



# **Management Discussion and Analysis**

**For the Second Quarter of 2020 ended June 30, 2020**

(Reviewed 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)

## Movement of Money Market and Capital Market

Due to the outbreak of coronavirus or COVID-19, Thai government announced a national state of emergency since the end of the first quarter of 2020, and launched restriction measures against the spread of the COVID-19 during the second quarter which included imposing curfew during night time, social distancing and lockdown from international travel. The situation of COVID-19 was maintained under control with the government gradually eased restrictions during May to June.

Nonetheless, domestic economy for the second quarter of 2020 contracted drastically from the lockdown and a sharp decline in economic activities, especially in tourism sector that was directly impacted by the countrywide lockdown and the absence of foreign tourists. Furthermore, export sector was subdued following weak demand from trading partners. This had an impact to many related businesses and workforce in terms of employment issue and declining household income, along with the high level of household debt, resulting in a continual decline in purchasing power. As a result, the domestic car sale for the first half of 2020 decreased significantly by 37.3% (YoY) totaling 328,604 units, while the headline inflation for the second quarter of 2020 weakened to -2.67%. Despite the positive improvement in restriction situation, coupled with government's relief measure though cash injection and stimulus package for businesses, business sector still had concerns toward economic outlook that was full of uncertainty, which led to a slowdown in private investment. Consequently, the Bank of Thailand further revised down GDP forecast to a contraction of 8.1%.

From the prolonged economic downturn that directly affected debt serviceability of retail clients, the Bank of Thailand announced debt relief measure phase 2 that extended the relief scopes and timeline of the restructurings for another 6 months, together with announced a ceiling rate reduction for personal loan. In addition, the Bank of Thailand asked commercial banks to develop capital management plans for the next 1-3 years and suspend interim dividend payments and share buybacks during the development period in order to maintain a strong capital position and cushion the businesses against the risks of COVID-19 uncertainty.

During the quarter, the Bank of Thailand reduced the policy rate 1 time to 0.50%. The average 3-month fixed deposit rates of Top-4 commercial banks decreased from 0.54% to 0.37% (QoQ). Meanwhile, all types of lending rates of Top-4 commercial banks also declined from the previous quarter. The average minimum lending rate (MLR) dropped from 5.86% to 5.31% (QoQ). The average minimum overdraft rate reduced from 6.56% to 5.85% (QoQ) and the average minimum retail rate (MRR) decreased from 6.62% to 5.98% (QoQ).

For the capital market in the second quarter of 2020, market trading volume increased with average daily turnover increased from 66,356.50 million baht in the first quarter of 2020 to 69,431.84 million baht. SET index closed at 1,339.03 points, increased by 213.17 points or 18.9% comparing to 1,125.86 points at the end of the previous quarter.

## Operating Results

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations on a standalone basis totaling 956.93 million baht, mainly contributed by dividend income and service fee income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business. Therefore, the analysis was based on the Company’s consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and securities business.

### **Operating Results for the Second Quarter of 2020 comparing with the Second Quarter of 2019**

As a consequence of COVID-19 outbreak to the domestic economic downturn, banking businesses have been affected from a slowdown in economic activities. As a result, the net profit attributed to owners of the Company in the second quarter of 2020 decreased by 468.74 million baht totaling 1,329.41 million baht (26.1% YoY) comparing to the second quarter of 2019.

Net interest income rose due to a decrease in interest expense aligning with an effective cost management during declining interest rate environment. Non-interest income from core businesses declined due to a slowdown in economic activities, particularly banking fee income from bancassurance business and loan-related fee income following lower new business volume. Meanwhile, expected credit loss increased from the revision of ECL impairment model in accordance with TFRS 9 and an increase in NPLs amid economic slowdown.

### **Operating Results for the First Half of 2020 comparing with the First Half of 2019**

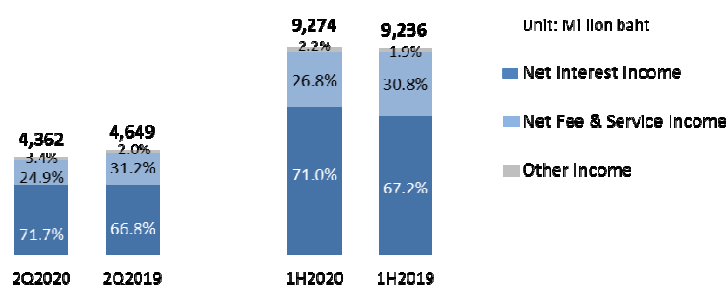
The net profit attributed to owners of the Company for the first half of 2020 totaled 2,819.45 million baht, decreased by 708.30 million baht (20.1% YoY) comparing to the first half of 2019, which was resulted from economic slowdown, weakened asset quality and the adoption of accounting standard TFRS 9.

