



Management Discussion and Analysis

For the Second Quarter of 2021 ended June 30, 2021

(Reviewed Consolidated Financial Statements)

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Economic Conditions and Movement of Financial Market

Domestic economy for the second quarter of 2021 slowed down in the mid of the resurgence of Covid-19 and tightened control measures, resulting in a contraction in economic activity and a decline in consumer confidence. Private consumption was subdued following weakened purchasing power, despite the stimulus programs by the government aiming to support the domestic spending namely “Rao Chana” and “Mor33 Rao Rak Kan” schemes. Private investment started to slow down caused by the new outbreak among the construction camps. Tourism sector remained weak from the ongoing international travel restriction. Meanwhile, export sector recovered well thanks to increased demands from trading partners. The domestic car sale for the first half of 2021 totaled 369,975 units, increased by 12.6% comparing to the low base in the same period of last year. For the second quarter of 2021, the headline inflation increased by 1.72% from an increase in oil price.

During the quarter, the Bank of Thailand continued to launch new assistance programs for affected clients such as debt relief measures phase 3 for credit card and personal loans, auto-title loans, hire purchase and housing loans through various restructuring methods, with an addition of “Hire Purchase Debt Mediation Expo”. Moreover, new soft loan program for SMEs was launched along with other SME assistance programs. In the meantime, 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). The average minimum lending rate (MLR) and the average minimum overdraft rate (MOR) of Top-4 commercial banks stood at 5.31% and 5.85% respectively, whereas the average minimum retail rate (MRR) of Top-4 commercial banks increased from 5.98% to 6.03% (QoQ).

For the capital market in the second quarter of 2021, investor confidence dropped amid the resurgence of Covid-19 in Thailand, together with the concern on rising inflation globally, which resulted in fund outflow from foreign investors. Market trading volume remained high at the same level of the previous quarter with the average daily turnover of 93,864.39 million baht. SET index closed at 1,587.79 points, relatively stable from the end of the first quarter.

Operating Results

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations in the second quarter of 2021 on a standalone basis totaling 90.53 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 Second Quarter of 2021

The net profit attributed to owners of the Company for the second quarter of 2021 was reported at 1,666.06 million baht or decreased by 5.5% comparing to the previous quarter, mainly driven by a decline in non-interest income by 21.4% (QoQ) in the mid of Covid-19 resurgence since the end of the last quarter that led to a reduction in economic activity. Fee income dropped by 18.5% (QoQ) from all business areas, including banking fee income particularly bancassurance business that slowed down from the last quarter. Brokerage fee income declined following lower trading volume while asset management fee decreased from fewer new fund issuances. Expected credit loss (ECL) decreased from the previous quarter, reporting at 1.0% of average loans. This reflected a decline in the need for additional reserve, which was a result of the setup of upfront provisions to cushion against any potential risks arising from the spread of Covid-19 since 2020 and the first quarter of 2021, despite increasing NPL ratio to 2.74%. Therefore, coverage ratio remained high at 213.7%.

Comparing to the second quarter of 2020, net profit increased by 25.3% (YoY) from core businesses that recovered from subdued economy in the previous year. Net interest income increased by 0.7% (YoY) following effective cost management. Fee income from core businesses recovered by 13.3% (YoY) from all areas. Banking fee improved especially bancassurance business that recovered from the second quarter of last year where an intense outbreak control measures were in place. Businesses related to capital market also improved from higher market trading volume and the growth in assets under management of asset management business. Furthermore, the Company also recorded gain from an increase in investment value during the quarter. Expected credit loss (ECL) decreased from the second quarter of 2020 after the setup of upfront provisions beforehand during 2020.

Basic earnings per share for the second quarter of 2021 were 2.08 baht per share, decreased from 2.20 baht per share in the first quarter of 2021 and increased from 1.66 baht per share in the second quarter of 2020. The return on average equity (ROAE) was reported at 16.9%.

