

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period ended 31 March 2021
(Reviewed Financial Statements)

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THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Management's Discussion and Analysis (Reviewed Financial Statements)

Economics Outlook and Competition in Banking Industry

The Thai economy in the first quarter of 2021 is likely to be affected by the second wave of the COVID-19 outbreak which had been started spreading since the end of 2020 and began to recover in February 2021. Private consumption is likely to worsen due to the strict control measures in some areas and some activities. However, the government has issued stimulus measures and income support schemes to those affected by the epidemic, which also helped support the private consumption to a certain extent. Private investment tends to improve following the exports expansion in many product categories due to the recovery in trading partners' demand. Meanwhile, tourism sector continued to contract dramatically due to international travel restrictions. Government spending is likely to be stabilized. The Monetary Policy Committee of the Bank of Thailand has maintained the policy interest rate at 0.50 percent per annum to help drive the economic recovery which faces uncertainties and risks in the future.

The Thai economy in 2021 is still facing significant challenges due to the outbreak from the third wave of the COVID-19, which has been spreading very severely since the beginning of April 2021. This year's economic growth would depend on the effectiveness of the measures to control the epidemic and the economic stimulus measures and income support schemes given to the affected people, as well as the acceleration of vaccine distribution to the public thoroughly.

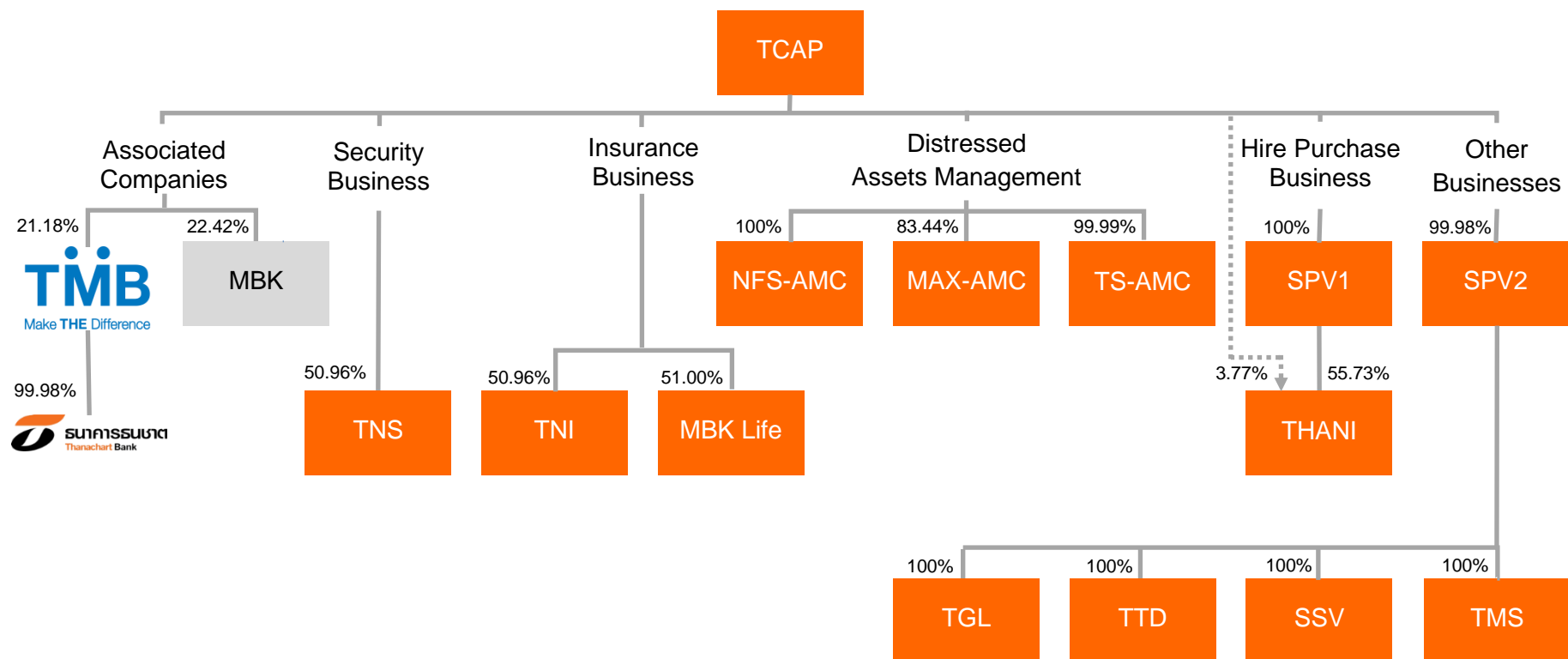
Commercial bank loans in the first quarter of 2021 increased slightly from the end of the previous year due to the expansion of both commercial and retail loans. Commercial loans increased from manufacturing and trading while retail loans increased from mortgage and credit card loans. Deposits increased in line with the loan growth. Non-performing loans in this quarter increased from the previous quarter as the economy continues to recover.

