

Management Discussion and Analysis For the First Quarter ended March 31, 2018

(This report discusses principal changes in the reviewed consolidated financial statement for the first quarter ended March 31, 2018)

Movement of Money Market and Capital Market

In the first quarter of 2018, the domestic economy expanded through the continuing growth in export sector and tourism. Private investment and public spending also picked up moderately, together with the recovery in household spending despite the remaining high level of household debt. Domestic car sale in the first 3 months of 2018 increased by 12.6% (YoY), totaled 237,093 units. The headline inflation for the first quarter of 2018 reported at 0.64%, following an increase in oil prices.

The Bank of Thailand (BOT) maintained the policy rate at 1.50%. The average 3-month fixed deposit rates of Top-4 commercial banks remained stable at 0.93% (YTD), while the average minimum lending rate of Top-4 commercial banks was also stable at 6.20% (YTD).

The capital market in the first quarter of 2018 improved from the previous quarter, owing to the increase in fund flow from all types of investors amid the global economic uncertainty, along with higher market trading volume. Consequently, the average daily turnover increased from 55,969.13 million baht in the fourth quarter of 2017 to 69,463.40. SET index closed at 1,776.26 points, increased by 22.55 points or 1.3% comparing to 1,753.71 points at the end of the previous quarter.

Major Events

On March 30, 2018, TISCO Bank Public Company Limited and All-Ways Company Limited have signed the agreements for the sale of personal loan portfolio and credit card business to Citibank N.A. (Bangkok Branch). TISCO Bank will be the seller of personal loan portfolio, and All-Ways will be the seller of credit card business. The sale is expected to be completed within the year 2018. To comply with the requirements of accounting standards, the operating results of the transferred business will be separately presented under "Profit for the period from discontinued operations", while the assets and liabilities associated with the transfer of business will be presented under the captions of "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" effective from the first quarter of 2018 until the completion of the transfer.

Operating Results

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

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations on a standalone basis totaling 77.70 million baht, mainly contributed by service fee income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business. Therefore, the analysis was based on the Company’s consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and securities business.

In the first quarter of 2018, the net profit attributed to owners of the Company totaled 1,765.82 million baht, increased by 275.05 million baht (18.5% YoY), contributed by an increase in net interest income and non-interest income from core business¹. Net interest income increased by 17.5% (YoY) from the ability to maintain overall loan yield and the effective cost management, combining with the increase in retail banking business that were transferred from Standard Chartered Bank (Thai) Public Company Limited since the fourth quarter of 2017. Non-interest income from core business improved by 11.9% (YoY), from all business sectors. Banking fee increased by 12.4% (YoY) following the strong improvement in bancassurance business. Brokerage fee income increased by 22.4% (YoY) following higher market trading volume while asset management basic fee grew by 27.9% (YoY) from the issuance of funds corresponding to the customer demand amid capital market volatility. The Company also recorded investment banking fee from underwriting service during the quarter. Additionally, in the first quarter of 2018, the Company recorded gain from selling investment amounting 254 million baht. Meanwhile, provision expense increased by 21.5% (YoY) following the setup of provisions for the increased loan portfolio and additional written-off loans from some segments.

The net profit of the Company comparing with the fourth quarter of 2017 increased by 16.0% (QoQ), mainly from lower provision expense. Net interest income weakened by 3.3% (QoQ) following the declined loan portfolio from the end of last year. Non-interest income from core business decreased by 10.2% (QoQ) due to a drop in the banking fee. Meanwhile, the brokerage fee and asset management basic fee exhibited growth amidst volatile capital market condition. Nonetheless, provision expense reduced by 23.3% following the improvement in overall asset quality.

Non-performing loans (NPLs) declined from the improved asset quality resulting from the Company’s effective credit control. Consequently, NPL ratio at the end of the first quarter of 2018 remained low at 2.34% and coverage ratio further increased to 202.6%.

Basic earnings per share for the first quarter of 2018 was at 2.21 baht per share, increased from 1.86 baht per share in the first quarter of 2017. Meanwhile, the return on average equity (ROAE) was at 19.9%, increased from 18.6% (YoY).

¹ Non-interest income from core business was net of promotion expenses relating to the hire purchase business.

