,015.08	7.2
Fee expenses	(408.13)	(250.98)	62.6
Net fee income	3,895.02	3,764.10	3.5
Gain (Loss) on the financial instruments measured at fair value to PL and investments	463.94	40.39	1,048.5
Share of profit from investment under equity method	10.30	30.94	(66.7)
Other operating income	272.25	296.23	(8.1)
Total operating income	13,993.78	13,970.13	0.2
Operating expenses	(6,103.15)	(5,891.71)	3.6
Expected credit loss	(1,652.38)	(2,559.95)	(35.5)
Profit before tax and minority interest	6,238.24	5,518.47	13.0
Corporate income tax expenses	(1,247.94)	(1,091.16)	14.4
Profit before minority interest	4,990.30	4,427.31	12.7
Non-controlling interests of subsidiaries	(0.29)	(0.29)	(1.0)
Net profit	4,990.01	4,427.01	12.7

Details of Financial Performance for the Third Quarter of 2021 comparing to the Third Quarter of 2020

Net Interest Income

In the third quarter of 2021, the net interest income was 3,092.98 million baht, decreased by 159.37 million baht (4.9% YoY). Total interest income was 3,644.13 million baht, dropped by 438.14 million baht (10.7% YoY) due to loan contraction from early prepayment of one corporate client and cautious loan underwriting. Whilst, interest expense was 551.14 million baht, declined by 278.77 million baht (33.6% YoY).

Yield on loans decreased from 7.04% in the third quarter of 2020 to 6.82% following the reduction of market benchmark rate. The cost of fund decreased from 1.46% to 1.10% (YoY) owing to an effective cost management during a declining interest rate environment. Consequently, loan spread improved from 5.58% to 5.72% (YoY) whereas the net interest margin also increased to 4.88%.

Table 2 : Loan Spread

Unit: %	2020	3Q2020	2Q2021	3Q2021
Yield on Loans	7.08	7.04	6.82	6.82
Cost of Fund	1.58	1.46	1.16	1.10
Loan Spread	5.50	5.58	5.67	5.72
Net Interest Margin (NIM)	4.62	4.70	4.79	4.88

Non-Interest Income

Non-interest income totaled 1,084.72 million baht, dropped by 24.9% (YoY) from a slowdown in core businesses that was affected by the lockdown in many areas. Non-interest income from core businesses totaled 1,272.94 million baht, declined by 12.1% (YoY), mainly due to a reduction in banking fee by 154.61 million baht (18.6% YoY) totaling 674.71 million baht, caused by a sluggish bancassurance business and weaker loan-related fee income. Whilst, brokerage fee income increased by 40.57 million baht (26.2% YoY) to 195.18 million baht following higher market trading volume. Furthermore, the Company recorded loss on financial instruments measured at fair value through profit or loss (FVTPL) amounting 109.68 million baht, compared to gain on investment of 58.79 million baht in the third quarter of last year, resulting from a decrease in investment value amid a highly volatile global market condition.

Table 3 : Non-Interest Income Breakdown

Type of Incomes Unit: Million baht	3Q2021	2Q2021	%QoQ	3Q2020	%YoY
Banking Fee	674.71	723.13	(6.7)	829.33	(18.6)
<i>Bancassurance Fee</i>	465.90	490.33	(5.0)	543.63	(14.3)
<i>Other Banking Fee</i>	208.82	232.80	(10.3)	285.69	(26.9)
Asset Management Basic Fee	401.73	464.92	(13.6)	411.68	(2.4)
Brokerage Fee	195.18	223.06	(12.5)	154.61	26.2
Investment Banking Fee	1.32	1.44	(8.4)	53.02	(97.5)
Non-Interest Income from Core Businesses	1,272.94	1,412.55	(9.9)	1,448.63	(12.1)
Gain (Loss) from Financial Instruments and Net Investments	(108.62)	256.52	(142.3)	62.34	(274.2)
Share Profit from subsidiaries	(13.64)	10.78	(226.5)	(1.93)	606.7
Dividend Income	15.07	12.88	17.0	20.21	(25.4)
Asset Management Performance Fee	4.46	3.39	31.7	1.82	145.8
Fee Expenses	(85.50)	(130.46)	(34.5)	(87.62)	(2.4)
Total Non-Interest Income	1,084.72	1,565.66	(30.7)	1,443.45	(24.9)

Operating Expenses

Operating expenses totaled 1,968.28 million baht, decreased by 113.70 million baht (5.5% 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 47.1%.