Key Events in the First Quarter of 2021

1. The Board of Directors of the Company at its meeting held on 19 April 2021 had a discussion on the recent Coronavirus 2019 ("COVID-19") outbreak in which the government has taken various measures and declared a state of emergency by issuing restrictions, prohibiting several operations, and implementing regulations in order to control and prevent the spread of COVID-19. The Board of Directors has carefully taken into consideration the various key issues concerned, bearing in mind the interests of the shareholders and approved the followings:
 1. The Board of Directors postponed the 2021 Annual General Meeting of Shareholders of the Company from the originally scheduled on Tuesday, 27 April 2021 to Tuesday, 11 May 2021 and the Meeting will be conducted by an electronic media meeting (e-AGM). It also cancelled the agenda item to approve the payment of dividend while other agenda items shall be maintained as previously proposed in the original meeting scheduled.
 2. The Board of Directors approved the interim dividend payments from the Company's profit for the year ended 31 December 2020 at the rate of 1.80 baht per share to the Company's shareholders. The name of the shareholders eligible for the interim dividend payment is set on 5 May 2021 and the interim dividend payment is scheduled to be made on 19 May 2021. Taking into account this interim dividend payment and the interim dividend payment of 1.20 baht for the first half of 2020 which was made on 27 August 2020, the total dividend payment amounts to 3.00 baht per share or 3,146 million baht in total.

2. On 29 March 2021, the Company's Board of Directors adopted a resolution approving the establishment of Thanachart Plus Company Limited to offer asset-based financing services in which Thanachart Group has expertise. The purpose is to help generate future returns for the Company. The Company has established Thanachart Plus Company Limited on 26 April 2021 with the initial registered and paid-up capital of 5,000,000 baht, divided into 500,000 shares at a par value of 10 baht per share. In this regard, the Company holds 100 percent of all its paid-up shares.

Thanachart Group's Shareholding Structure As of 31 March 2021



Remark : TCAP = Thanachart Capital PCL, TMB = TMB Bank PCL., MBK = MBK PCL, TNS = Thanachart Securities PCL, TNI = Thanachart Insurance PCL, MBK Life = MBK Life Assurance PCL., NFS-AMC = NFS Asset Management Co., Ltd., MAX-AMC = MAX Asset management Co., Ltd., TS-AMC = TS Asset management Co., Ltd., SPV 1 = Thanachart Special Purpose Vehicle 1 Co., Ltd., THANI = Ratchthani Leasing PCL., SPV2 = Thanachart Special Purpose Vehicle 2 Co., Ltd., TGL = Thanachart Group leasing Co., Ltd., TTD = Thanachart Training & Development Co., Ltd., SSV = Security Scib Services Co., Ltd., TMS = Thanachart Management and Service Co., Ltd.