Net interest income increased owing to a decrease in funding cost. Non-interest income from core businesses weakened from banking businesses amid economic slowdown. Nonetheless, fee income related to capital market improved from increased trading volume and new fund issuances during a volatile market. Whilst, expected credit loss increased from the extraordinary setup of ECL from an adjustment of forward looking macroeconomic assumption in accordance with TFRS 9, coupled with an increase in NPLs arising from the spread of COVID-19.

Table 1 : Consolidated Revenue Structure

Type of Revenue (Million baht)	2Q2020	2Q2019	%YoY	1H2020	1H2019	%YoY
<b>Interest income</b>						
Interest on loans	2,018.06	1,999.38	0.9	4,166.56	3,954.84	5.4
Interest on interbank and money market items	78.42	154.86	(49.4)	172.75	365.02	(52.7)
Hire purchase and financial lease income	1,989.92	2,162.88	(8.0)	4,258.05	4,334.50	(1.8)
Investments	35.39	62.95	(43.8)	77.37	115.34	(32.9)
<b>Total interest income</b>	<b>4,121.80</b>	<b>4,380.07</b>	<b>(5.9)</b>	<b>8,674.72</b>	<b>8,769.70</b>	<b>(1.1)</b>
Interest expenses	(993.58)	(1,272.59)	(21.9)	(2,088.61)	(2,559.77)	(18.4)
<b>Net interest income</b>	<b>3,128.22</b>	<b>3,107.48</b>	<b>0.7</b>	<b>6,586.11</b>	<b>6,209.94</b>	<b>6.1</b>
<b>Fee income</b>						
Fee income	1,164.57	1,525.29	(23.6)	2,640.82	2,985.28	(11.5)
Fee expenses	(78.20)	(76.86)	1.7	(156.64)	(137.87)	13.6
<b>Net fee income</b>	<b>1,086.37</b>	<b>1,448.42</b>	<b>(25.0)</b>	<b>2,484.18</b>	<b>2,847.41</b>	<b>(12.8)</b>
Gain (Loss) on the financial instruments measured at fair value and investment	63.68	(13.13)	(585.0)	(21.95)	(36.62)	(40.1)
Share of profit (loss) from subsidiaries	17.36	5.29	228.0	32.87	(31.91)	(203.0)
Other operating income	66.73	100.86	(33.8)	193.12	247.38	(21.9)
<b>Total operating income</b>	<b>4,362.36</b>	<b>4,648.93</b>	<b>(6.2)</b>	<b>9,274.33</b>	<b>9,236.20</b>	<b>0.4</b>
Operating expenses	(1,814.90)	(2,272.66)	(20.1)	(3,809.73)	(4,589.35)	(17.0)
Expected Credit Loss	(881.65)	(137.54)	541.0	(1,955.00)	(245.75)	695.5
<b>Profit before income tax and minority interest</b>	<b>1,665.81</b>	<b>2,238.73</b>	<b>(25.6)</b>	<b>3,509.60</b>	<b>4,401.10</b>	<b>(20.3)</b>
Corporate income tax expenses	(336.31)	(437.98)	(23.2)	(693.93)	(868.88)	(20.1)
<b>Profit before minority interest</b>	<b>1,329.50</b>	<b>1,800.75</b>	<b>(26.2)</b>	<b>2,815.67</b>	<b>3,532.22</b>	<b>(20.3)</b>
Non-controlling interests of subsidiaries	(0.09)	(2.60)	(96.6)	(0.19)	(4.47)	(95.8)
<b>Net profit</b>	<b>1,329.41</b>	<b>1,798.15</b>	<b>(26.1)</b>	<b>2,815.48</b>	<b>3,527.75</b>	<b>(20.2)</b>

### Composition of Operating Income



Basic earnings per share for the second quarter of 2020 was 1.66 baht per share, decreased from 2.25 baht per share in the second quarter of 2019, with the return on average equity (ROAE) reported at 13.7%.

