



Management Discussion and Analysis

For the Third Quarter of 2022 ended September 30, 2022

(Reviewed Consolidated Financial Statements)

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Economic Conditions and Movement of Financial Market

In the third quarter of 2022, Thai economy continued its gradual recovery. Private consumption stabilized from the previous quarter despite an improvement in household income and consumer confidence, but was still pressured by rising cost of living. This was seen by the headline inflation in the third quarter of 2022 that further increased by 7.3% (YoY) resulting from the ongoing high oil price. Meanwhile, private investment and industrial manufacturing sector started to recover after the problem of supply shortage eased out. Tourism sector expanded continually thanks to the relaxation of international travel restrictions. Nonetheless, export sector slowed down following a temporary decline in demands from trading partners. The domestic car sale for the first 9 months of 2022 totaled 633,687 units, increased by 19.1% comparing to the same period of last year.

The Bank of Thailand increased the policy rate twice in August and September 2022 by 0.25% each time to 1.00% mainly from the domestic inflation hike, and partly to be in line with rising global interest rate trend. In this quarter, US Federal Reserve (Fed) raised interest rates 2 times by 0.75% each, pushing the range up to 3.00-3.25% to bring down the inflation spike. Subsequently, the US interest rate lift led to the strong appreciation of US dollar, resulting in Thai baht depreciation to 38 baht per dollar.

In this quarter, the average 3-month fixed deposit rates of Top-4 commercial remained stable at 0.33% (QoQ). The lending rates of Top-4 commercial banks also stood unchanged, comprising of the average minimum lending rate (MLR) at 5.31%, the average minimum overdraft rate (MOR) at 5.85% and the average minimum retail rate (MRR) at 6.03%. Nevertheless, many commercial banks have started to raise deposit rates and lending rates during October 2022.

The capital market in the third quarter of 2022 remained highly volatile from surging global inflation and the increase in interest rates in many countries. Market trading volume further declined from the previous quarter with the average daily turnover of 66,727.61 million baht, decreased from 70,593.38 million baht in the second quarter of 2022, mainly driven by fund outflow from local institutions. SET index closed at 1,589.51 points, increased by 21.18 points or 1.4% (QoQ).

Operating Results

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations in the third quarter of 2022 on a standalone basis totaling 37.31 million baht, mainly contributed by dividend income and service fee income derived 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 capital market businesses.

Operating Results for the Third Quarter of 2022

The net profit for the third quarter of 2022 was reported at 1,773.43 million baht, increased by 213.10 million baht or 13.7% comparing to the third quarter of 2021, along with the core business recovery. Loans resumed growth by 4.8% from the previous quarter, mainly from corporate loans, SMEs loans and auto title loans, all of which contributed to an improvement in net interest income of 4.2% (YoY). Moreover, fee income from bancassurance business strongly improved by 44.4% (YoY) following the new business expansion aligning to Thai economic recovery. Consequently, banking fee income increased by 27.7% (YoY). On the other hand, fee income from capital market related businesses remained subdued from the same period of last year. Brokerage fee slowed down by 15.1% (YoY) caused by lower market trading volume, and asset management basic fee decreased by 0.9% (YoY) owing to a decrease in new fund issuances during an unfavorable capital market condition.

Comparing to the second quarter of 2022, net profit decreased by 75.01 million baht or 4.1% (QoQ), mainly due to the recognition of loss on financial instruments measured at fair value through profit or loss (FVTPL) amounting 107.59 million baht, comparing to a gain of 173.12 million baht in the second quarter of 2022. However, core businesses continued to improve along with loan expansion and capital market business improvement. Net interest income increased by 3.7% (QoQ) whereas non-interest income from core businesses rose by 4.9% from all business areas.

Expected credit loss (ECL) remained low at 0.2% of average loans, which has already factored in the portfolio expansion as well as in line with the asset quality that remained effectively-controlled, as seen from a decline in reported NPL ratio to 2.08% of total loans. Additionally, the Company reduced the setup of ECL expense from last year to reflect the current COVID-19 situation that has eased down. Loan loss coverage ratio remained strong at 248.0%.

Basic earnings per share for the third quarter of 2022 were 2.21 baht per share, increased from 1.95 baht per share (YoY) and decreased from 2.31 baht per share (QoQ). The return on average equity (ROAE) was reported at 17.7%.