Table 1.1 : Statement of Comprehensive Income

| Statement of Comprehensive Income Unit: Million baht | 2Q2021 | 1Q2021 | %QoQ | 2Q2020 | %YoY |
|--|-----------------|-----------------|---------------|-----------------|--------------|
| Interest income | | | | | |
| Interest on loans | 1,798.65 | 1,806.14 | (0.4) | 2,018.06 | (10.9) |
| Interest on interbank and money market items | 42.21 | 43.24 | (2.4) | 78.42 | (46.2) |
| Hire purchase and financial lease income | 1,897.85 | 1,902.37 | (0.2) | 1,989.92 | (4.6) |
| Investments | 15.20 | 24.54 | (38.0) | 35.39 | (57.0) |
| Total interest income | 3,753.91 | 3,776.29 | (0.6) | 4,121.80 | (8.9) |
| Interest expenses | (604.93) | (665.99) | (9.2) | (993.58) | (39.1) |
| Net interest income | 3,148.98 | 3,110.30 | 1.2 | 3,128.22 | 0.7 |
| Fee income | 1,331.99 | 1,627.65 | (18.2) | 1,164.57 | 14.4 |
| Fee expenses | (107.11) | (84.78) | 26.3 | (78.20) | 37.0 |
| Net fee income | 1,224.88 | 1,542.87 | (20.6) | 1,086.37 | 12.7 |
| Gain (Loss) on the financial instruments measured at fair value and investment | 256.52 | 316.04 | (18.83) | 63.68 | 302.9 |
| Share of profit (loss) from subsidiaries | 10.78 | 13.16 | (18.04) | 17.36 | (37.9) |
| Other operating income | 73.48 | 119.07 | (38.3) | 66.73 | 10.1 |
| Total operating income | 4,714.64 | 5,101.43 | (7.6) | 4,362.36 | 8.1 |
| Operating expenses | (2,070.33) | (2,064.54) | 0.3 | (1,814.90) | 14.1 |
| Expected Credit Loss | (564.98) | (833.05) | (32.2) | (881.65) | (35.9) |
| Profit before tax and minority interest | 2,079.32 | 2,203.85 | (5.7) | 1,665.81 | 24.8 |
| Corporate income tax expenses | (413.17) | (440.13) | (6.1) | (336.31) | 22.9 |
| Profit before minority interest | 1,666.15 | 1,763.72 | (5.5) | 1,329.50 | 25.3 |
| Non-controlling interests of subsidiaries | (0.09) | (0.09) | 5.7 | (0.09) | 7.1 |
| Net profit | 1,666.06 | 1,763.63 | (5.5) | 1,329.41 | 25.3 |

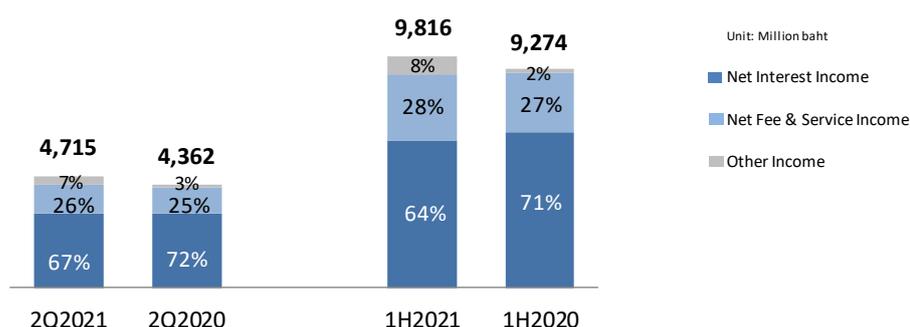
Operating Results for the First Half of 2021

The net profit for the first half of 2021 was reported at 3,429.68 million baht or increased by 21.8% (YoY), mainly due to lower ECL by 28.5% (YoY) aligning with the Company's prudent provisioning policy that set aside upfront provision to cushion against potential risks since last year. In addition, non-interest income improved by 32.3% (YoY) driven by capital market businesses following new fund issuances in response to customers' need amid volatile market condition, and higher brokerage trading volume, coupled with the record of gain from investment during the first half of this year. Nonetheless, banking fee weakened (YoY) because the Covid-19 outbreak had not been widespread during the beginning of 2020.

Basic earnings per share for the first half of 2021 were 4.28 baht per share, increased from 3.52 baht per share in the first half of 2020. The return on average equity (ROAE) was reported at 17.7%.