### Net Interest Income

In the second quarter of 2020, net interest income was 3,128.22 million baht, increased by 20.74 million baht (0.7% YoY). Total interest income was 4,121.80 million baht, dropped by 258.27 million baht (5.9% YoY). Whereas, interest expense was 993.58 million baht, declined by 279.00 million baht (21.9% YoY).

Yield on loan for the second quarter of 2020 was at 6.9% which included the recognition of the accrued interest income of non-performing loans amounting of 0.2%. If excluding this effect, yield on loan declined driven by a decrease in market benchmark rate and the pass-on interest rate cut benefit from FIDF reduction to clients, as well as partially contributed by the interest waiver for clients in the debt relief programs. Meanwhile, the cost of fund decreased from 2.1% to 1.7% (YoY) owing to an effective cost management during declining interest rate environment and the reduction of contribution rate to the FIDF from 0.46% to 0.23%. Consequently, loan spread increased from 4.8% to 5.3% (YoY) whereas the net interest margin improved from 4.2% to 4.3% (YoY).

Table 2 : Loan Spread

%	Old Accounting Standard		New Accounting Standard TFRS 9 <sup>2</sup>	
	2019 <sup>1</sup>	2Q2019	1Q2020	2Q2020
Yield on Loans	6.9	6.9	7.4	6.9
Cost of fund	2.1	2.1	1.8	1.7
<b>Loan Spread</b>	<b>4.8</b>	<b>4.8</b>	<b>5.6</b>	<b>5.3</b>
<b>Net Interest Margin</b>	<b>4.2</b>	<b>4.2</b>	<b>4.7</b>	<b>4.3</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

In the second quarter of 2020, non-interest income declined by 19.9% (YoY) mainly resulting from a decrease in fee income from core businesses amid economic slowdown. Non-interest income from core businesses totaled 1,225.89 million baht, declined by 24.0% (YoY). Banking fee income dropped by 391.79 million baht (37.0% YoY) to 667.92 million baht resulting from a slowdown in bancassurance business and a decline in loan-related fee income following lower new business volume. Asset management basic fee decreased by 6.37 million baht (1.8% YoY) to 341.07 million baht from fewer issuances of new funds comparing to the same period of last year. On the other hand, brokerage fee income increased by 19.66 million baht (10.2% YoY) to 212.51 million baht contributed by increased trading volume during volatile capital market condition.

During this quarter, other non-interest income increased by 58.9% (YoY) mainly from the record of gain on financial instruments measured at fair value through profit or loss (FVTPL) amounting 60 million baht following improved capital market condition.

### Operating Expenses

Operating expenses totaled 1,814.90 million baht, decreased by 457.76 million baht (20.1% 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 41.6%.

### Expected Credit Loss

Expected credit loss (ECL) totaled 881.65 million baht, increased comparing with bad debt, doubtful accounts and impairment losses of 137.54 million baht in the second quarter of 2019, and accounted for 1.51% of average loans. An increase in ECL was partly resulted from the revision of impairment model in

accordance with TFRS 9, together with an increase in non-performing loans. Nevertheless, ECL was on the decline comparing to the previous quarter, in which the Company has partially set up ECL impairment against an assumption on economic outlook in advance, according to TFRS 9.

During the COVID-19 outbreak, retail clients were affected by the economic downturn which caused the difficulties to debt serviceability. The Company has provided debt relief programs to those clients aligning with the Bank of Thailand's measures through debt restructuring and debt moratorium. However, the Company emphasized on stringent ECL impairment setup based on the loan repayment status in accordance with TFRS 9 standard, with an exception to the clients in debt moratorium program which applied to the lenient loan classification following the Bank of Thailand's guidance that suspended the loan classification at the same status prior to the program.

#### Corporate Income Tax

In the second quarter of 2020, the corporate income tax was 336.31 million baht, equivalent to the effective tax rate of 20.2% increased from 19.6% in the second quarter of last year.

## Financial Positions

The Management Discussion and Analysis on operating results on financial status is a comparison between the financial positions as of June 30, 2020 and March 31, 2020

### Assets

As of June 30, 2020, the Company's total assets were 275,110.80 million baht, decreased by 9.4% (QoQ). Loan portfolio declined from 237,873.02 million baht to 228,165.17 million baht (4.1% QoQ). Interbank and money market decreased from 51,686.63 million baht to 33,238.21 million baht (35.7% QoQ). Financial assets measured at fair value through profit or loss amounted 1,892.34 million baht, increased by 3.0% (QoQ) and investments amounted 10,646.68 million baht, decreased by 8.0% (QoQ).

