

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period ended 31 March 2024

(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 Commercial Banking Industry

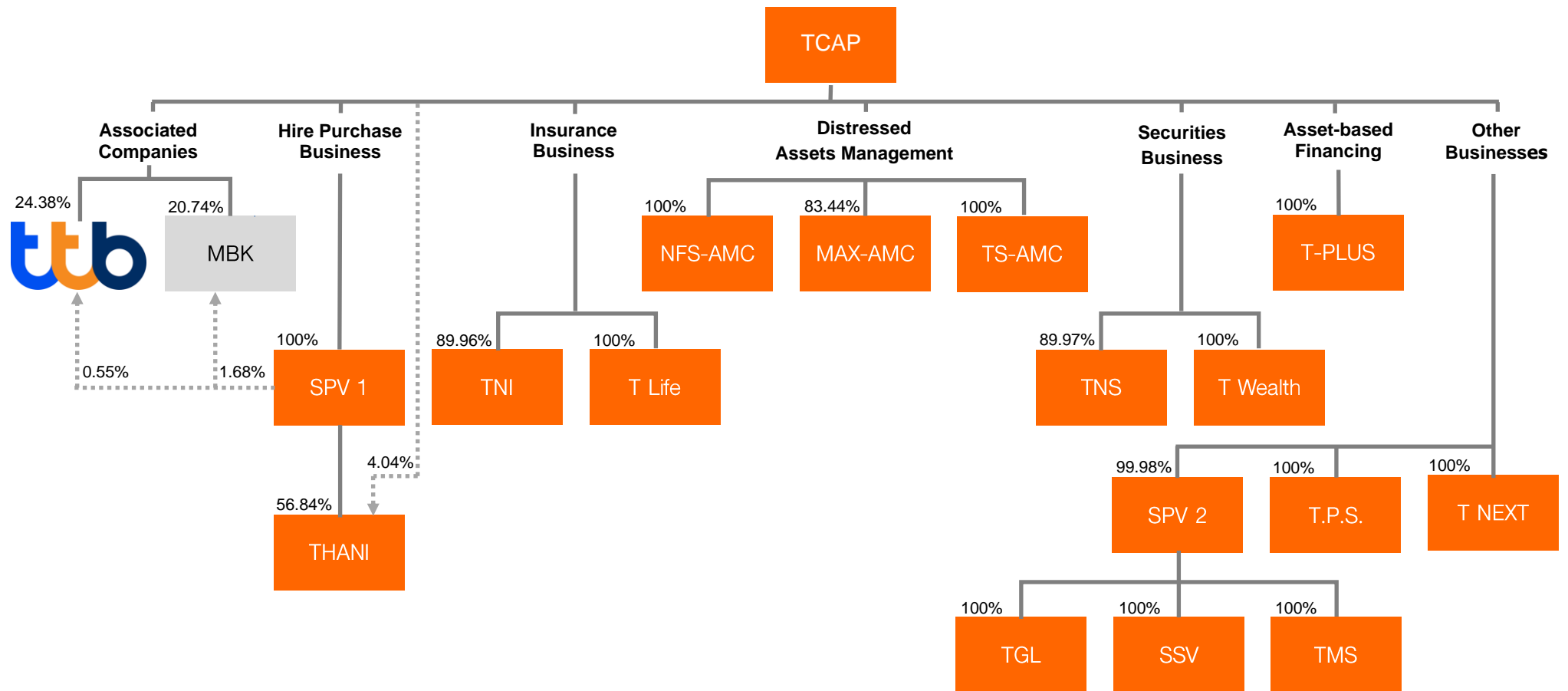
In the first quarter of 2024, the Thai economy experienced modest growth, continuing its upward trajectory from the previous quarter. This growth was primarily driven by the expanding tourism sector, which saw significant benefits from an increase in foreign tourists, largely due to the visa waiver policy. This boost positively impacted the service sector and employment. Private investment also demonstrated an upward trend, mainly fueled by investments in new businesses. However, exports remained stagnant, affected by the economic slowdown in Thailand's key trading partners. Private consumption was subdued, despite government support measures, while government spending declined due to delays in the 2024 budget disbursement. Inflation remained low but showed signs of a gradual increase over the year. Given this economic outlook and aiming to support long-term economic and financial stability, the Monetary Policy Committee of the Bank of Thailand decided to maintain the policy interest rate at 2.50 percent per annum, deeming it to be appropriate under the current economic and inflationary conditions.