Table 1.2 : Statement of Comprehensive Income

| Statement of Comprehensive Income Unit: Million baht | 1H2021 | 1H2020 | %YoY |
|--|-----------------|-----------------|---------------|
| Interest income | | | |
| Interest on loans | 3,604.79 | 4,166.56 | (13.5) |
| Interest on interbank and money market items | 85.44 | 172.75 | (50.5) |
| Hire purchase and financial lease income | 3,800.22 | 4,258.05 | (10.8) |
| Investments | 39.74 | 77.37 | (48.6) |
| Total interest income | 7,530.20 | 8,674.72 | (13.2) |
| Interest expenses | (1,270.92) | (2,088.61) | (39.1) |
| Net interest income | 6,259.28 | 6,586.11 | (5.0) |
| Fee income | 2,959.65 | 2,640.82 | 12.1 |
| Fee expenses | (191.90) | (156.64) | 22.5 |
| Net fee income | 2,767.75 | 2,484.18 | 11.4 |
| Gain (Loss) on the financial instruments measured at fair value and investment | 572.56 | (21.95) | (2,708.7) |
| Share of profit (loss) from subsidiaries | 23.94 | 32.87 | (27.2) |
| Other operating income | 192.55 | 193.12 | (0.3) |
| Total operating income | 9,816.07 | 9,274.33 | 5.8 |
| Operating expenses | (4,134.87) | (3,809.73) | 8.5 |
| Expected Credit Loss | (1,398.04) | (1,955.00) | (28.5) |
| Profit before tax and minority interest | 4,283.17 | 3,509.60 | 22.0 |
| Corporate income tax expenses | (853.30) | (693.93) | 23.0 |
| Profit before minority interest | 3,429.87 | 2,815.67 | 21.8 |
| Non-controlling interests of subsidiaries | (0.18) | (0.19) | (2.9) |
| Net profit | 3,429.68 | 2,815.48 | 21.8 |

Composition of Operating Income**Details of Financial Performance for the Second Quarter of 2021 comparing to the Second Quarter of 2020**Net Interest Income

In the second quarter of 2021, net interest income was 3,148.98 million baht, increased by 20.76 million baht (0.7% YoY). Total interest income was 3,753.91 million baht, dropped by 367.89 million baht

(8.9% YoY), whereas interest expense was 604.93 million baht, declined by 388.65 million baht (39.1% YoY).

Yield on loans decreased from 6.94% in the second quarter of 2020 to 6.82% following the reduction of market benchmark rate. Meanwhile, the cost of fund decreased from 1.66% to 1.16% (YoY) owing to an effective cost management during a declining interest rate environment. Consequently, loan spread improved from 5.27% to 5.67% (YoY) whereas the net interest margin also increased to 4.79%.

Table 2 : Loan Spread

| Unit: % | 2020 | 2Q2020 | 1Q2021 | 2Q2021 |
|----------------------------|-------------|-------------|-------------|-------------|
| Yield on Loans | 7.08 | 6.94 | 6.76 | 6.82 |
| Cost of Fund | 1.58 | 1.66 | 1.24 | 1.16 |
| Loan Spread | 5.50 | 5.27 | 5.52 | 5.67 |
| Net Interest Margin | 4.62 | 4.31 | 4.66 | 4.79 |

Non-interest Income

Non-interest income totaled 1,565.66 million baht, grew by 26.9% (YoY) from all business areas, together with the recognition of gain on financial instruments measured at fair value through profit or loss (FVTPL) amounting 255.70 million baht following an increase in investment value. Non-interest income from core businesses totaled 1,389.20 million baht, increased by 13.3% (YoY). The growth consisted of an increase in banking fee by 55.32 million baht (8.3% YoY) totaling 723.24 million baht contributed by a recovery in bancassurance business in line with an improvement in economic activity comparing to the second quarter of last year at the start of Covid-19 outbreak. Brokerage fee income increased by 10.55 million baht (5.0% YoY) to 223.06 million baht following higher trading volume, whereas asset management basic fee rose by 100.39 million baht (29.4% YoY) to 441.46 million baht thanks to the growth in assets under management.