Table 3 : Assets Breakdown

Assets	June 30, 2020		March 31, 2020		Change (%QoQ)
	Amount (Million baht)	%	Amount (Million baht)	%	
Cash	1,164.17	0.4	1,278.09	0.4	(8.9)
Interbank and Money Market Items	33,238.21	12.1	51,686.63	17.0	(35.7)
Derivatives	27.12	0.0	0.00	0.0	n.a.
Financial assets measured at fair value through profit or loss	1,892.34	0.7	1,837.89	0.6	3.0
Investments – Net	10,646.68	3.9	11,577.76	3.8	(8.0)
Investments in subsidiaries, associate and JV	843.87	0.3	826.50	0.3	2.1
Corporate Loans	36,245.88	13.2	35,413.23	11.7	2.4
Commercial Loans	8,467.44	3.1	11,681.84	3.8	(27.5)
Retail Loans	181,130.81	65.8	188,466.42	62.1	(3.9)
Other Loans	2,321.04	0.8	2,311.54	0.8	0.4
Allowance for expected credit loss	(11,603.90)	(4.2)	(11,536.26)	(3.8)	0.6
Other Assets	10,737.15	3.9	10,011.05	3.3	7.3
<b>Total Assets</b>	<b>275,110.80</b>	<b>100.0</b>	<b>303,554.69</b>	<b>100.0</b>	<b>(9.4)</b>

### Liabilities

As of June 30, 2020, total liabilities were 238,864.02 million baht, decreased by 9.0% (QoQ). Total deposits declined from 220,665.65 million baht to 200,215.95 million baht (9.3% QoQ). Interbank and money market increased from 4,126.11 million baht to 5,482.17 million baht (32.9% QoQ) and debentures declined from 23,590.00 million baht to 19,190.00 million baht (18.7% QoQ).

Table 4 : Liabilities Breakdown

Liabilities	June 30, 2020		March 31, 2020		Change (%QoQ)
	Amount (Million baht)	%	Amount (Million baht)	%	
Deposits	200,215.95	83.8	220,665.65	84.1	(9.3)
Interbank and money market items	5,482.17	2.3	4,126.11	1.6	32.9
Debentures	19,190.00	8.0	23,590.00	9.0	(18.7)
Others	13,975.90	5.9	14,038.26	5.3	(0.4)
<b>Total Liabilities</b>	<b>238,864.02</b>	<b>100.0</b>	<b>262,420.02</b>	<b>100.0</b>	<b>(9.0)</b>

**Shareholders' Equity**

As of June 30, 2020, shareholders' equity was 36,246.78 million baht, reduced by 4,887.88 million baht (11.9% QoQ) as the Company paid annual dividend from operation result for the year 2019 at 7.75 baht per common and preferred share in May 2020. The total dividend payment was 6,205 million baht with dividend payout ratio of 85.3%. As a result, the book value per share (BVPS) as of June 30, 2020 was 45.27 baht per share, dropped from 51.38 baht per share (QoQ).



## Business Segment Operations

### (1) Banking Business

#### Loans

Total loans and receivables as of June 30, 2020 were 228,165.17 million baht, declined by 9,707.85 million baht (4.1% QoQ), driven by a decline in retail sector and commercial sector amid economic slowdown. The composition of loan portfolio was 79.4% of retail loans, 15.9% of corporate loans, 3.7% of commercial loans and 1.0% of other loans.

**Retail Lending** portfolio totaled 181,130.81 million baht, decreased by 3.9% (QoQ). The total retail portfolio as of June 30, 2020 consisted of 71.8% car and motorcycle hire purchase loans, 19.8% loans against auto license and 8.5% housing loans. The outstanding hire purchase loans totaled 129,978.65 million baht, dropped by 4.1% (QoQ) following weaker purchasing power and a significant drop in domestic car sale. The domestic car sale for the first half of 2020 was 328,604 units, decreased by 37.3% (YoY), compared to 523,770 units in the first half of 2019. The car penetration rate of TISCO for the first half of 2020 declined to 5.7% (YoY).