Operating Results for the First Quarter of 2021

Performance Overview

In the first quarter of 2021, **the Company and its subsidiaries' net profit according to the consolidated financial statements amounted to 1,521 million baht.** This was mainly due to the operating results of the important subsidiary and associated companies as follows:

- Ratchthani Leasing Public Company Limited had a consolidated net profit of 427 million baht
- Thanachart Insurance Public Company Limited had a net profit of 178 million baht
- Thanachart Securities Public Company Limited had a net profit of 200 million baht
- Share of profit from investments accounted for under equity method was 600 million baht
- Asset Management Companies and other subsidiaries had a net profit of 125 million baht

As a result, **net profit attributable to the Company amounted to 1,078 million baht, a decrease of 3,238 million baht or 75.02 percent** from the same quarter last year. This was mainly due to the fact that in the first quarter of 2020, the Company recognized a gain on sale of its investment in Ajinomoto (Thailand) Company Limited ("AJT") and it was a one-time special gain. Excluding such special gain, the Company's net profit decreased by 248 million baht or 18.70%. This was mainly due to lowering of profit sharing from TMB Bank Public Company Limited and MBK Public Company Limited as they are in commercial banking business and shopping center and hotel businesses which were still directly and adversely impacted by the COVID-19 crisis.

Earnings per share (EPS) of the Company in the first quarter of 2021 were 1.03 baht, decreased from 3.86 baht. Return on average assets (ROAA) and return on average equity of the Company's shareholders (ROAE) were at 4.27 and 6.77 percent, respectively.

Financial Highlights

Financial Highlights

Reviewed Financial Statements	For the 3-month ended	
	31-Mar-21	31-Mar-20
Operating Performance (Million Baht)		
Interest Income	974	1,135
Interest Expenses	335	407
Net Interest Income	639	728
Non-interest Income	1,967	5,604
Net Operating Income ⁽¹⁾	2,606	6,332
Other Operating Expenses	757	692
Expected Credit Losses	97	155
Profit before Tax	1,752	5,485
Income Tax	231	883
Profit for the Period	1,521	4,602
Net Profit Attributable to the Company	1,078	4,316
Basic Earnings per Share (Baht)	1.03	3.86

	31-Mar-21	31-Dec-20
Financial Position (Million Baht)		
Net Loans to Customers and Accrued Interest Receivables	51,573	50,251
Investments in Associated Companies and Joint Venture	49,842	48,007
Total Assets	141,959	140,756
Debts Issued and Borrowings	29,819	33,887
Total Liabilities	67,843	67,987
Company's Shareholders' Equity	64,333	63,311
Non-controlling Interests	9,783	9,458
Total Shareholders' Equity	74,116	72,769

	31-Mar-21	31-Mar-20
Operating Performance Ratios (Percent)		
ROAA	4.27	11.62
ROAE ⁽²⁾	6.77	26.30
	31-Mar-21	31-Dec-20
D/E Ratio (times)	0.92	0.93

(1) Net Operating Income = Net Interest Income + Non-interest Income

(2) ROAE is calculated from equity attributable to the Company's shareholders

Net Interest Income

Net Interest Income (Million Baht)

	1Q21	1Q20	Change	
			+ / (-)	%
Interest Income	974	1,135	(161)	(14.19)
Interbank and Money Market Items -				
Deposits at Financial Institutions	24	30	(6)	(20.00)
Financial Assets Measured at Fair Value through Profit or Loss	9	26	(17)	(65.38)
Investments in Debt Securities Measured at Amortized Cost	1	1	-	-
Investments in Debt Securities Measured at Fair Value through Other Comprehensive Income	33	94	(61)	(64.89)
Loans to Customers	64	62	2	2.23
Hire Purchase and Financial Lease	843	922	(79)	(8.57)
Interest Expenses	335	407	(72)	(17.69)
Interbank and Money Market Items -				
Borrowings from Financial Institutions	64	65	(1)	(1.54)
Debts Issued and Borrowings	264	335	(71)	(21.19)
Borrowing Cost	4	4	-	-
Others	3	3	-	-
Net Interest Income	639	728	(89)	(12.23)

In the first quarter of 2021, the Company and its subsidiaries had 639 million baht in net interest income, a decrease of 89 million baht or 12.23 percent from the same quarter last year.