Table 3 : Non-Interest Income Breakdown

| Type of Income Unit: Million baht | 2Q2021 | 1Q2021 | %QoQ | 2Q2020 | %YoY |
|--|-----------------|-----------------|---------------|-----------------|--------------|
| Banking Fee | 723.24 | 828.19 | (12.7) | 667.92 | 8.3 |
| <i>Bancassurance Fee</i> | <i>490.33</i> | <i>533.16</i> | <i>(8.0)</i> | <i>412.08</i> | <i>19.0</i> |
| <i>Other Banking Fee</i> | <i>232.91</i> | <i>295.03</i> | <i>(21.1)</i> | <i>255.84</i> | <i>(9.0)</i> |
| Asset Management Basic Fee | 441.46 | 550.91 | (19.9) | 341.07 | 29.4 |
| Brokerage Fee | 223.06 | 238.58 | (6.5) | 212.51 | 5.0 |
| Investment Banking Fee | 1.44 | 87.02 | (98.3) | 4.39 | (67.1) |
| Total Fee Income from Core Businesses | 1,389.20 | 1,704.71 | (18.5) | 1,225.89 | 13.3 |
| Gain (Loss) from Financial Instruments and Net Investments | 255.52 | 316.04 | (18.8) | 63.68 | 302.9 |
| Share Profit from subsidiaries | 10.78 | 13.16 | (18.0) | 17.36 | (37.9) |
| Dividend Income | 12.88 | 37.42 | (65.6) | 2.80 | 360.3 |
| Asset Management Performance Fee | 3.39 | 4.60 | (26.3) | 2.61 | 29.9 |
| Fee Expenses | (107.11) | (84.78) | 26.3 | (78.20) | 37.0 |
| Total Non-Interest Income | 1,565.66 | 1,991.14 | (21.4) | 1,234.14 | 26.9 |

Operating Expenses

Operating expenses totaled 2,070.33 million baht, increased by 255.43 million baht (14.1% 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 43.9%.

Expected Credit Loss

Expected credit loss (ECL) totaled 564.98 million baht, declined comparing with 881.65 million baht in the second quarter of 2020, and accounted for 1.0% of average loans. The setup of ECL reflected a decline in the need for additional reserve, which was a result of the setup of upfront provisions beforehand to cushion against any potential risks arising from the spread of Covid-19 since 2020 and the first quarter of 2021, aligning with the Company's prudent provisioning policy. In addition, the ECL included the release of excess reserve amounting 264 million baht according the Bank of Thailand's guideline.

Corporate Income Tax

In the second quarter of 2021, the corporate income tax was 413.17 million baht, equivalent to the effective tax rate of 19.9%, decreased from 20.2% in the second quarter of 2020.

Financial Positions

The Management Discussion and Analysis on operating results on financial status is a comparison between the financial positions as June 30, 2021 and March 31, 2021.

Assets

As of June 30, 2021, the Company's total assets were 255,887.77 million baht, decreased by 4.8% (QoQ). Loan portfolio declined from 220,757.14 million baht to 213,994.81 million baht (3.1% QoQ). Interbank and money market decreased to 32,482.65 million baht (11.6% QoQ). Financial assets measured at fair value through profit or loss decreased to 1,961.76 million baht (19.0% QoQ) and net investments declined to 7,728.01 million baht (5.7% QoQ).

Table 4 : Assets Breakdown

| Assets Unit: Million baht | As of Jun 30, 2021 | As of Mar 31, 2021 | %QoQ | As of Dec 31, 2020 | %YTD |
|--|-----------------------|-----------------------|--------------|-----------------------|--------------|
| Cash | 1,054.16 | 1,125.39 | (6.3) | 1,220.21 | (13.6) |
| Interbank and Money Market Items | 32,482.65 | 36,728.96 | (11.6) | 38,212.03 | (15.0) |
| Derivatives | - | - | n.a. | 62.09 | n.a. |
| Financial assets measured at fair value through profit or loss | 1,961.76 | 2,423.07 | (19.0) | 2,173.02 | (9.7) |
| Net Investments | 7,728.01 | 8,194.99 | (5.7) | 9,953.26 | (22.4) |
| Investments in Subsidiaries, associates and JV | 828.95 | 819.81 | 1.1 | 804.92 | 3.0 |
| Loans | 213,994.81 | 220,757.14 | (3.1) | 224,811.55 | (4.8) |
| Allowance for Expected Credit Loss | (12,540.59) | (12,267.90) | 2.2 | (11,825.54) | 6.0 |
| Other Assets | 10,378.03 | 10,923.26 | (5.0) | 10,031.68 | 3.5 |
| Total Assets | 255,887.77 | 268,704.73 | (4.8) | 275,443.21 | (7.1) |

Liabilities

As of June 30, 2021, total liabilities were 218,032.15 million baht, decreased by 4.2% (QoQ). Total deposits decreased from 198,188.39 million baht to 181,086.79 million baht (8.6% QoQ). Interbank and money market increased to 7,928.02 million baht (54.3% QoQ) and debentures increased to 14,770.00 million baht (50.1% QoQ).