Loans against auto licenses ("Auto Cash") amounted 35,816.63 million baht, contracted by 2.9% (QoQ), through both bank branches and "Somwang" loan office channels. During the economic downturn, the demand for consumer loans remained high. However, with the rising risks from economic uncertainties, the Company has tightened the loan underwriting policy to be more stringent and cautious, awaiting for clarity on economic recovery. Loans from "Somwang" channels amounted 18,672.96 million baht, declined by 547.36 million baht (2.8% QoQ), and accounted for 52.1% of total loans against auto licenses. Nevertheless, the Company continued the network expansion strategy with by the end of the second quarter of 2020, "Somwang" loan offices totaled 322 branches nationwide.

Housing loans consisted of mortgage loans totaling 13,376.64 million baht, dropped by 4.5% (QoQ) and home-equity loans totaling 1,958.89 million baht, declined by 3.8% (QoQ) amid the weakened economy.

**Corporate Lending** portfolio totaled 36,245.88 million baht, grew by 2.4% (QoQ), mainly due to the loan growth from the clients in real estate and construction sector.

**Commercial Lending** portfolio totaled 8,467.44 million baht, dropped by 27.5% (QoQ) owing to a slowdown in car inventory financing amid sluggish economy.

**Other Loans** portfolio totaled 2,321.04 million baht, increased by 0.4% from the previous quarter.

Table 5 : Loans Breakdown

Type of Loans	June 30, 2020		March 31, 2020		Change (%QoQ)
	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and Commerce	1,594.06	0.7	2,187.20	0.9	(27.1)
Real Estate and Construction	16,519.59	7.2	15,112.75	6.4	9.3
Public Utilities and Services	18,132.23	7.9	18,113.28	7.6	0.1
<b>Corporate Loans</b>	<b>36,245.88</b>	<b>15.9</b>	<b>35,413.23</b>	<b>14.9</b>	<b>2.4</b>
<b>Commercial Loans</b>	<b>8,467.44</b>	<b>3.7</b>	<b>11,681.84</b>	<b>4.9</b>	<b>(27.5)</b>
Hire Purchase	129,978.65	57.0	135,548.10	57.0	(4.1)
Loans against Auto Licenses	35,816.63	15.7	36,875.24	15.5	(2.9)
Mortgage Loans	13,376.64	5.9	14,006.89	5.9	(4.5)
Home-Equity Loans	1,958.89	0.9	2,036.19	0.9	(3.8)
<b>Retail Loans</b>	<b>181,130.81</b>	<b>79.4</b>	<b>188,466.42</b>	<b>79.2</b>	<b>(3.9)</b>
Others	2,321.04	1.0	2,311.54	1.0	0.4
<b>Total Loans</b>	<b>228,165.17</b>	<b>100.0</b>	<b>237,873.02</b>	<b>100.0</b>	<b>(4.1)</b>

### Asset Quality and Expected Credit Loss

In the second quarter of 2020, the Company reported NPLs amounting 7,480.28 million baht, increased by 1,399.68 million baht (23.0% QoQ), and accounted for NPL ratio of 3.28%, increased from 2.56% at the end of the first quarter of 2020 mainly from hire purchase loans and loans against auto licenses. The increase in NPLs was caused by the economic slowdown due to the spread of COVID-19 which impacted clients' debt serviceability.

Therefore, the Company provided debt relief programs in alignment with the Bank of Thailand's measures through debt restructurings which included an extension of loan repayment period, principal payment suspension for 6 months, and principal and interest payment suspension for 3 months. The clients entering the relief programs which applied to the Bank of Thailand's lenient accounting standard in regard to interest recognition were accounted for approximately 10% of total loans. Of all clients under debt restructurings, the clients under 3-month debt moratorium were accounted for approximately 3% of total loans, where this group was subject to lenient accounting standard toward loan classification in accordance with the Bank of Thailand's guidance that suspended the loan classification at the same status prior to the program. For the clients in other forms of restructurings with recurring principal and/or interest payment schedule, the Company complied to normal loan classification and ECL impairment following TFRS 9 standard, with an addition of a stringent consideration on repayment records before revising loan classification.