Table 1.1 : Statement of Comprehensive Income (Quarterly)

Statement of Comprehensive Income					
Unit: Million baht	3Q2022	2Q2022	%QoQ	3Q2021	%YoY
Interest income					
Interest on loans	1,904.84	1,778.74	7.1	1,771.87	7.5
Interbank and money market items	45.81	35.63	28.6	37.23	23.1
Hire purchase and financial lease income	1,784.76	1,779.21	0.3	1,814.14	(1.6)
Investments	19.21	22.91	(16.1)	20.89	(8.0)
Total interest income	3,754.62	3,616.49	3.8	3,644.13	3.0
Interest expenses	(533.19)	(509.86)	4.6	(551.14)	(3.3)
Net interest income	3,221.43	3,106.63	3.7	3,092.98	4.2
Fee income	1,369.67	1,276.56	7.3	1,212.77	12.9
Fee expenses	(102.69)	(108.58)	(5.4)	(85.50)	20.1
Net fee income	1,266.98	1,167.98	8.5	1,127.27	12.4
Gain (Loss) on the financial instruments measured at fair value through PL	(107.59)	173.12	(162.1)	(109.68)	(1.9)
Gain (Loss) on Investments	0.50	2.63	(80.9)	1.06	(52.5)
Share of profit from investment under equity method	12.97	14.65	(11.5)	(13.64)	(195.1)
Other operating income	83.83	99.00	(15.3)	79.70	5.2
Total operating income	4,478.12	4,564.01	(1.9)	4,177.70	7.2
Operating expenses	(2,153.30)	(2,124.54)	1.4	(1,968.28)	9.4
Expected credit loss	(118.63)	(139.87)	(15.2)	(254.34)	(53.4)
Profit before tax and minority interest	2,206.18	2,299.60	(4.1)	1,955.07	12.8
Corporate income tax expenses	(432.64)	(451.05)	(4.1)	(394.64)	9.6
Profit before minority interest	1,773.54	1,848.55	(4.1)	1,560.44	13.7
Non-controlling interests of subsidiaries	(0.12)	(0.11)	3.3	(0.11)	6.1
Net profit	1,773.43	1,848.43	(4.1)	1,560.33	13.7

Operating Results for the First 9 Months of 2022

The net profit for the first 9 months of 2022 was reported at 5,417.35 million baht, increased by 427.34 million baht or 8.6% (YoY), mainly from loan growth of 5.0% (YTD), an improvement in bancassurance business by 25.1% (YoY) aligning with domestic economic recovery, as well as decreasing ECL expense by 79.2% (YoY) following improved asset quality. In terms of core operations, total operation income softened by 3.8% (YoY) mainly resulted from businesses related to capital market, which included lower market trading volume and fewer new fund issuances, together with declining gain on financial instruments.

Basic earnings per share for the first 9 months of 2022 were 6.77 baht per share, increased from 6.23 baht per share (YoY). The return on average equity (ROAE) was reported at 17.6%.

Table 1.2 : Statement of Comprehensive Income (Half Year)

Statement of Comprehensive Income			
Unit: Million baht	9M2022	9M2021	%YoY
Interest income			
Interest on loans	5,379.12	5,376.66	0.0
Interbank and money market items	116.48	122.67	(5.0)
Hire purchase and financial lease income	5,367.30	5,614.36	(4.4)
Investments	64.41	60.63	6.2
Total interest income	10,927.30	11,174.32	(2.2)
Interest expenses	(1,537.97)	(1,822.07)	(15.6)
Net interest income	9,389.34	9,352.26	0.4
Fee income	4,053.63	4,303.15	(5.8)
Fee expenses	(340.64)	(408.13)	(16.5)
Net fee income	3,712.99	3,895.02	(4.7)
Gain (Loss) on the financial instruments measured at fair value through PL	33.34	458.64	(92.7)
Gain (Loss) on Investments	1.53	5.30	(71.1)
Share of profit from investment under equity method	41.01	10.30	298.1
Other operating income	283.19	272.25	4.0
Total operating income	13,461.39	13,993.78	(3.8)
Operating expenses	(6,376.98)	(6,103.15)	4.5
Expected credit loss	(343.84)	(1,652.38)	(79.2)
Profit before tax and minority interest	6,740.57	6,238.24	8.1
Corporate income tax expenses	(1,322.89)	(1,247.94)	6.0
Profit before minority interest	5,417.69	4,990.30	8.6
Non-controlling interests of subsidiaries	(0.34)	(0.29)	15.8
Net profit	5,417.35	4,990.01	8.6