In the first quarter of 2024, loans from Thai commercial banks saw a slight increase from the previous quarter, primarily driven by a rise in business lending. Conversely, retail lending experienced a decline, reflecting a continued drop in automobile hire purchase and housing loans. This trend was due to the financial institutions' cautious approach to lending. Given the expectation of sustained high interest rates, banks found it necessary to gather more deposits to manage the associated risks. Additionally, non-performing loans saw an increase, mirroring the still-tenuous nature of the economic recovery.

Key Events Occurred before the Announcement of 1Q24 Financial Statements

1. On 5 April 2024, the Annual General Meeting of Shareholders for the year 2024 of the Company had a resolution to pay dividend to shareholders at the rate of 3.20 baht per share or 3,355 million baht in total representing 50.82 percent of the net profit for the year 2023. However, the Company's Board of Directors already approved to make interim dividend payment on 30 October 2023 at the rate of 1.20 baht per share to shareholders. As a result, the remaining dividend payment to be made amounted to 2.00 baht per share. The dividend payment was scheduled to be made on 3 May 2024.

Thanachart Group's Shareholding Structure As of 31 March 2024



Remark : TCAP = Thanachart Capital PCL., ttb = TMBThanachart Bank PCL., MBK = MBK PCL., SPV 1 = Thanachart Special Purpose Vehicle 1 Co., Ltd., THANI = Ratchthani Leasing PCL., TNI = Thanachart Insurance PCL., T Life = T Life Assurance PCL., NFS-AMC = NFS Asset Management Co., Ltd., MAX-AMC = MAX Asset management Co., Ltd., TS-AMC = TS Asset management Co., Ltd., TNS = Thanachart Securities PCL., T Wealth = Thanachart Wealth Securities Co., Ltd., T-PLUS = Thanachart Plus Co., Ltd., SPV 2 = Thanachart Special Purpose Vehicle 2 Co., Ltd., TGL = Thanachart Group leasing Co., Ltd., SSV = Security Scib Services Co., Ltd., TMS = Thanachart Management and Service Co., Ltd., T.P.S. = T.P.S.Asset 1 Co., Ltd., T NEXT = T NEXT Co., Ltd.

Operating Results for the First Quarter of 2024

Performance Overview

In the first quarter of 2024, the Company and its subsidiaries' net profit according to the consolidated financial statements amounted to 1,924 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 343 million baht
- Thanachart Insurance Public Company Limited had a net profit of 212 million baht
- Thanachart Securities Public Company Limited had a net profit of 66 million baht
- Share of profit from investments accounted for under equity method – associated companies and joint venture was 1,351 million baht
- Asset Management Companies and other subsidiaries had net losses of 71 million baht

As a result, **net profit attributable to the Company amounted to 1,762 million baht, an increase of 327 million baht or 22.79 percent** from the previous quarter. This was mainly due to an increase in share of profit from investments accounted for under equity method – associated companies which increased in line with the continued improvement of operating performance of associated companies as well as the increase in net insurance / life insurance income. Meanwhile, net interest income decreased following the decrease in loans outstanding of subsidiary companies due to tighter lending in fragile economic conditions. Expected credit loss decreased from careful risk management and better repayment ability from customers of a subsidiary company.

Earnings per share (EPS) of the Company in the first quarter of 2024 were 1.68 baht. ROAA and ROAE were at 4.70 and 9.91 percent, respectively.

For the first quarter of 2024 compared with the first quarter of 2023, net profit attributable to the Company increased by 183 million baht or 11.59 percent. This was mainly due to an increase in share of profit from investments accounted for under equity method – associated companies. Meanwhile, net interest income decreased from interest expenses that increased following the increases in the amount of borrowings and interest rates. Expected credit loss decreased mainly from a subsidiary company's focus on implementing various measures to manage asset quality as well as stringent loan approval policy.

Financial Highlights

Financial Highlights

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-24	31-Dec-23	31-Mar-23
Operating Performance (Million Baht)			
Interest Income	1,294	1,365	1,268
Interest Expenses	522	526	447
Net Interest Income	772	839	821
Non-interest Income	2,278	2,001	2,197
Net Operating Income ⁽¹⁾	3,050	2,840	3,018
Other Operating Expenses	841	862	835
Expected Credit Losses	131	362	187
Profit before Tax	2,078	1,616	1,996
Income Tax	154	103	209
Profit for the Period	1,924	1,513	1,787
Net Profit Attributable to the Company	1,762	1,435	1,579
Basic Earnings per Share (Baht)	1.68	1.37	1.51