Table 6 : Loan Classification

Loan Classification	June 30, 2020		March 31, 2020		Change (%QoQ)
	Amount (Million baht)	%	Amount (Million baht)	%	
Loans with no significant increase in credit risk (Performing)	190,506.95	83.5	205,462.12	86.4	(7.3)
Loans with significant increases in credit risk (Under-performing)	30,177.94	13.2	26,330.30	11.1	14.6
Loans that are credit-impaired (NPLs)	7,480.28	3.3	6,080.60	2.6	23.0
<b>Total Loans</b>	<b>228,165.17</b>	<b>100.0</b>	<b>237,873.02</b>	<b>100.0</b>	<b>(4.1)</b>

Table 7 : NPLs Breakdown

NPLs	June 30, 2020			March 31, 2020			Change (%QoQ)
	% NPL	Amount (Million baht)	%	% NPL	Amount (Million baht)	%	
Manufacturing and Commerce	14.35	228.76	3.1	11.86	259.45	4.3	(11.8)
Real Estate and Construction	-	-	0.0	-	-	0.0	n.a.
Public Utilities and Services	-	-	0.0	-	-	0.0	n.a.
<b>NPLs - Corporate Loans</b>	<b>0.63</b>	<b>228.76</b>	<b>3.1</b>	<b>0.73</b>	<b>259.45</b>	<b>4.3</b>	<b>(11.8)</b>
<b>NPLs - Commercial Loans</b>	<b>1.74</b>	<b>146.95</b>	<b>2.0</b>	<b>1.13</b>	<b>132.33</b>	<b>2.2</b>	<b>11.0</b>
Hire Purchase	3.49	4,539.83	60.7	2.79	3,788.37	62.3	19.8
Loans against Auto Licenses	4.44	1,589.20	21.2	2.80	1,032.36	17.0	53.9
Mortgage Loans	5.16	690.41	9.2	4.36	610.25	10.0	13.1
Home-Equity Loans	14.10	276.22	3.7	12.45	253.46	4.2	9.0
<b>NPLs - Retail Loans</b>	<b>3.92</b>	<b>7,095.65</b>	<b>94.9</b>	<b>3.02</b>	<b>5,684.44</b>	<b>93.5</b>	<b>24.8</b>
Others	0.38	8.93	0.1	0.19	4.38	0.1	104.1
<b>Total NPLs</b>	<b>3.28</b>	<b>7,480.28</b>	<b>100.0</b>	<b>2.56</b>	<b>6,080.60</b>	<b>100.0</b>	<b>23.0</b>

The Company reported expected credit loss (ECL) at 881.65 million baht, increased comparing with bad debt, doubtful accounts and impairment losses of 137.54 million baht in the second quarter of last year, and accounted for 1.51% of average loans. An increase in ECL was contributed by the revision of impairment model in accordance with TFRS 9, coupled with an increase in NPLs arising from the stringent loan classification and the setup of ECL impairment. Nonetheless, ECL was on the decline comparing to the previous quarter, in which the Company has partially set up ECL impairment against an assumption on economic outlook in advance, according to TFRS 9. Hence, loan loss coverage ratio was reported at 155.1% at the end of the second quarter.

Total allowance for expected credit loss of the Company was 11,603.90 million baht, which consisted of ECL impairment of 10,763.39 million baht and excess reserve of 1,584.60 million baht, which is subject to the gradual release under straight-line amortization method for 2-year time in alignment of the Bank of Thailand's guideline.

### Deposits and Borrowings

Total deposits and borrowings amounted 219,405.95 million baht, decreased by 10.2% (QoQ). Total deposits reported at 200,215.95 million baht, decreased by 20,449.70 million baht (9.3% QoQ) while debentures totaled 19,190.00 million baht, decreased by 4,400.00 million baht (18.7% QoQ). As of June 2020, the Bank had liquid assets totaling 42,619.98 million baht, decreased by 20,016.78 million baht (32.0% QoQ). Thus, the liquid assets were accounted for 19.4% of total deposits and borrowings, and projected LCR ratio remained high at 137.6%.