Details of Financial Performance for the Third Quarter of 2022 comparing to the Third Quarter of 2021

Net Interest Income

In the third quarter of 2022, the net interest income totaled 3,221.43 million baht, increased by 128.45 million baht (4.2% YoY). Total interest income was 3,754.62 million baht, increased by 110.49 million baht (3.0% YoY) following loan expansion. Whilst, interest expense was 533.19 million baht, declined by 17.96 million baht (3.3% YoY) from an effective cost management.

Yield on loans increased from 6.82% to 7.05% (YoY) following an increased proportion of high-yield loans. The cost of fund decreased from 1.10% to 1.08% (YoY) owing to an effective cost management during a low interest rate environment. Consequently, loan spread improved from 5.72% to 5.97% (YoY) whereas the net interest margin also increased to 5.15%.

Table 2 : Loan Spread

Unit: %	2021	3Q2021	2Q2022	3Q2022
Yield on Loans	6.83	6.82	7.02	7.05
Cost of Fund	1.15	1.10	1.06	1.08
Loan Spread	5.69	5.72	5.96	5.97
Net Interest Margin (NIM)	4.84	4.88	5.05	5.15

Non-Interest Income

Non-interest income totaled 1,256.69 million baht, increased by 171.97 million baht or 15.9% (YoY) mainly contributed by an improvement of fee income from bancassurance business that grew by 44.4% (YoY) following an increase in new business volume in line with the recovery of economic activities. Therefore, banking fee income rose by 186.90 million baht (27.7% YoY) totaling 861.61 million baht. On the contrary, businesses related to capital market remained sluggish. Brokerage fee totaled 165.67 million baht, decreased by 29.51 million baht (15.1% YoY) following lower market trading volume amid volatile capital market condition. Asset management basic fee was at 398.28 million baht, dropped by 3.44 million baht (0.9% YoY) due to a decrease in new fund issuances. Moreover, the Company recorded a loss on financial instruments measured at fair value through profit or loss (FVTPL) amounting 107.59 million baht in this quarter.

Table 3 : Non-Interest Income Breakdown

Type of Incomes Unit: Million baht	3Q2022	2Q2022	%QoQ	3Q2021	%YoY
Banking Fee	861.61	807.82	6.7	674.71	27.7
<i>Bancassurance Fee</i>	<i>664.23</i>	<i>595.61</i>	<i>11.5</i>	<i>460.05</i>	<i>44.4</i>
<i>Other Banking Fee</i>	<i>197.39</i>	<i>212.21</i>	<i>(7.0)</i>	<i>214.66</i>	<i>(8.0)</i>
Asset Management Basic Fee	398.28	392.87	1.4	401.73	(0.9)
Brokerage Fee	165.67	158.45	4.6	195.18	(15.1)
Investment Banking Fee	2.27	2.55	(10.9)	1.32	72.0
Non-Interest Income from Core Businesses	1,427.84	1,361.69	4.9	1,272.94	12.2
Gain (Loss) on Financial Instruments measured at fair value through PL	(107.59)	173.12	(162.1)	(109.68)	(1.9)
Gain (Loss) on Investments	0.50	2.63	(80.9)	1.06	(52.5)
Share Profit from subsidiaries	12.97	14.65	(11.5)	(13.64)	(195.1)
Dividend Income	25.84	13.88	86.2	15.07	71.5
Asset Management Performance Fee	(0.19)	(0.01)	3,450.0	4.46	(104.2)
Fee Expenses	(102.69)	(108.58)	(5.4)	(85.50)	20.1
Total Non-Interest Income	1,256.69	1,457.38	(13.8)	1,084.72	15.9

Operating Expenses

Operating expenses totaled 2,153.30 million baht, increased by 185.02 million baht (9.4% YoY), resulting from an increase in variable expenses associated with revenue and profit growth. The Company still maintained effective operating cost control with cost to income ratio at 48.1%.