Expected Credit Loss

Expected credit loss (ECL) totaled 254.34 million baht, declined (YoY) comparing with 604.95 million baht in the third quarter of 2020, and accounted for 0.5% of average loans. This was resulting from the portfolio contraction and better-than-expected asset quality control. The Company has accumulated loan loss reserve to cushion against the severe situation arising from the COVID-19 outbreak. Moreover, the pandemic started to show a sign of improvement toward the end of the third quarter including the lockdown easing and the increased rate of vaccination, consequently the asset quality outlook tended to improve given the current level of reserve.

Corporate Income Tax

In the third quarter of 2021, the corporate income tax was 394.64 million baht, equivalent to the effective tax rate of 20.2%.

Financial Positions

Assets

As of September 30, 2021, the Company's total assets were 244,634.71 million baht, decreased by 4.4% (QoQ). Loan portfolio declined to 204,408.14 million baht (4.5% QoQ), and interbank and money market decreased to 27,077.08 million baht (16.6% QoQ). On the contrary, financial assets measured at fair value through profit or loss increased to 2,130.20 million baht (8.6% QoQ), and net investments increased to 11,012.96 million baht (42.5% QoQ).

Table 4 : Assets Breakdown

Assets Unit: Million baht	As of Sep 30, 2021	As of Jun 30, 2021	%QoQ	As of Dec 31, 2020	%YTD
Cash	1,052.74	1,054.16	(0.1)	1,220.21	(13.7)
Interbank and money market items	27,077.08	32,482.65	(16.6)	38,212.03	(29.1)
Derivatives	-	-	n.a.	62.09	n.a.
Financial assets measured at fair value through Profit or Loss	2,130.20	1,961.76	8.6	2,173.02	(2.0)
Investments - net	11,012.96	7,728.01	42.5	9,953.26	10.6
Investments in subsidiaries and JV	810.18	828.95	(2.3)	804.92	0.7
<i>Loans</i>	<i>204,408.14</i>	<i>213,994.81</i>	<i>(4.5)</i>	<i>224,811.55</i>	<i>(9.1)</i>
<i>Accrued interest receivables</i>	<i>1,820.08</i>	<i>1,827.54</i>	<i>(0.4)</i>	<i>1,901.98</i>	<i>(4.3)</i>
<i>Allowance for expected credit loss</i>	<i>(11,975.49)</i>	<i>(12,540.59)</i>	<i>(4.5)</i>	<i>(11,825.54)</i>	<i>1.3</i>
Loans and accrued interest receivables – net	194,252.73	203,281.75	(4.4)	214,887.99	(9.6)
Other assets	8,298.81	8,550.50	(2.9)	8,129.70	2.1
Total assets	244,634.71	255,887.77	(4.4)	275,443.21	(11.2)

Liabilities

As of September 30, 2021, total liabilities were 205,224.62 million baht, decreased by 5.9% (QoQ). Total deposits decreased to 168,850.39 million baht (6.8% QoQ), and interbank and money market dropped to 7,597.22 million baht (4.2% QoQ). Meanwhile, debentures increased to 14,925.00 million baht (1.0% QoQ).

Table 5 : Liabilities Breakdown

Liabilities Unit: Million baht	As of Sep 30, 2021	As of Jun 30, 2021	%QoQ	As of Dec 31, 2020	%YTD
Deposits	168,850.39	181,086.79	(6.8)	203,509.74	(17.0)
Interbank and money market items	7,597.22	7,928.02	(4.2)	5,807.65	30.8
Debentures	14,925.00	14,770.00	1.0	12,789.00	16.7
Others	13,852.01	14,247.35	(2.8)	13,874.74	(0.2)
Total liabilities	205,224.62	218,032.15	(5.9)	235,981.13	(13.0)

Shareholders' Equity

As of September 30, 2021, shareholders' equity was 39,410.09 million baht, increased by 1,554.47 million baht (4.1% QoQ) from an increase in retained earnings of the third quarter of 2021. As a result, the book value per share (BVPS) as of September 30, 2021 was 49.22 baht per share.