Table 8 : Deposits Structure

Type of Deposits	June 30, 2020		March 31, 2020		Change (%QoQ)
	Amount (Million baht)	%	Amount (Million baht)	%	
Current accounts	2,762.15	1.4	3,392.78	1.5	(18.6)
Saving accounts	43,689.65	21.8	45,887.08	20.8	(4.8)
Fixed accounts	50,156.16	25.1	54,887.83	24.9	(8.6)
Negotiate certificate deposit	103,571.08	51.7	116,461.05	52.8	(11.1)
Short-term borrowings	36.92	0.0	36.92	0.0	0.0
<b>Total Deposits</b>	<b>200,215.95</b>	<b>100.0</b>	<b>220,665.65</b>	<b>100.0</b>	<b>(9.3)</b>

## (2) Securities Business

In the second quarter of 2020, average daily turnover of TISCO Securities was 2,017.61 million baht, decreased from 2,627.30 million baht (YoY), following declining market share from 2.8% to 1.6% (YoY) resulting from the termination of the joint venture agreement in "Deutsche TISCO Investment Advisory Company Limited". The market share of foreign institution sector dropped from 2.6% to 0.01% (YoY) and the market share of retail investors decreased from 2.2% to 1.5% (YoY). Whereby, the market share of local institution sector (excluding proprietary trading) improved from 5.9% to 7.2% (YoY). TISCO brokerage volume comprised of 49.2% of local institutions, 0.3% of foreign institutions, and 50.5% of retail customers. Brokerage fee income on the other hand grew by 10.2% (YoY), totaling 212.51 million baht contributed by the increase in trading volume of local institutions and retail investors amid volatile capital market.

## (3) Asset Management Business

As of June 30, 2020, assets under management of TISCO Asset Management Co., Ltd. reported at 294,387.05 million baht, grew by 5.7% (QoQ) from improved capital market. The basic fee income from asset management totaled 341.07 million baht, declined by 1.8% (YoY) following fewer issuance of funds comparing to the previous year. The composition of total asset under management was 66.0% provident fund, 18.8% private fund, and 15.1% mutual fund. Total market share of TISCO Asset Management Co., Ltd. as of June 30, 2020 was 4.1%, ranking 7<sup>th</sup> in the market. The market share of provident fund was 16.0%, ranking 1<sup>st</sup> in the market. The market share of private fund was 5.1%, ranking 4<sup>th</sup> in the market and the market share of mutual fund was 0.9%, ranking 13<sup>th</sup> in the market.

Table 9 : Assets under Management Breakdown

Type of Funds	June 30, 2020		March 31, 2020		Change (%QoQ)
	Amount (Million baht)	%	Amount (Million baht)	%	
Provident Fund	194,409.42	66.0	183,635.46	65.9	5.9
Private Fund	55,393.61	18.8	53,708.69	19.3	3.1
Mutual Fund	44,584.02	15.1	41,255.50	14.8	8.1
<b>Total AUMs</b>	<b>294,387.05</b>	<b>100.0</b>	<b>278,599.65</b>	<b>100.0</b>	<b>5.7</b>

## Risk Management

As of June 30, 2020, TISCO Group's internal capital stood at 36,535.71 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital increased by 110.54 million baht from the end of March 2020 to 13,542.39 million baht mainly resulting from an increase in credit risk capital. In addition, the capital surplus remained strong at 22,993.32 million baht or 62.9% of total capital.

Comparing to the end of the first quarter, loan portfolio contracted by 4.1% mostly in hire purchase and SME portfolios. The credit risk capital stood at 10,481.99 million baht, which increased by 190.36 million baht or 1.8%, while non-performing loan of TISCO Group increased from 2.56% to 3.28%, mainly resulting from the impact of economic slowdown due to the COVID-19 outbreak situation.

The market risk capital decreased from 385.94 million baht to 280.19 million baht as a result of lower market volatility and increasing in SET index. Meanwhile, the overall duration gap slightly increased from 0.94 year to 0.97 year, which was in a manageable level. The assets duration rose from 1.45 year to 1.46 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, increased from 0.52 year to 0.59 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 June 2020, the regulatory capital adequacy ratio based on IRB approach (BIS ratio) of the bank stood at 21.96%, remaining higher than 11.0% required by the Bank of Thailand. The Tier-I and Tier-II capital adequacy ratio stood at 17.64% and 4.32% respectively, in which Tier-I capital adequacy ratio also remained higher than the minimum requirement at 8.5%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 38.86%, which was higher than the minimum required ratio by the SEC of 7.0%.

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

	Duration (Years)		1-Y Net interest income change to 1% interest rate increase (Million baht)	
	June 30, 2020	March 31, 2020	June 30, 2020	March 31, 2020
Assets	1.56	1.45	1,113.42	1,399.55
Liabilities*	0.59	0.52	(1,080.38)	(1,315.82)
<b>Net Gap</b>	<b>0.97</b>	<b>0.94</b>	<b>33.05</b>	<b>83.73</b>

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