Expected Credit Loss

Expected credit loss (ECL) was reported at 118.63 million baht, declined (YoY) comparing with 254.34 million baht in the third quarter of 2021, and accounted for 0.2% of average loans. The current ECL expense has already factored in the portfolio expansion as well as aligning with the effectively-controlled asset quality, of which NPL ratio reportedly dropped to 2.08% of total loans. Additionally, the Company reduced the setup of ECL expense from last year to reflect the current COVID-19 situation that has eased down. Loan loss coverage ratio remained strong at 248.0%.

Corporate Income Tax

The corporate income tax for the second quarter of 2022 was 432.64 million baht, equivalent to the effective tax rate of 19.6%.

Financial Positions

Assets

As of September 30, 2022, the Company's total assets were 255,937.92 million baht, increased by 4.6% (QoQ), driven by loan growth of 4.8% (QoQ) totaling 213,187.73 million baht and an increase in interbank and money market by 5.5% (QoQ) to 34,336.66 million baht.

Table 4 : Assets Breakdown

Assets Unit: Million baht	As of Sep 30, 2022	As of Jun 30, 2022	%QoQ	As of Dec 31, 2021	%YTD
Cash	979.79	1,021.23	(4.1)	1,103.43	(11.2)
Interbank and money market items	34,336.66	32,554.07	5.5	30,489.21	12.6
Derivatives	-	-	n.a.	-	n.a.
Financial assets measured at fair value through Profit or Loss	2,110.07	2,242.59	(5.9)	2,081.05	1.4
Investments - net	6,211.76	7,023.16	(11.6)	8,042.76	(22.8)
Investments in subsidiaries and JV	859.96	847.06	1.5	809.63	6.2
<i>Loans</i>	<i>213,187.73</i>	<i>203,341.40</i>	<i>4.8</i>	<i>202,949.67</i>	<i>5.0</i>
<i>Accrued interest receivables</i>	<i>1,698.56</i>	<i>1,633.51</i>	<i>4.0</i>	<i>1,712.50</i>	<i>(0.8)</i>
<i>Allowance for expected credit loss</i>	<i>(11,014.67)</i>	<i>(11,297.69)</i>	<i>(2.5)</i>	<i>(11,740.17)</i>	<i>(6.2)</i>
Loans and accrued interest receivables – net	203,871.62	193,677.22	5.3	192,922.00	5.7
Other assets	7,568.06	7,357.03	2.9	8,173.86	(7.4)
Total assets	255,937.92	244,722.37	4.6	243,621.93	5.1

Liabilities

As of September 30, 2022, total liabilities were 214,912.35 million baht, increased by 4.6% (QoQ) from an increase in total deposits by 8.1% (QoQ) to 182,576.67 million baht. Interbank and money market decreased by 35.2% (QoQ) to 4,457.81 million baht, and debentures dropped by 11.6% (QoQ) to 15,100.00 million baht.

Table 5 : Liabilities Breakdown

Liabilities Unit: Million baht	As of Sep 30, 2022	As of Jun 30, 2022	%QoQ	As of Dec 31, 2021	%YTD
Deposits	182,576.67	168,915.61	8.1	166,578.85	9.6
Interbank and money market items	4,457.81	6,883.92	(35.2)	8,080.70	(44.8)
Debentures	15,100.00	17,090.00	(11.6)	14,925.00	1.2
Others	12,777.86	12,582.15	1.6	12,837.01	(0.5)
Total liabilities	214,912.35	205,471.68	4.6	202,421.55	6.2

Shareholders' Equity

As of September 30, 2022, shareholders' equity was 41,025.57 million baht, increased by 1,774.89 million baht (4.5% QoQ) from an increase in retained earnings of the third quarter of 2022. As a result, the book value per share (BVPS) as of September 30, 2022 was 51.24 baht per share.