Business Segment Operations

(1) Banking Business

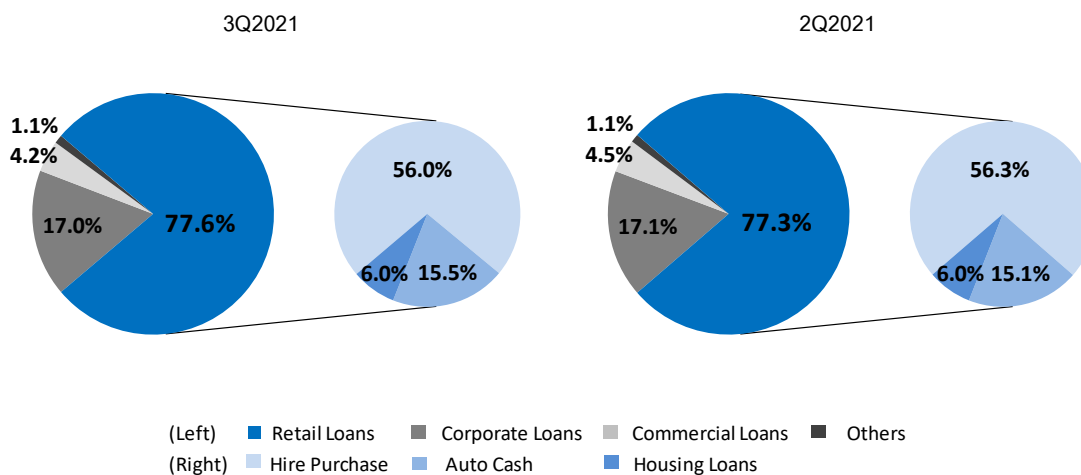
1.1 Loans

Total loans and receivables as of September 30, 2021 were 204,408.14 million baht, declined by 4.5% (QoQ) and 9.1% (YTD) mainly driven by the early loan prepayment of one corporate client, together with the cautious lending policy amid intensified COVID-19 situation and lockdown measure.

Table 6 : Loans

Loans Unit: Million baht	As of Sep 30, 2021	As of Jun 30, 2021	%QoQ	As of Dec 31, 2020	%YTD
Hire purchase	114,511.31	120,386.94	(4.9)	127,110.32	(9.9)
Loans against auto licenses	31,735.07	32,331.02	(1.8)	33,889.01	(6.4)
Housing loans	12,362.40	12,770.24	(3.2)	13,871.64	(10.9)
Retail loans	158,608.78	165,488.19	(4.2)	174,870.98	(9.3)
Corporate loans	34,811.81	36,548.57	(4.8)	37,433.59	(7.0)
Commercial loans	8,640.78	9,608.70	(10.1)	10,035.11	(13.9)
Others	2,346.77	2,349.35	(0.1)	2,471.87	(5.1)
Total loans	204,408.14	213,994.81	(4.5)	224,811.55	(9.1)

Loan Breakdown



Retail Lending portfolio totaled 158,608.78 million baht, decreased by 4.2% (QoQ). The total retail portfolio as of September 30, 2021 consisted of 72.2% car and motorcycle hire purchase loans, 20.0% loans against auto licenses and 7.8% housing loans. The outstanding hire purchase loans totaled 114,511.31 million baht, dropped by 4.9% (QoQ) following a prudent loan underwriting policy amid economic slowdown caused by the lockdown. The domestic car sale for the first 9 months of 2021 was 531,931 units, decreased by 0.5% (YoY), compared to 534,729 units in the first 9 months of 2020. The car penetration rate of TISCO for the first 9 months of 2021 declined to 4.6% (YoY) aligning with cautious lending policy.

Loans against auto licenses ("Auto Cash") totaled 31,735.07 million baht, contracted by 1.8% (QoQ) following the prudent and cautious underwriting policy, together with a decline in clients' purchasing power

and household income. Loans from “Somwang” channels amounted 17,337.65 million baht, slightly declined by 0.2% (QoQ), and accounted for 54.6% of total loans against auto licenses. At the end of the third quarter of 2021, “Somwang” loan offices totaled 347 branches nationwide.

Housing loans totaled 12,362.40 million baht, dropped by 3.2% (QoQ) following highly competitive market condition and rising risk.

Corporate Lending portfolio totaled 34,811.81 million baht, declined by 4.8% (QoQ), mainly due to early loan prepayment of one client in public utilities and services sector.

Commercial Lending portfolio totaled 8,640.78 million baht, declined by 10.1% (QoQ) from a slowdown in car inventory financing business.

Other Loans portfolio totaled 2,346.77 million baht, stable compared to the previous quarter.

COVID-19 Debt Relief Programs according to the BOT guideline, TISCO Group continued to provide the assistance programs for all affected customers, especially toward long-term debt restructurings for retail clients to support sustainable recovery. At the end of the third quarter of 2021, the outstanding loans under the assistance programs accounted for approximately 8.4% of total loans, and the outstanding retail loans under the program was approximately 4.7% of total loans. In terms of liquidity support for SMEs clients through Soft Loans scheme, the outstanding soft loans totaled approximately 2,500 million baht. Furthermore, during the third quarter, the Company announced an additional assistance program for clients who were severely affected by COVID-19 and can no longer service their debts. Clients can return their collateralized vehicles through “Car Debt Haircut” program, which ended on September 30, 2021. As of the end of the third quarter, total approved loans in this program were around 1,300 accounts.