Table 5 : Liabilities Breakdown

| Liabilities Unit: Million baht | As of Jun 30, 2021 | As of Mar 31, 2021 | %QoQ | As of Dec 31, 2020 | %YTD |
|-----------------------------------|-----------------------|-----------------------|--------------|-----------------------|--------------|
| Deposits | 181,086.79 | 198,188.39 | (8.6) | 203,509.74 | (11.0) |
| Interbank and Money Market Items | 7,928.02 | 5,137.14 | 54.3 | 5,807.65 | 36.5 |
| Debentures | 14,770.00 | 9,840.00 | 50.1 | 12,789.00 | 15.5 |
| Others | 14,247.35 | 14,318.53 | (0.5) | 13,874.74 | 2.7 |
| Total Liabilities | 218,032.15 | 227,484.05 | (4.2) | 235,981.13 | (7.6) |

Shareholders' Equity

As of June 30, 2021, shareholders' equity was 37,855.62 million baht, decreased by 3,365.05 million baht (8.2% QoQ) as the Company paid annual dividend from operation result for the year 2020 at 6.30 baht per common and preferred share in May 2021. The total dividend payment was 5,044 million baht with dividend payout ratio of 83.2%. As a result, the book value per share (BVPS) as of June 30, 2021 was 47.28 baht per share, decreased from 51.48 baht per share in the first quarter of 2021.

Business Segment Operations

(1) Banking Business

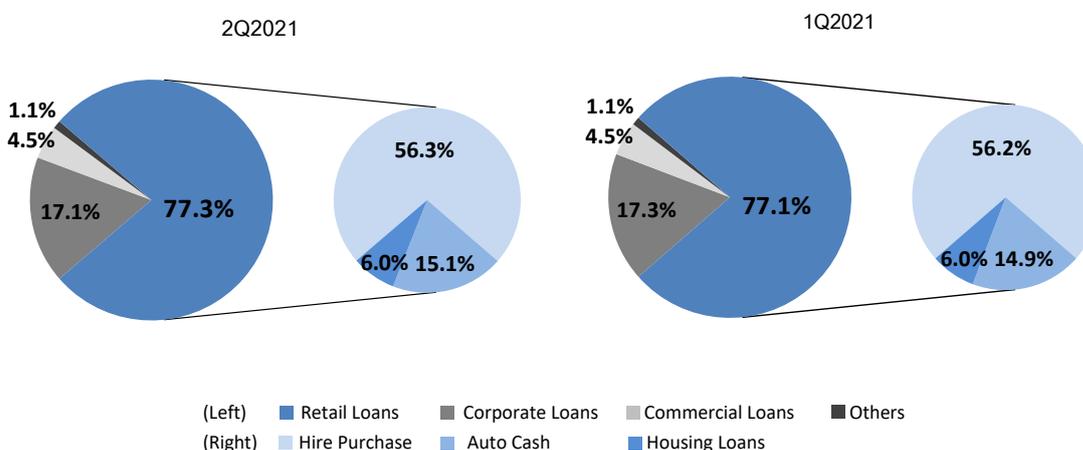
1.1 Loans

Total loans and receivables as of June 30, 2021 were 213,994.81 million baht, declined by 6,762.33 million baht (3.1% QoQ) from all sectors in the midst of the resurgence of Covid-19. The loan contraction was a result of a tightened loan underwriting policy amid high risk environment, along with the loan repayment of corporate and commercial clients.