- Interest income was 974 million baht, a decrease of 161 million baht or 14.19 percent. This was mainly due to a decrease in interest income from hire purchase and financial lease which was in line with a decrease in hire purchase loans of Ratchthani Leasing and a decrease in loan yield as the market interest rate declined.
- Interest expenses were 335 million baht, a decrease of 72 million baht or 17.69 percent. This was mainly due to a decrease of debts issued and borrowings of the Company and its subsidiaries.

Non-interest Income

Non-interest Income (Million Baht)

	1Q21	1Q20	Change	
			+/(−)	%
Net Fees and Service Income	394	311	83	26.69
Gains (Loss) on Financial Instruments Measured at Fair Value through Profit or Loss	87	(167)	254	152.10
Gains on Investments	1	3,744	(3,743)	(99.97)
Share of Profit from Investments Accounted for under Equity Method	600	954	(354)	(37.11)
Gains on Property Foreclosed and Other Assets	16	129	(113)	(87.60)
Net Insurance / Life Insurance Income	722	421	301	71.50
Dividend Income	23	32	(9)	(28.13)
Other Income	124	180	(56)	(31.11)
Total Operating Income	1,573	5,293	(3,720)	(70.28)
Total Non-interest Income	1,967	5,604	(3,637)	(64.90)

Non-interest income of the Company and its subsidiaries in the first quarter of 2021 amounted to 1,967 million baht, a decrease of 3,637 million baht or 64.90 percent from the same quarter last year. This was mainly due to the following.

- Net fees and service income amounted to 394 million baht, an increase of 83 million baht or 26.69 percent. This was mainly due to an increase in brokerage fees from securities businesses which was in line with the SET's trading volume.
- Other operating income amounted to 1,573 million baht, a decrease of 3,720 million baht or 70.28 percent. This was mainly due to the fact that the Company and its subsidiaries had gain on sale of the investment in AJT's stake which amounted to 3,737 million baht. If such special gain was not taken into account, other operating income increased by 17 million baht or 1.09 percent. Meanwhile, share of profit from investments accounted for under equity method amounted to 600 million baht, a decrease of 354 million baht. The decrease was from that the associated companies are in commercial banking business and shopping center and hotel businesses which were still directly and adversely impacted by the COVID-19 crisis.

Other Operating Expenses

Other Operating Expenses (Million Baht)

	1Q21	1Q20	Change	
			+/(-)	%
Personnel Expenses	522	445	77	17.30
Premises and Equipment Expenses	61	60	1	1.67
Taxes and Duties	4	6	(2)	(33.33)
Directors' Remuneration	16	11	5	45.45
Other Expenses	154	170	(16)	(9.41)
Total Other Operating Expenses	757	692	65	9.39

In the first quarter of 2021, **other operating expenses of the Company and its subsidiaries amounted to 757 million baht, an increase of 65 million baht or 9.39 percent** from the same quarter last year. This was mainly due to the incentive expenses paid to employees according to the increase in stock trading volume.

Expected Credit Loss

Expected Credit Loss (Million Baht)

	1Q21	1Q20	Change	
			+/(-)	%
Expected Credit Loss	97	155	(58)	(37.42)

In the first quarter of 2021, **the Company and its subsidiaries had expected credit loss in the amount of 97 million baht, a decrease of 58 million baht or 37.42 percent.**

Financial Position

Consolidated Statements of Financial Position (Million Baht)