Business Segment Operations

(1) Banking Business

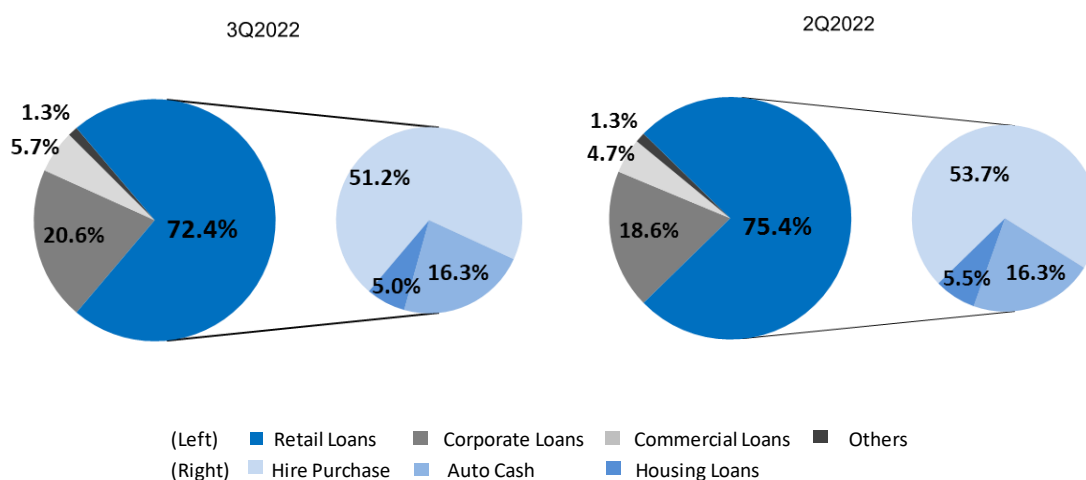
1.1 Loans

Total loans and receivables as of September 30, 2022 were 213,187.73 million baht, grew by 4.8% (QoQ) resulted from a growth in corporate loans, commercial loans and auto tile loans.

Table 6 : Loans

Loans Unit: Million baht	As of Sep 30, 2022	As of Jun 30, 2022	%QoQ	As of Dec 31, 2021	%YTD
Hire purchase	109,075.73	109,172.93	(0.1)	112,400.47	(3.0)
Loans against auto licenses	34,690.16	33,091.09	4.8	31,674.29	9.5
Housing loans	10,612.85	11,097.28	(4.4)	11,939.75	(11.1)
Retail loans	154,378.74	153,361.30	0.7	156,014.51	(1.0)
Corporate loans	43,815.70	37,753.31	16.1	35,802.01	22.4
Commercial loans	12,187.57	9,503.70	28.2	8,474.30	43.8
Others	2,805.74	2,723.09	3.0	2,658.85	5.5
Total loans	213,187.73	203,341.40	4.8	202,949.67	5.0

Loan Breakdown



Retail Lending portfolio totaled 154,378.74 million baht, increased by 0.7% (QoQ). The total retail portfolio as of September 30, 2022 consisted of 70.7% car and motorcycle hire purchase loans, 22.5% loans against auto licenses and 6.9% housing loans. The outstanding hire purchase loans totaled 109,075.73 million baht, slightly dropped by 0.1% (QoQ) mainly from a decline in new car hire purchase by 0.5% (QoQ) amid cautious underwriting policy. The domestic car sale for the first 9 months of 2022 was 633,687 units, increased by 19.1% (YoY), compared to 531,931 units in the first 9 months of 2021. The car penetration rate of TISCO for the first 9 months of 2022 increased to 4.9% from 4.6% in the same period of last year. In addition, used car hire purchase grew by 3.8% (QoQ) whereas motorcycle hire purchase declined by 0.5% (QoQ).

Loans against auto licenses ("Auto Cash") totaled 34,690.16 million baht, increased by 4.8% (QoQ) following a growth strategy into high-yield businesses and network expansion strategy, particularly loans from "Somwang" channels which strongly grew by 7.1% (QoQ) totaling 20,578.27 million baht and accounted for 59.3% of total loans against auto licenses. At the end of the third quarter of 2022, the number of "Somwang" loan offices increased by 20 new branches, totaling 412 branches nationwide.

Housing loans totaled 10,612.85 million baht, dropped by 4.4% (QoQ) following highly competitive market condition and rising risk.

Corporate Lending portfolio totaled 43,815.70 million baht, increased by 16.1% (QoQ), deriving from loan drawdown from public utilities and service sector and real estate and construction sector.