Table 6 : Loans

| Loans Unit: Million baht | As of Jun 30, 2021 | As of Mar 31, 2021 | %QoQ | As of Dec 31, 2020 | %YTD |
|-----------------------------|-----------------------|-----------------------|--------------|-----------------------|--------------|
| Hire Purchase | 120,386.94 | 124,002.10 | (2.9) | 127,110.32 | (5.3) |
| Loans against Auto Licenses | 32,331.02 | 32,910.29 | (1.8) | 33,889.01 | (4.6) |
| Housing Loans | 12,770.24 | 13,279.62 | (3.8) | 13,871.64 | (7.9) |
| Retail Loans | 165,488.19 | 170,192.01 | (2.8) | 174,870.98 | (5.4) |
| Corporate Loans | 36,548.57 | 38,144.90 | (4.2) | 37,433.59 | (2.4) |
| Commercial Loans | 9,608.70 | 10,011.99 | (4.0) | 10,035.11 | (4.2) |
| Others | 2,349.35 | 2,408.23 | (2.4) | 2,471.87 | (5.0) |
| Total Loans | 213,994.81 | 220,757.14 | (3.1) | 224,811.55 | (4.8) |

Loan Breakdown



Retail Lending portfolio totaled 165,488.19 million baht, decreased by 2.8% (QoQ). The total retail portfolio as of June 30, 2021 consisted of 72.7% car and motorcycle hire purchase loans, 19.5% loans against auto license and 7.7% housing loans. The outstanding hire purchase loans totaled 120,386.94 million baht, dropped by 2.9% (QoQ) following a tightened loan underwriting policy amid highly uncertain economic conditions from the new wave of Covid-19 and high level of household debt. The domestic car sale for the first half of 2021 was 369,975 units, increased by 12.6% (YoY), compared to 328,604 units in the first half of 2020 where Covid-19 firstly occurred. The car penetration rate of TISCO for the first half of 2021 declined to 5.0% (YoY) aligning with cautious lending policy.

Loans against auto licenses (“Auto Cash”) amounted 32,331.02 million baht, contracted by 1.8% (QoQ) caused by the prudent and cautious underwriting policy amid higher risk environment despite the high demand for consumer loans. Loans from “Somwang” channels amounted 17,369.94 million baht, declined by 1.5% (QoQ), and accounted for 53.7% of total loans against auto licenses. At the end of the second quarter of 2021, “Somwang” loan offices totaled 348 branches nationwide.

Housing loans totaled 12,770.24 million baht, dropped by 3.8% (QoQ) following highly competitive market condition and rising risk.

Corporate Lending portfolio totaled 36,548.57 million baht, declined by 4.2% (QoQ), due to the loan repayment from real estate and construction sector and public utilities and services sector.

Commercial Lending portfolio totaled 9,608.70 million baht, declined by 4.0% (QoQ) from a slowdown in car inventory financing business.

Other Loans portfolio totaled 2,349.35 million baht, decreased by 2.4% from the previous quarter.

Regarding the BOT’s debt relief programs, TISCO continued to support the assistance program for all affected customers including loan restructuring for retail clients and the offering of new Soft Loan scheme for SMEs, with the addition of special program of “Returning Car” for the clients who can no longer service their debts. At the end of the second quarter of 2021, the outstanding retail loans remaining in the assistance program was approximately 3.4% of total loans. Furthermore, the Company has approved the credit line for Soft Loan scheme amounting 4,000 million baht, and the outstanding amount of soft loans was approximately 1,300 million baht at the end of the quarter.

1.2 Asset Quality and Expected Credit Loss

At the end of the second quarter of 2021, the Company reported NPLs amounting 5,867.04 million baht, increased by 335.18 million baht (6.1% QoQ), and accounted for increased NPL ratio from 2.51% to 2.74% (QoQ). The increased NPLs were mainly caused by some restructured clients of hire purchase and Auto Cash loans can no longer service their debts and relapsed into NPLs. However, the increase in NPLs remained within the Company’s target range.

Table 7 : Loan Classification

| Loan Classification Unit: Million baht | As of Jun 30, 2021 | As of Mar 31, 2021 | %QoQ | As of Dec 31, 2020 | %YTD |
|--|-----------------------|-----------------------|--------------|-----------------------|--------------|
| Loans with no significant increase in credit risk (Performing) | 183,306.19 | 188,562.64 | (2.8) | 189,675.65 | (3.4) |
| Loans with significant increases in credit risk (Under-performing) | 24,821.57 | 26,662.63 | (6.9) | 29,517.41 | (15.9) |
| Loans that are credit-impaired (NPLs) | 5,867.04 | 5,531.86 | 6.1 | 5,618.48 | 4.4 |
| Total Loans | 213,994.81 | 220,757.14 | (3.1) | 224,811.55 | (4.8) |