Table 1 : Consolidated Revenue Structure

Type of Revenue	1Q2017		1Q2018		Change (%YoY)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Interest income					
Interest on loans	1,444.48	32.8	2,092.49	38.5	44.9
Interest on interbank and money market items	119.23	2.7	159.48	2.9	33.8
Hire purchase and financial lease income	2,309.92	52.5	2,196.07	40.4	(4.9)
Investments	51.48	1.2	42.95	0.8	(16.6)
Total interest income	3,925.12	89.2	4,490.98	82.7	14.4
Interest expenses	(1,161.15)	(26.4)	(1,243.83)	(22.9)	7.1
Net interest income	2,763.96	62.8	3,247.15	59.8	17.5
Fee income					
Fee income	1,512.06	34.4	1,774.93	32.7	17.4
Fee expenses	(60.67)	(1.4)	(62.94)	(1.2)	3.7
Net fee income	1,451.39	33.0	1,712.00	31.5	18.0
Gain on investment and foreign exchange transaction	(11.28)	(0.3)	217.86	4.0	n.a.
Share of profit from invest in subsidiaries	27.26	0.6	145.78	2.7	434.8
Other operating income	237.61	5.4	593.14	10.9	149.6
Total operating income	4,468.94	101.6	5,915.93	109.0	32.4
Expenses to business promotion relating to the business	(68.74)	(1.6)	(486.28)	(9.0)	
Total net operating income	4,400.20	100.0	5,429.65	100.0	23.4
Other operating expenses	(1,798.17)		(2,295.69)		
Bad debt and doubtful account and impairment loss of debt securities	(752.51)		(914.28)		
Profit before income tax and minority interest	1,849.52		2,219.68		20.0
Corporate income tax expenses	(350.84)		(403.28)		
Profit from continuing operations	1,498.68		1,816.41		21.2
Profit/Loss from discontinued operations	-		(37.35)		
Profit before minority interest	1,498.68		1,779.06		18.7
Non-controlling interests of the subsidiaries	(7.91)		(13.24)		
Net profit	1,490.76		1,765.82		18.5

Net Interest Income

Net interest income in the first quarter of 2018 was 3,247.15 million baht, increased by 483.19 million baht (17.5% YoY). Total interest income was 4,490.98 million baht, increased by 565.87 million baht (14.4% YoY), while interest expense increased by 82.68 million baht (7.1% YoY) to 1,243.83 million baht.

Yield on loan improved from 6.8% to 7.0% (YoY) from the shift in loan portfolio mix from hire purchase loans to consumer loans that offer higher yield, along with the transfer of retail banking business from Standard Chartered Bank (Thai). While, the cost of fund declined from 2.1% to 2.0% (YoY) owing to a further decline in cost of fund and the Company's effective cost management. Consequently, loan spread increased from 4.7% to 5.0% (YoY). The net interest margin improved from 4.2% to 4.4% (YoY).

Table 2 : Loan Spread

%	2017	1Q2017	4Q2017	1Q2018
Yield on Loans	6.9	6.8	7.1	7.0
Cost of fund	2.1	2.1	2.1	2.0
Loan spread	4.9	4.7	5.0	5.0

The Company reported the net interest income after impairment loss of loans and debt securities totaled 2,332.87 million baht, increased by 321.42 million baht (16.0% YoY). Impairment losses on loans totaled 914.28 million baht, increased comparing with 752.51 million baht or 21.5% (YoY), resulting from the setup for the increasing loan portfolio and additional written-off loans from some segments.

Non-interest Income

Non-interest income of the Company's core businesses reported at 1,881.80 million baht, increased by 200.87 million baht (11.9% YoY), from the growth in all business sectors. Banking fee income rose by 124.79 million baht (12.4% YoY) to 1,131.16 million baht following the strong improvement in bancassurance business. Brokerage fee income increased by 47.73 million baht (22.4% YoY) to 260.84 million baht due to higher market trading volume. Asset management basic fee reported at 385.03 million baht, grew by 84.03 million baht (27.9% YoY) from the issuance of funds corresponding to the customer demand during the volatile capital market. Additionally, the Company recorded the investment banking fee amounting 50 million baht from underwriting service during the quarter. Moreover, in the first quarter of 2018, the Company recorded gain from selling investment totaling 254 million baht.

Non-interest Expenses

Non-interest expenses were 2,295.69 million baht, increased by 497.52 million baht (27.7% YoY), mainly from an increase in variable expenses associated with revenue and profit growth, and the ongoing expenses related to the business acquisition. Nevertheless, the Company still maintained effective operating cost control, resulting in low cost-to-income ratio at 42.3%.