Commercial Lending portfolio totaled 12,187.57 million baht, increased by 28.2% (QoQ) from an increase in car inventory financing business.

Other Loans portfolio totaled 2,805.74 million baht, increased by 3.0% (QoQ).

Debt Relief Programs TISCO Group continued to provide the assistance programs for all affected customers, mainly focusing on long-term debt restructuring to support sustainable recovery. At the end of the third quarter of 2022, the outstanding loans under the assistance programs accounted for 5.0% of total loans, and the outstanding retail loans under the program was 1.5% of total loans. In terms of liquidity support for SMEs clients through Soft Loans scheme, the outstanding soft loans totaled approximately 3,100 million baht.

1.2 Asset Quality and Expected Credit Loss

In the third quarter of 2022, the Company reported NPLs amounting 4,441.56 million baht, decreased by 0.5% (QoQ), and accounted for NPL ratio of 2.08% of total loans, declining from 2.20% in the previous quarter. This was resulted from the well-controlled asset quality following an effective credit quality control measure.

Table 7 : Loan Classification

Loan Classification Unit: Million baht	As of Sep 30, 2022	As of Jun 30, 2022	%QoQ	As of Dec 31, 2021	%YTD
Stage 1 loans (Performing)	187,122.11	177,512.30	5.4	175,837.30	6.4
Stage 2 loans (Under-performing)	21,624.06	21,365.33	1.2	22,155.06	(2.4)
Non-performing loans (NPLs)	4,441.56	4,463.77	(0.5)	4,957.31	(10.4)
Total loans	213,187.73	203,341.40	4.8	202,949.67	5.0

Table 8 : NPLs Breakdown

NPLs Unit: Million baht, %	As of Sep 30, 2022		As of Jun 30, 2022		As of Dec 31, 2021	
	Million baht	%	Million baht	%	Million baht	%
Hire purchase	2,412.64	2.21	2,382.91	2.18	2,681.63	2.39
Loans against auto licenses	1,003.33	2.89	1,017.67	3.08	1,173.22	3.70
Housing loans	922.28	8.69	924.88	8.33	1,015.48	8.51
NPLs - Retail loans	4,338.25	2.81	4,325.46	2.82	4,870.34	3.12
NPLs - Corporate loans	-	-	-	-	19.04	0.05
NPLs - Commercial loans	100.10	0.82	135.22	1.42	65.71	0.78
Others	3.20	0.11	3.09	0.11	2.22	0.08
Total NPLs	4,441.56	2.08	4,463.77	2.20	4,957.31	2.44

Total allowance for expected credit loss of the Company reported at 11,014.67 million baht, and loan loss coverage ratio remained high at 248.0%.

1.3 Deposits and Borrowings

Total deposits and borrowings amounted 197,676.67 million baht, increased by 6.3% (QoQ). Total deposits reported at 182,576.67 million baht, increased by 13,661.06 million baht (8.1% QoQ) in tandem with loan expansion. Whereas, debentures totaled 15,100.00 million baht, decreased by 1,990.00 million baht (11.6% QoQ) due to the maturity of senior debentures. As of September 2022, the Bank had high-quality liquid assets according to the Liquidity Coverage Ratio (LCR) of 39,264 million baht, increased by 3.5% (QoQ). Thus, the high-quality liquid assets were accounted for 19.9% of total deposits and borrowings, and LCR ratio was at 166.7%.

Table 9 : Deposit Structure

Deposits Unit: Million baht	As of Sep 30, 2022	As of Jun 30, 2022	%QoQ	As of Dec 31, 2021	%YTD
Current accounts	2,254.53	2,211.58	1.9	2,162.08	4.3
Saving accounts	46,207.23	46,443.95	(0.5)	46,931.70	(1.5)
Fixed accounts	35,364.18	36,065.70	(1.9)	34,891.07	1.4
Negotiate certificate deposits	98,713.80	84,157.46	17.3	82,557.06	19.6
Short-term borrowings	36.92	36.92	0.0	36.92	0.0
Total deposits	182,576.67	168,915.61	8.1	166,578.85	9.6

(2) Securities Business

In the third quarter of 2022, market trading volume weakened substantially amid the highly volatile capital market condition, as a result average daily turnover of TISCO Securities decreased to 1,574.35 million baht. Furthermore, brokerage fee income of TISCO Securities declined by 15.1% (YoY) to 165.67 million baht. TISCO Securities' overall market share improved YoY to 1.3%, owing to the market share of local institutions (excluding proprietary trading) that increased from 6.4% to 8.0% (YoY). Meanwhile, the market share of foreign institutions and retail investors remained stable at 0.1% and 1.4% (YoY) respectively. TISCO brokerage volume comprised of 56.3% of local institutions, 3.9% of foreign institutions, and 39.8% of retail investors.