1.2 Asset Quality and Expected Credit Loss

At the end of the third quarter of 2021, the Company reported NPLs amounting 6,094.40 million baht, increased by 227.36 million baht (3.9% QoQ), and accounted for NPL ratio increased to 2.98%. This was mainly caused by NPLs relapse from some restructured clients of hire purchase and Auto Cash loans, which at this level, NPLs were better than anticipated despite the severe outbreak and lockdown situation. The pandemic started to show a sign of improvement toward the end of the third quarter including the lockdown easing and the increased rate of vaccination, thus the asset quality outlook was more likely to improve accordingly. Yet, the Company maintained the stringent loan classification to be in accordance with TFRS 9.

Table 7 : Loan Classification

Loan Classification Unit: Million baht	As of Sep 30, 2021	As of Jun 30, 2021	%QoQ	As of Dec 31, 2020	%YTD
Stage 1 loans (Performing)	174,087.72	183,306.19	(5.0)	189,675.65	(8.2)
Stage 2 loans (Under-performing)	24,226.02	24,821.57	(2.4)	29,517.41	(17.9)
Non-performing loans (NPLs)	6,094.40	5,867.04	3.9	5,618.48	8.5
Total loans	204,408.14	213,994.81	(4.5)	224,811.55	(9.1)

Table 8 : NPL Breakdown

NPLs Unit: Million baht, %	As of Sep 30, 2021		As of Jun 30, 2021		As of Dec 31, 2020	
	Million baht	%	Million baht	%	Million baht	%
Hire purchase	3,451.54	3.01	3,365.92	2.80	3,267.99	2.57
Loans against auto licenses	1,513.20	4.77	1,418.73	4.39	1,295.44	3.82
Housing loans	1,047.29	8.47	983.82	7.70	986.35	7.11
NPLs - Retail loans	6,012.03	3.79	5,768.47	3.49	5,549.77	3.17
NPLs - Corporate loans	-	-	-	-	-	-
NPLs - Commercial loans	80.38	0.93	95.75	1.00	64.03	0.64
Others	1.99	0.08	2.82	0.12	4.68	0.19
Total NPLs	6,094.40	2.98	5,867.04	2.74	5,618.48	2.50

Total allowance for expected credit loss of the Company was 11,975.49 million baht, which consisted of ECL impairment of 11,711.39 million baht and excess reserve of 264.10 million baht which will be fully amortized in 2021. Loan loss coverage ratio stood at 196.5%.

1.3 Deposits and Borrowings

Total deposits and borrowings amounted 183,775.39 million baht, decreased by 6.2% (QoQ). Total deposits reported at 168,850.39 million baht, decreased by 12,236.40 million baht (6.8% QoQ) aligning with the contraction of loan portfolio, while debentures totaled 14,925.00 million baht, increased by 155.00 million baht (1.0% QoQ). As of September 2021, the Bank had high-quality liquid assets according to the Liquidity Coverage Ratio (LCR) approximately at 35,824.54 million baht, decreased by 1,610.39 million baht (4.3% QoQ). Thus, the high-quality liquid assets were accounted for 19.5% of total deposits and borrowings, and LCR ratio was at 173.1%.

Table 9 : Deposit Structure

Deposits Unit: Million baht	As of Sep 30, 2021	As of Jun 30, 2021	%QoQ	As of Dec 31, 2020	%YTD
Current accounts	2,221.31	2,730.61	(18.7)	3,199.91	(30.6)
Saving accounts	47,655.54	47,936.17	(0.6)	50,319.59	(5.3)
Fixed accounts	35,233.15	39,822.41	(11.5)	43,882.32	(19.7)
Negotiate certificate deposits	83,703.47	90,560.68	(7.6)	106,071.01	(21.1)
Short-term borrowings	36.92	36.92	0.0	36.92	0.0
Total deposits	168,850.39	181,086.79	(6.8)	203,509.74	(17.0)

(2) Securities Business

In the third quarter of 2021, brokerage fee income of TISCO Securities increased by 26.2% (YoY) to 195.18 million baht (YoY) following higher market trading volume. Average daily turnover of TISCO Securities increased to 1,849.63 million baht (YoY). Nonetheless, TISCO Securities' overall market share contracted to 1.2% mainly from a decline in the market share of retail investors and local institutions. The market share of local institutions (excluding proprietary trading) was at 6.4%, the market share of foreign institutions was at 0.1%, and the market share of retail investors was at 1.4%. TISCO brokerage volume comprised of 40.4% of local institutions, 4.8% of foreign institutions, and 54.8% of retail investors.