Corporate Income Tax

In the first quarter of 2018, the corporate income tax was 403.28 million baht, equivalent to the effective tax rate of 18.2%, decreased from 19.0% (YoY).

Financial Positions

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

The assets and liabilities associated with the transfer of business will be presented under the captions of "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale".

Assets

As of March 31, 2018, the Company's total assets were 298,323.05 million baht, decreased by 1.7% (YTD), driven by the decline in loan portfolio from 251,383.80 million baht to 240,764.33 million baht (4.2% YTD), and interbank and money market that decreased from 44,647.15 million baht to 43,046.50 million baht (3.6% YTD).

Table 3 : Assets Breakdown

Assets	December 31, 2017		March 31, 2018		Change (% QoQ)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	1,324.81	0.4	1,370.29	0.5	3.4
Interbank and Money Market Items	44,647.15	14.7	43,046.50	14.4	(3.6)
Derivative Asset	0.00	0.0	0.00	0.0	n.a.
Investment – Net	7,547.14	2.5	8,516.95	2.9	12.8
Investments in subsidiaries, associate and JV	573.93	0.2	721.45	0.2	25.7
Corporate Loans	50,607.52	16.7	47,120.22	15.8	(6.9)
Retail Loans	184,184.72	60.7	177,331.51	59.4	(3.7)
Commercial Loans	15,099.95	5.0	14,831.81	5.0	(1.8)
Other Loans	1,491.61	0.5	1,480.79	0.5	(0.7)
Allowance for doubtful accounts and for loss on debt restructuring	(11,456.11)	(3.8)	(11,425.21)	(3.8)	(0.3)
Assets classified as held for sale	-	-	5,583.58	1.9	n.a.
Other Assets	9,367.70	3.1	9,745.18	3.3	4.0
Total Assets	303,388.41	100.0	298,323.05	100.0	(1.7)

Liabilities

As of March 31, 2018, total liabilities were 261,856.29 million baht, decreased by 2.5% (YTD) due to the decline in total deposits from 188,280.76 million baht to 179,212.81 million baht (4.8% YTD), and interbank and money market decreased from 4,017.51 million baht to 3,806.17 million baht (5.3% YTD). The liabilities mix comprised of total deposits including bill of exchange at 68.4%, interbank and money market items at 1.5%, debentures at 24.7% and 5.5% of other liabilities.

Table 4 : Liabilities Breakdown

Liabilities	December 31, 2017		March 31, 2018		Change (% QoQ)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits	188,280.76	70.1	179,212.81	68.4	(4.8)
Interbank and money market items	4,017.51	1.5	3,806.17	1.5	(5.3)
Debentures	63,601.70	23.7	64,549.00	24.7	1.5
Others	12,756.67	4.7	14,288.30	5.5	12.0
Total Liabilities	268,656.64	100.0	261,856.29	100.0	(2.5)

Shareholders' Equity

As of March 31, 2018, shareholders' equity was 36,466.76 million baht, increased by 1,735.00 million baht (5.0% YTD) from an increase in retained earnings for the first quarter of 2018. As a result, the book value per share (BVPS) as of March 31, 2018 was 45.55 baht per share, rose from 43.38 baht per share (YTD).

Business Segment Operations

(1) Banking Business

Loans¹

Total loans and receivables as of March 31, 2018 were 240,764.33 million baht, decreased by 10,619.47 million baht (4.2% YTD), mainly contributed by the repayment of corporate lending clients and the decline in loan portfolio amid highly competitive market condition, together with the transfer of personal loan and credit card loan to assets classified as held for sale amounting 5,766 million baht. The composition of loan portfolio was 75.4% of retail loans, 17.3% of corporate loans, 6.2% of commercial loans and 1.1% of other loans.

Retail Lending portfolio totaled 181,607.36 million baht, dropped by 3.5% (YTD), primarily from the decline in loan portfolio amid highly competitive market condition and the transfer of personal loan and credit card loan to assets classified as held for sale. The total retail portfolio as of March 31, 2018 consisted of 71.7% car and motorcycle hire purchase loans, 15.9% loans against auto license, 10.8% mortgage loans and 1.6% home-equity loans. The outstanding hire purchase loans totaled 130,252.65 million baht, improved by 0.4% (YTD), from the improvement in market demand. The domestic car sale for the first 3 months of 2018 was 237,093 units, increased by 12.6% (YoY), compared to 210,490 units in the first 3 months of 2017. The car penetration rate of TISCO for the first 3 months improved from 7.3% to 7.6% (YoY).