(3) Asset Management Business

As of September 30, 2022, assets under management of TISCO Asset Management totaled 357,492.45 million baht, rose by 2.8% (QoQ) driven by the growth in provident fund and private fund business. Basic fee income reported at 398.28 million baht, increased by 1.4% (QoQ) following the growth in assets under management, but decreased by 0.9% (YoY) due to lower new fund issuances. The composition of total asset under management was 66.6% provident fund, 18.9% private fund, and 14.5% mutual fund. Total market share of TISCO Asset Management as of September 30, 2022 was 4.5%, ranking 9th in the market. The market share of provident fund was 17.7%, ranking 1st in the market. The market share of private fund was 3.6%, ranking 5th in the market and the market share of mutual fund was 1.1%, ranking 14th in the market.

Table 10 : Assets under Management Breakdown

Funds Unit: Million baht	As of Sep 30, 2022	As of Jun 30, 2022	%QoQ	As of Dec 31, 2021	%YTD
Provident fund	238,111.55	230,999.86	3.1	227,117.13	4.8
Private fund	67,540.59	61,652.58	9.6	66,740.15	1.2
Mutual fund	51,840.31	55,080.56	(5.9)	67,019.55	(22.6)
Total AUMs	357,492.45	347,732.99	2.8	360,876.82	(0.9)

Risk Management

As of September 30, 2022, TISCO Group's internal capital (ICAAP) stood at 37,111.33 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital rose by 689.61 million baht from the end of the second quarter of 2022 to 12,121.33 million baht mainly resulting from an increase in credit risk capital. In addition, the capital surplus remained strong at 24,990.00 million baht or 67.3% of total capital.

Comparing to the end of June 2022, the credit risk capital increased by 639.07 million baht, or 7.5%, to 9,170.54 million baht mostly resulting from loan expansion in corporate, SME, and auto title portfolios. Total loan portfolio of TISCO Group expanded by 4.8% (QoQ), while non-performing loans decreased from 2.2% to 2.1% during the quarter thanks to an effective asset quality control.

The market risk capital increased from 288.22 million baht to 338.76 million baht, which resulted from a decline in China stock market's return during the period. Meanwhile, the overall duration gap slightly increased from 0.59 year to 0.60 year, which was in a manageable level. The assets duration declined from 1.23 year to 1.19 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, decreased from 0.64 year to 0.59 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, 2022	Jun 30, 2022	Sep 30, 2022	Jun 30, 2022
Assets	1.19	1.23	1,198.24	1,111.08
Liabilities ¹	0.59	0.64	(940.77)	(831.88)
Net gap	0.60	0.59	257.47	279.20

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 sufficient levels to cushion for the expansion of asset in the future. At the end of September 2022, the regulatory capital based on IRB approach of the Bank was 40,219.84 million baht, while the capital adequacy ratio (BIS ratio) stood at 24.4%, remaining higher than 11.0% required by the Bank of Thailand. The Tier-I and Tier-II ratios of the Bank stood at 20.2% and 4.2%, 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 39,516.97 million baht, with BIS ratio, Tier-I and Tier-II ratios at 21.5%, 17.6% and 3.9%, respectively, which also remained higher than the minimum capital requirement. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 71.66%, 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, 2022	As of Jun 30, 2022	As of Dec 31, 2021
TISCO Financial Group			
Tier-I	17.6	18.2	18.6
Tier-II	3.9	4.0	4.6
BIS Ratio	21.5	22.2	23.3
TISCO Bank			
Tier-I	20.2	21.0	20.2
Tier-II	4.2	4.3	5.0
BIS Ratio	24.4	25.3	25.2