	31 March 2021		31 December 2020		Change	
	Amount	%	Amount	%	+/(-)	%
Cash	4	0.00	2	0.00	2	100.00
Interbank and Money Market Items - net						
- Deposits at Financial Institutions	12,619	8.89	7,812	5.55	4,807	61.53
Financial Assets Measured at Fair Value through Profit or Loss	3,028	2.13	3,357	2.38	(329)	(9.80)
Investments - net	15,779	11.11	21,650	15.38	(5,871)	(27.12)
Investments in Associated Companies and Joint venture	49,842	35.11	48,007	34.11	1,835	3.82
Net Loans to Customers and Accrued Interest Receivables	51,573	36.33	50,251	35.70	1,322	2.63
Property Foreclosed - net	3,093	2.18	3,054	2.17	39	1.28
Land, Premises, Equipment and Right-of-use Assets - net	718	0.51	678	0.48	40	5.90
Other Assets	5,303	3.74	5,945	4.23	(642)	(10.80)
Total Assets	141,959	100.00	140,756	100.00	1,203	0.85
Interbank and Money Market Items - Borrowings from Financial Institutions	18,016	12.69	13,312	9.46	4,704	35.34
Debts Issued and Borrowings	29,819	21.01	33,887	24.07	(4,068)	(12.00)
Insurance Contracts Liabilities	11,845	8.34	12,231	8.69	(386)	(3.16)
Other Liabilities	8,163	5.75	8,557	6.08	(394)	(4.60)
Total Liabilities	67,843	47.79	67,987	48.30	(144)	(0.21)
Company's Shareholders' Equity	64,333	45.32	63,311	44.98	1,022	1.61
Non-controlling Interests	9,783	6.89	9,458	6.72	325	3.44
Total Shareholders' Equity	74,116	52.21	72,769	51.70	1,347	1.85
Total Liabilities and Shareholders' Equity	141,959	100.00	140,756	100.00	1,203	0.85
Book Value per Share (Baht)	61.35		60.38			

Assets

As of 31 March 2021, Thanachart Group's total assets amounted to 141,959 million baht, an increase of 1,203 million baht or 0.85 percent from the end of 2020. Key factors were as follows:

- Net interbank and money market items – deposits at financial institutions amounted to 12,619 million baht, an increase of 4,807 million baht or 61.53 percent. This was due to liquidity management.

- Net investments amounted to 15,779 million baht, a decrease of 5,871 million baht or 27.12 percent. This was mainly due to the maturity of government bonds.
- Investment in associated companies and joint venture amounted to 49,842 million baht, an increase of 1,835 million baht or 3.82 percent from the end of last year. This was mainly due to the additional investments in TMB.
- Net loans to customers and accrued interest receivables amounted to 51,573 million baht, an increase of 1,322 million baht or 2.63 percent. This was mainly due to the loan expansion of the Company and its subsidiaries.

Liabilities

Total liabilities of Thanachart Group as of 31 March 2021 **were 67,843 million baht, a decrease of 144 million baht or 0.21 percent** from the end of 2020. The key items were as follows:

- Interbank and money market items amounted to 18,016 million baht, an increase of 4,704 million baht or 35.34 percent from liquidity management.
- Debts issued and borrowings amounted to 29,819 million baht, a decrease of 4,068 million baht or 12.00 percent from the end of last year. This was mainly due to the maturity of debt instruments.

Shareholders' Equity

Total shareholders' equity as of 31 March 2021 **was 74,116 million baht, an increase of 1,347 million baht or 1.85 percent** from the end of 2020. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 64,333 million baht, an increase of 1,022 million baht or 1.61 percent. This was mainly due to the operating net profit of the Company and its subsidiaries in the first quarter of 2021 in the amount of 1,078 million baht.
- Equity attributable to non-controlling interest amounted to 9,783 million baht, an increase of 325 million baht or 3.44 percent from operating net profit of the subsidiaries.