Loans against auto license ("Auto Cash") amounted 28,865.57 million baht, increased by 1,117.06 million baht (4.0% YTD), from the increased new business from all channels – bank branches and loan offices – especially from the expansion of new customer acquisition through "Somwang" channel of 927.91 million baht (9.1% YTD) to total of 11,164.16 million baht, which accounted for 38.7% of total loans against auto license. Hence, at the end of the first quarter of 2018, "Somwang" loan offices totaled 197 branches nationwide.

Mortgage loans totaled 19,591.74 million baht, dropped by 5.6% (YTD) while home-equity loans amounted 2,897.39 million baht, declined by 6.7% (YTD) amidst the highly competitive market condition. Meanwhile, personal loans and credit card loans transferred to assets classified as held for sale totaled 5,766 million baht.

Corporate Lending portfolio totaled 41,638.46 million baht, fell by 2,967.13 million baht (6.7% YTD), due to the loan repayment from the clients in real estate and construction sector.

Commercial Lending portfolio totaled 14,831.81 million baht, declined by 268.15 million baht (1.8% YTD) mainly from the repayment of small business loans which were the transferred business. At the end of March 31, 2018, small business loans totaled 1,930.24 million baht.

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

Other Loans portfolio totaled 2,686.70 million baht, decreased by 777.79 million baht (22.5% YTD).

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

Type of Business	December 31, 2017		March 31, 2018		Change (% QoQ)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and Commerce	11,019.73	4.4	10,313.06	4.3	(6.4)
Real Estate and Construction	14,972.95	6.0	12,049.29	5.0	(19.5)
Public Utilities and Services	22,696.33	9.0	22,786.73	9.5	0.4
Agriculture and Mining	1,918.50	0.8	1,971.15	0.8	2.7
Corporate Loans	50,607.52	20.1	47,120.22	19.6	(6.9)
Commercial Loans	15,099.95	6.0	14,831.81	6.2	(1.8)
Hire Purchase	129,719.70	51.6	130,252.65	54.1	0.4
Mortgage Loans	20,757.33	8.3	19,591.74	8.1	(5.6)
Loans against auto license	23,719.47	9.4	24,589.72	10.2	3.7
Home-Equity Loans	3,105.06	1.2	2,897.39	1.2	(6.7)
Personal Loans	3,930.96	1.6	-	0.0	n.a.
Credit Card	2,952.19	1.2	-	0.0	n.a.
Retail Loans	184,184.72	73.3	177,331.51	73.7	(3.7)
Others	1,491.61	0.6	1,480.79	0.6	(0.7)
Total Loans	251,383.80	100.0	240,764.33	100.0	(4.2)

Table 5.2 : Loans Breakdown (by product types)

Type of Business	December 31, 2017		March 31, 2018		Change (% QoQ)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and Commerce	6,931.35	2.8	6,818.65	2.8	(1.6)
Real Estate and Construction	14,658.52	5.8	11,720.37	4.9	(20.0)
Public Utilities and Services	21,620.21	8.6	21,684.51	9.0	0.3
Agriculture and Mining	1,395.52	0.6	1,414.92	0.6	1.4
Corporate Loans	44,605.59	17.7	41,638.46	17.3	(6.7)
Commercial Loans	15,099.95	6.0	14,831.81	6.2	(1.8)
Hire Purchase	129,719.70	51.6	130,252.65	54.1	0.4
Mortgage Loans	20,757.33	8.3	19,591.74	8.1	(5.6)
Loans against auto license	27,748.52	11.0	28,865.57	12.0	4.0
Home-Equity Loans	3,105.06	1.2	2,897.39	1.2	(6.7)
Personal Loans	3,930.96	1.6	-	0.0	n.a.
Credit Card	2,952.19	1.2	-	0.0	n.a.
Retail Loans	188,213.76	74.9	181,607.36	75.4	(3.5)
Others	3,464.49	1.4	2,686.70	1.1	(22.5)
Total Loans	251,383.80	100.0	240,764.33	100.0	(4.2)

Deposits and Borrowings

Total deposits and borrowings totaled 243,761.81 million baht, decreased by 3.2% (YTD). Total deposits totaled 179,212.81 million baht, dropped by 9,067.95 million baht (4.8% YTD) while debentures totaled 64,549.00 million baht, increased by 947.30 million baht (1.5% YTD). As of March 31, 2018, the Bank had liquid assets totaling 48,292.76 million baht, increased by 76.78 million baht (0.2% YTD). Thus, the liquid assets were 19.8% of total deposits and borrowings.