Table 8 : NPLs Breakdown

| NPLs Unit: Million baht, % | As of Jun 30, 2021 | | As of Mar 31, 2021 | | %QoQ | As of Dec 31, 2020 | | %YTD |
|--------------------------------|-----------------------|-------------|-----------------------|-------------|-------------|-----------------------|-------------|-------------|
| | Million baht | % | Million baht | % | | Million baht | % | |
| Hire Purchase | 3,365.92 | 2.80 | 3,156.70 | 2.55 | 6.6 | 3,267.99 | 2.57 | 3.0 |
| Loans against Auto Licenses | 1,418.73 | 4.39 | 1,300.44 | 3.95 | 9.1 | 1,295.44 | 3.82 | 9.5 |
| Housing Loans | 983.82 | 7.70 | 994.14 | 7.49 | (1.0) | 986.35 | 7.11 | (0.3) |
| NPLs - Retail Loans | 5,768.47 | 3.49 | 5,451.28 | 3.20 | 5.8 | 5,549.77 | 3.17 | 3.9 |
| NPLs - Corporate Loans | - | - | - | - | n.a. | - | - | n.a. |
| NPLs - Commercial Loans | 95.75 | 1.00 | 77.98 | 0.78 | 22.8 | 64.03 | 0.64 | 49.5 |
| Others | 2.82 | 0.12 | 2.60 | 0.11 | 8.5 | 4.68 | 0.19 | (39.7) |
| Total NPLs | 5,867.04 | 2.74 | 5,531.86 | 2.51 | 6.1 | 5,618.48 | 2.50 | 4.4 |

Expected credit loss (ECL) was reported at 564.98 million baht, decreased comparing with 881.65 million baht in the second quarter of 2020, and accounted for 1.0% of average loans. The setup of ECL reflected a decline in the need for additional reserve, which was a result of the setup of upfront provisions beforehand to cushion against any potential risks arising from the spread of Covid-19 since 2020 and the first quarter of 2021, aligning with the Company's prudent provisioning policy. In addition, the ECL included the release of excess reserve amounting 264 million baht according the Bank of Thailand's guideline.

Total allowance for expected credit loss of the Company was 12,540.59 million baht, which consisted of ECL impairment of 12,012.39 million baht and excess reserve of 528.20 million baht. Hence, loan loss coverage ratio improved to 213.7%.

1.3 Deposits and Borrowings

Total deposits and borrowings amounted 195,856.79 million baht, decreased by 5.9% (QoQ). Total deposits reported at 181,086.79 million baht, decreased by 17,101.60 million baht (8.6% QoQ) in line with the contraction of loan portfolio, while debentures totaled 14,770.00 million baht, increased by 4,930.00 million baht (50.1% QoQ). As of June 2021, the Bank had high-quality liquid assets according to the Liquidity Coverage Ratio (LCR) of 37,745.14 million baht, decreased by 6,196.16 million baht (14.1% QoQ). Thus, the high-quality liquid assets were accounted for 19.3% of total deposits and borrowings, and LCR ratio was at 156.4%.

Table 9 : Deposits Structure

| Deposits Unit: Million baht | As of Jun 30, 2021 | As of Mar 31, 2021 | %QoQ | As of Dec 31, 2020 | %YTD |
|--------------------------------|-----------------------|-----------------------|--------------|-----------------------|---------------|
| Current Accounts | 2,730.61 | 2,495.76 | 9.4 | 3,199.91 | (14.7) |
| Saving Accounts | 47,936.17 | 46,309.82 | 3.5 | 50,319.59 | (4.7) |
| Fixed Accounts | 39,822.41 | 42,990.95 | (7.4) | 43,882.32 | (9.3) |
| Negotiate Certificate Deposits | 90,560.68 | 106,354.94 | (14.9) | 106,071.01 | (14.6) |
| Short-term Borrowings | 36.92 | 36.92 | 0.0 | 36.92 | 0.0 |
| Total Deposits | 181,086.79 | 198,188.39 | (8.6) | 203,509.74 | (11.0) |

(2) Securities Business

In the second quarter of 2021, average daily turnover of TISCO Securities increased to 2,332.86 million baht following higher market trading volume, as a result, brokerage fee income of TISCO Securities grew by 5.0% (YoY) to 223.06 million baht. TISCO Securities' overall market share contracted from 1.6% to 1.4% (YoY) mainly from a decline in the market share of retail investors from 1.6% to 1.5% (YoY). Whilst, the market share of local institutions (excluding proprietary trading) remained stable at 7.2% (YoY) and the market share of foreign institutions increased from 0.01% to 0.2% (YoY). All in all, TISCO brokerage volume comprised of 38.9% of local institutions, 7.0% of foreign institutions, and 54.1% of retail investors.