(3) Asset Management Business

As of September 30, 2021, assets under management of TISCO Asset Management reported at 352,073.81 million baht, slightly grew by 0.3% (QoQ), caused by an increased contribution in provident fund. Basic fee income from asset management softened by 2.4% (YoY), totaling 401.73 million baht, due to no new fund issuance during the quarter. TISCO Asset Management will record a portion of fund performance fee in the fourth quarter.

The composition of total asset under management was 62.6% provident fund, 17.9% private fund, and 19.5% mutual fund. Total market share of TISCO Asset Management as of September 30, 2021 was 4.1%, ranking 8th in the market. The market share of provident fund was 16.7%, ranking 1st in the market. The market share of private fund was 3.0%, ranking 6th in the market and the market share of mutual fund was 1.3%, ranking 13th in the market.

Table 10 : Assets under Management Breakdown

Funds Unit: Million baht	As of Sep 30, 2021	As of Jun 30, 2021	%QoQ	As of Dec 31, 2020	%YTD
Provident fund	220,254.91	215,214.99	2.3	205,993.72	6.9
Private fund	63,148.12	64,034.64	(1.4)	59,240.02	6.6
Mutual fund	68,670.78	71,783.63	(4.3)	53,333.79	28.8
Total AUMs	352,073.81	351,033.27	0.3	318,567.53	10.5

Risk Management

As of September 30, 2021, TISCO Group's internal capital (ICAAP) stood at 37,266.34 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital decreased by 462.02 million baht from the end of June 2021 to 12,206.06 million baht, mainly resulting from a decrease in credit risk capital. In addition, the capital surplus remained strong at 25,060.27 million baht or 67.2% of total capital.

Comparing to the second quarter of 2021, the credit risk capital declined by 624.90 million baht, or 6.4% (QoQ), to 9,190.92 million baht. Loan portfolio contracted by 4.5% (QoQ) mainly in retail and corporate portfolios, while non-performing loans of TISCO Group rose from 2.7% to 3.0% (QoQ) mainly from hire purchase and auto cash clients who were affected by the COVID-19 situation and lockdown measures during the period. However, TISCO Group still maintains stringent loan classification in accordance with TFRS 9.

The market risk capital rose from 181.78 million baht to 344.66 million baht as a result of an increase in exposures of investment portfolio, as well as higher volatility in both domestic and offshore markets during the period. Meanwhile, the overall duration gap declined from 0.63 year to 0.55 year, which was still in a manageable level. The assets duration decreased from 1.26 year to 1.24 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, increased from 0.63 year to 0.69 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	
	Sep 30, 2021	Jun 30, 2021	Sep 30, 2021	Jun 30, 2021
Assets	1.24	1.26	1,098.04	1,120.06
Liabilities ¹	0.69	0.63	(793.17)	(903.82)
Net gap	0.55	0.63	304.86	216.24

¹ 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 in sufficient levels to cushion for the expansion of assets in the future. At the end of September 2021, the regulatory capital based on IRB approach of the Bank was 39,098.71 million baht, while the capital adequacy ratio (BIS ratio) stood at 24.7%, remaining higher than 11.0% required by the Bank of Thailand. The Tier-I and Tier-II ratios of the Bank stood at 19.7% and 5.0%, respectively, in which Tier-I ratio also remained higher than the minimum requirement at 8.5%. For TISCO Group, the regulatory capital based on IRB approach was 40,409.62 million baht, with BIS ratio, projected Tier-I and Tier-II ratios at 22.9%, 18.3% and 4.6%, respectively, which also remained higher than the minimum capital requirement. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 61.2%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 12 : Regulatory Capital Requirement

Capital Adequacy Unit: %	As of Sep 30, 2021	As of Jun 30, 2021	As of Dec 31, 2020
TISCO Financial Group			
Tier-I	18.3	18.0	17.5
Tier-II	4.6	4.5	4.4
BIS Ratio	22.9	22.5	21.9
TISCO Bank			
Tier-I	19.7	19.3	18.1
Tier-II	5.0	4.9	4.7
BIS Ratio	24.7	24.2	22.8