Table 6 : Deposits Structure

Type of Deposits	December 31, 2017		March 31, 2018		Change (% QoQ)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	3,785.00	2.0	3,682.61	2.1	(2.7)
Saving accounts	64,544.34	34.3	61,249.08	34.2	(5.1)
Fixed accounts	19,860.34	10.5	21,516.83	12.0	8.3
Negotiate certificate deposit	92,614.16	49.2	89,697.38	50.1	(3.1)
Short-term borrowings	7,476.92	4.0	3,066.92	1.7	(59.0)
Total Deposits	188,280.76	100.0	179,212.81	100.0	(4.8)

Non-Performing Loans (NPLs) and Loan Loss Provision

In the first quarter of 2018, the Company reported NPL ratio at 2.34%, slightly increased from 2.32% from the end of 2017. NPL ratio of retail loans, corporate loans, and commercial loans were 2.77%, 0.97%, and 1.11% respectively. Total NPLs were reported at 5,638.98 million baht, decreased by 190.37 million baht (3.3% YTD) from the further improved credit quality of the overall loan portfolio following the effective credit control. The NPLs comprised of 5,126.24 million baht from the Bank and 512.73 million baht from other subsidiaries.

The Company set up provision at 914.28 million baht, accounted for 1.5% of average loan, and increased comparing with 752.51 million baht (YoY). The provisions were contributed from the setup of specific provisions for the increasing loan portfolio, together with additional written-off loans from some segments especially the transferred portfolio. Therefore, in this quarter, the setup of excess loan loss reserve was 51 million baht.

At the end of the first quarter of 2018, loan loss reserve of the Company was 11,425.21 million baht while total loan loss reserve of the Bank was 10,851.57 million baht which was higher than the minimum loan loss reserve required by the Bank of Thailand at 4,657.08 million baht or accounted 233.0% of minimum loan loss reserve requirement. As a result, the loan loss provision coverage ratio at the end of the first quarter of 2018 increased to 202.6%.

Table 7 : NPL Breakdown

Type of NPLs	December 31, 2017			March 31, 2018			Change (% QoQ)
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and Commerce	2.06	227.38	3.9	2.11	217.22	3.9	(4.5)
Real Estate and Construction	0.51	76.05	1.3	0.59	71.33	1.3	(6.2)
Public Utilities and Services	0.66	149.10	2.6	0.65	147.53	2.6	(1.1)
Agriculture and Mining	1.23	23.63	0.4	1.15	22.61	0.4	(4.3)
NPLs - Corporate Loans	0.94	476.16	8.2	0.97	458.68	8.1	(3.7)
NPLs - Commercial Loans	1.27	191.48	3.3	1.11	164.17	2.9	(14.3)
Hire Purchase	2.56	3,325.24	57.0	2.42	3,155.00	55.9	(5.1)
Mortgage Loans	4.08	847.30	14.5	4.10	802.74	14.2	(5.3)
Consumer Loans	3.18	852.68	14.6	3.44	945.57	16.8	10.9
Personal Loans	0.15	5.95	0.1	-	-	-	n.a.
Credit Card	0.61	18.07	0.3	-	-	-	n.a.
NPLs - Retail Loans	2.74	5,049.25	86.6	2.77	4,903.32	87.0	(2.9)
Others	7.54	112.46	1.9	7.62	112.82	2.0	0.3
Total NPLs	2.32	5,829.35	100.0	2.34	5,638.98	100.0	(3.3)

(2) Securities Business

In the first quarter of 2018, TISCO Securities reported brokerage fee income totaling 260.84 million baht, improved by 22.4% (YoY), following an increase in market trading volume amid the capital market volatility. Average daily turnover of TISCO Securities was 2,996.03 million baht, increased by 33.0% (YoY) from 2,253.39 million baht. However, TISCO Securities' market share declined from 2.6% to 2.5% (YoY). The market share of foreign institution sector decreased from 2.6% to 2.2% (YoY) and the market share of retail investors dropped from 1.9% to 1.8% (YoY). Meanwhile, the market share of local institution sector (excluding proprietary trading) increased from 5.6% to 6.1% (YoY). All in all, TISCO brokerage volume comprised of 30.0% of local institutions, 34.8% of foreign institutions, and 35.1% of retail customers.