Operating Results of Subsidiaries

Operating Results of Subsidiaries (Million Baht)

Subsidiaries	% Shareholding	Net Profit (Loss)	
		1Q21	1Q20
Ratchthani Leasing Public Company Limited (Consol.)	59.50%	427	465
Thanachart Insurance Public Company Limited	50.96%	178	185
Thanachart Securities Public Company Limited	50.96%	200	112
TS AMC Company Limited	99.99%	(3)	3
MAX AMC Company Limited	83.44%	(12)	16
NFS AMC Company Limited	100.00%	(6)	(6)
MBK Life Assurance Public Company Limited	51.00%	128	(132)

Ratchthani Leasing Public Company Limited (Consolidated)

The Thai economy during the first quarter of 2021 began to gradually recover despite having faced a new round of COVID-19 since the beginning of the year and again in the late first quarter of 2021. The company's overall performance remains challenging due to the economic conditions that have not yet returned to normal. Regarding with loans expansion, the company continues to operate with cautions and still attaches importance to maintaining the quality of loans for good credit quality under the current uncertain economic environment.

At the end of the first quarter of 2021, Ratchthani Leasing Public Company Limited and its subsidiary had total assets of 48,966 million baht, an increase of 448 million baht or 0.92 percent from the end of the previous year. The company had net hire purchase loans and financial lease of 47,229 million baht, an increase of 481 million baht or 1.03 percent. They represented 96.45 percent of total assets. Total liabilities amounted to 37,720 million baht, an increase of 21 million baht or 0.06 percent while shareholders' equity was 11,246 million baht, an increase of 427 million baht or 3.95 percent.

Net profit for the first quarter of 2021 amounted to 427 million baht, a decrease of 38 million baht or 8.17 percent from the same quarter last year. Total income decreased by 78 million baht or 7.03 percent as a result of a contraction in the hire purchase and financial lease portfolio. Interest expenses decreased by 21 million baht or 8.40 percent while expected credit loss decreased by 34 million baht or 24.29 percent from the same quarter last year.

Thanachart Insurance Public Company Limited

In the first quarter of 2021, Thanachart Insurance Public Company Limited had **total insurance premium of 2,071 million baht, a decrease of 165 million baht or 7.36 percent** from the same quarter last year. The decrease was mainly due to the decrease in sales through the branch channel. Auto insurance premium amounted to 1,756 million baht, a decrease of 143 million baht or 7.51 percent from the same quarter last year.

For operating results, **the net profit of the company in the first quarter of 2021 was 178 million baht, a decrease of 7 million baht or 3.90 percent** from the same quarter last year. This was due to an increase in net earned premium from reinsurance of 166 million baht; a decrease in investment income of 28 million baht; an increase in net claims and

claims management expenses of 108 million baht; an increase in operating expenses of 30 million baht; and an increase in other underwriting expenses of 16 million baht.

Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities Public Company Limited in the first quarter of 2021 was 4,603 million baht, an increase from 3,240 million baht in the same quarter last year. Market share of securities trading was at 2.65 percent. The trading volume of this quarter could be divided into 78.26 percent of retails, 21.07 percent of institutions, and 0.67 percent of foreign investors.

Net profit for the first quarter of 2021 amounted to 200 million baht, an increase of 88 million baht or 78.57 percent from the same quarter last year. Total income amounted to 516 million baht, an increase of 158 million baht or 44.13 percent, mainly due to the increase in brokerage fees and gains on financial instruments. The main income consisted of brokerage fees of 370 million baht, an increase of 64 million baht or 20.92 percent which was in line with the increase in the company's securities trading volume and stock market trading conditions, gains on financial instruments of 52 million baht and fees and service income of 48 million baht. Total expenses of the company were 266 million baht, an increase of 22.02 percent from the same period last year. The increase was in line with the increasing transaction volume and higher revenue. The expenses of the company consisted of interest expenses and fees and service expenses which amounted to 54 million baht and operating expenses which amounted to 212 million baht.

As of 31 March 2021, the company maintained its liquidity ratio (Net Liquid Capital Rules: NCR) at 101.76 percent, higher than the minimum requirement by the Securities and Exchange Commissions (SEC) of 7.00 percent of general indebtedness and securities pledged.

Disclaimer

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