(3) Asset Management Business

As of June 30, 2021, assets under management of TISCO Asset Management reported at 351,033.27 million baht, grew by 2.4% (QoQ) from all business areas, therefore basic fee income from asset management increased by 29.4% (YoY), totaling 441.46 million baht. The composition of total asset under management was 61.3% provident fund, 18.2% private fund, and 20.4% mutual fund. Total market share of TISCO Asset Management as of June 30, 2021 was 4.1%, ranking 8th in the market. The market share of provident fund was 16.5%, ranking 1st in the market. The market share of private fund was 3.1%, ranking 6th in the market and the market share of mutual fund was 1.4%, ranking 13th in the market.

Table 10 : Assets under Management Breakdown

| Funds Unit: Million baht | As of Jun 30, 2021 | As of Mar 31, 2021 | %QoQ | As of Dec 31, 2020 | %YTD |
|------------------------------------|-------------------------------|-------------------------------|-------------|-------------------------------|-------------|
| Provident Fund | 215,214.99 | 211,779.67 | 1.6 | 205,993.72 | 4.5 |
| Private Fund | 64,034.64 | 63,155.75 | 1.4 | 59,240.02 | 8.1 |
| Mutual Fund | 71,783.63 | 67,714.70 | 6.0 | 53,333.79 | 34.6 |
| Total AUMs | 351,033.27 | 342,650.12 | 2.4 | 318,567.53 | 10.2 |

Risk Management

As of June 30, 2021, TISCO Group's internal capital (ICAAP) stood at 37,354.73 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital decreased by 562.89 million baht from the end of March 2021 to 12,688.58 million baht mainly resulting from a decrease in credit risk capital. In addition, the capital surplus remained strong at 24,666.14 million baht or 66.0% of total capital.

Comparing to the first quarter of 2021, the credit risk capital declined by 485.29 million baht, or 4.7%, to 9,816.69 million baht. Loan portfolio contracted by 3.1% in all sectors, while non-performing loan of TISCO Group rose from 2.5% to 2.7% mainly from hire purchase and auto cash portfolios.

The market risk capital fell from 191.07 million baht to 181.78 million baht as a result of decreasing in exposures of investment portfolio. Meanwhile, the overall duration gap declined from 0.67 year to 0.63 year, which was in a manageable level. The assets duration remained at 1.26 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, increased from 0.59 year to 0.63 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 | |
|--------------------------|-------------------------|--------------|--|---------------|
| | Jun 30, 2021 | Mar 31, 2021 | Jun 30, 2021 | Mar 31, 2021 |
| Assets | 1.26 | 1.26 | 1,120.06 | 1,195.40 |
| Liabilities ¹ | 0.63 | 0.59 | (903.82) | (1,032.32) |
| Net Gap | 0.63 | 0.67 | 216.24 | 163.08 |

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 June 2021, the regulatory capital based on IRB approach of the Bank was 39,079.89 million baht, while the capital adequacy ratio (BIS ratio) stood at 24.2%, remaining higher than 11.0% required by the Bank of Thailand. The Tier-I and Tier-II ratios of the Bank stood at 19.3% and 4.9%, 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 40,437.39 million baht, with BIS ratio, projected Tier-I and Tier-II ratios at 22.5%, 18.0% and 4.5%, respectively, which also remained higher than the minimum capital requirement. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 52.83%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 12 : Regulatory Capital Requirement

| Capital Adequacy Unit: % | As of Jun 30, 2021 | As of Mar 31, 2021 | As of Dec 31, 2020 |
|------------------------------|-----------------------|-----------------------|-----------------------|
| TISCO Financial Group | | | |
| Tier-I | 18.0 | 17.6 | 17.5 |
| Tier-II | 4.5 | 4.4 | 4.4 |
| BIS Ratio | 22.5 | 21.9 | 21.9 |
| TISCO Bank | | | |
| Tier-I | 19.3 | 18.3 | 18.1 |
| Tier-II | 4.9 | 4.8 | 4.7 |
| BIS Ratio | 24.2 | 23.1 | 22.8 |