(3) Asset Management Business

As of March 31, 2018, assets under management business of TISCO Asset Management Co., Ltd. reported at 244,261.50 million baht, increased by 1.7% (YTD), from the growth in all business areas. Consequently, the basic fee income from asset management totaled 385.03 million baht, grew by 27.9% (YoY) owing to the issuance of various types of mutual funds corresponding to market demands amidst the volatile capital market.

The composition of total asset under management was 62.9% provident fund, 17.4% private fund, and 19.7% mutual fund. Total market share of TISCO Asset Management Co., Ltd. as of March 31, 2018 was 3.5%, ranking 8th in the market. The market share of provident fund was 14.0%, ranking 3rd in the market, and the market share of private fund was 4.8%, ranking 5th in the market. For mutual fund, the market share was 1.0%, ranking 14th in the market.

Table 8 : Assets under Management Breakdown

Type of Funds	December 31, 2017		March 31, 2018		Change (% QoQ)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	151,053.43	62.9	153,622.62	62.9	1.7
Private Fund	41,855.28	17.4	42,586.11	17.4	1.7
Mutual Fund	47,334.10	19.7	48,052.77	19.7	1.5
Total AUMs	240,242.80	100.0	244,261.50	100.0	1.7

Risk Management

As of March 31, 2018, TISCO Group's internal capital stood at 33,235.36 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital decreased by 403.24 million baht from the end of 2017 to 14,087.90 million baht, mainly resulting from a decrease in credit risk capital. In addition, the capital surplus remained strong at 19,147.46 million baht or 57.6% of total capital.

Comparing to the end of year 2017, the credit risk capital stood at 11,365.15 million baht, which decreased by 537.31 million baht or 4.5%, while loan portfolio contracted by 1.9% during the quarter. The non-performing loan of TISCO Group remained at 2.3% compared to the end of 2017.

The market risk capital increased from 125.06 million baht to 259.12 million baht, resulting from higher risk capital of investment portfolio along with a decline in SET index. Meanwhile, the overall duration gap increased to 0.73 year, which was in a manageable level. The assets duration rose from 1.32 year to 1.38 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 0.65 year.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions were strong and sufficient levels to cushion for the expansion of asset in the future. At the end of March 2018, the projected regulatory capital adequacy ratio based on IRB approach (BIS ratio) of the bank stood at 21.58%, remaining higher than the 10.375% required by the Bank of Thailand. The projected Tier-I and Tier-II capital adequacy ratio stood at 16.66% and 4.93%, respectively, in which Tier-I capital adequacy ratio also remained higher than the minimum requirement at 7.875%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 49.80%, which was higher than the minimum required ratio by the SEC of 7.0%.

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

	Duration (years)		1-Y Net interest income change to 1% interest rate increase (MB)	
	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018
Assets	1.32	1.38	1,423.78	1,306.59
Liabilities*	0.63	0.65	(1,154.74)	(1,082.97)
Net Gap	0.69	0.73	269.04	223.61

*Note: * Exclude saving and current account*

Business Updates for the First Quarter of 2018

The Signing of Portfolio Sales Agreements

TISCO Bank Public Company Limited and All-Ways Company Limited had signed the agreement to sell personal loan portfolio and credit card business to Citibank N.A. (Bangkok Branch) where the sale was in alignment with the Company's long-term strategy that mainly focuses on providing secured lending service. Additionally, the Company is aware of the best service to maximize customer satisfaction. Therefore, the sale includes approximately 132,000 clients to be transferred, which consists of around 32,000 personal loan clients and 100,000 credit card clients. Total loan portfolio as of March 31, 2018 was around 5,700 million baht, comprised of personal loan portfolio around 3,200 million baht and credit card portfolio around 2,500 million baht. The loans to be transferred were equivalent to 2.32% of total loans.

The Company expects that the sale of mentioned loans will cause the slight decline in the yield on loan following the release of high-yield loans, while provision expense tends to be lower as well. Meanwhile, related staff will be transferred to other departments under TISCO Group after the transfer completes. Thus, the Company expects no material impact to the Bank's capital (BIS ratio).