Financial Position (Million Baht)	31-Mar-24	31-Dec-23	31-Mar-23
	Net Loans to Customers and Accrued Interest Receivables	62,726	64,583
Investments in Associated Companies and Joint Ventures	60,938	59,324	58,530
Total Assets	165,704	161,944	160,773
Debts Issued and Borrowings	56,214	53,321	47,744
Total Liabilities	87,587	85,837	86,232
Company's Shareholders' Equity	72,074	70,192	68,566
Non-controlling Interests	6,043	5,915	5,975
Total Shareholders' Equity	78,117	76,107	74,541

Operating Performance Ratios (Percent)	31-Mar-24	31-Dec-23	31-Mar-23
	ROAA	4.70	3.72
ROAE ⁽²⁾	9.91	8.25	9.34
D/E Ratio (times)	1.12	1.13	1.16

(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)

	1Q24	4Q23	Change Q-Q		1Q23	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Interest Income	1,294	1,365	(71)	(5.20)	1,268	26	2.05
Interbank and Money Market Items –							
Deposits at Financial Institutions	35	23	12	52.17	12	23	191.67
Financial Assets Measured at Fair Value through Profit or Loss	-	-	-	-	3	(3)	(100.00)
Investments in Debt Securities Measured at Amortized Cost	15	15	-	-	17	(2)	(11.76)
Investments in Debt Securities Measured at Fair Value through Other Comprehensive Income	114	116	(2)	(1.72)	94	20	21.28
Loans to Customers	263	313	(50)	(15.97)	238	25	10.50
Hire Purchase and Financial Lease	867	898	(31)	(3.45)	904	(37)	(4.09)
Interest Expenses	522	526	(4)	(0.76)	447	75	16.78
Interbank and Money Market Items -							
Borrowings from Financial Institutions	75	87	(12)	(13.79)	70	5	7.14
Debts Issued and Borrowings	437	429	8	1.86	369	68	18.43
Borrowing Cost	7	7	-	-	5	2	40.00
Others	3	3	-	-	3	-	-
Net Interest Income	772	839	(67)	(7.99)	821	(49)	(5.97)

For the first quarter of 2024 compared with the fourth quarter of 2023, the Company and its subsidiaries had 772 million baht in net interest income, a decrease of 67 million baht or 7.99 percent. Interest income was 1,294 million baht, a decrease of 71 million baht or 5.20 percent. This was mainly due to loans reduction of subsidiary companies. Meanwhile, interest expenses were 522 million baht, a decrease of 4 million baht or 0.76 percent. This was a result of the proper cost of fund management to be in line with the market interest rate.

For the first quarter of 2024 compared with the first quarter of 2023, net interest income decreased by 49 million baht or 5.97 percent. Interest income increased by 26 million baht or 2.05 percent, due to the increases in asset-based financing and interest income on investments which was in line with the market interest rates. Interest expenses increased by 75 million baht or 16.78 percent from the increases in borrowings outstanding and interest rates.

Non-interest Income

Non-interest Income (Million Baht)

	1Q24	4Q23	Change Q-Q		1Q23	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Net Fees and Service Income	161	156	5	3.21	259	(98)	(37.84)
Total Operating Income	2,117	1,845	272	14.74	1,938	179	9.24
Gains on Financial Instruments Measured at Fair Value through Profit or Loss	68	11	57	518.18	2	66	3,300.00
Gains (Losses) on Investments	25	(71)	96	135.21	28	(3)	(10.71)
Share of Profit from Investments Accounted for under Equity Method – Associated Companies	1,351	1,201	150	12.49	1,101	250	22.71
Gains (Losses) on Property Foreclosed and Other Assets	(26)	(33)	7	21.21	140	(166)	(118.57)
Net Insurance / Life Insurance Income	571	463	108	23.33	533	38	7.31
Dividend Income	15	27	(12)	(44.44)	25	(10)	(40.00)
Other Income	113	247	(134)	(54.25)	109	4	3.67
Total Non-interest Income	2,278	2,001	277	13.84	2,197	81	3.69

For the first quarter of 2024 compared with the fourth quarter of 2023, non-interest income of the Company and its subsidiaries amounted to 2,278 million baht, an increase of 277 million baht or 13.84 percent. This was mainly due to the following.

- Net fees and service income amounted to 161 million baht, an increase of 5 million baht or 3.21 percent. This was mainly due to an increase in brokerage fees as trading volume increased in line with market conditions.
- Other operating income amounted to 2,117 million baht, an increase of 272 million baht or 14.74 percent. This was mainly due to the increase in share of profit investments accounted for under equity method – associated companies which increased in line with the continued improvement of operating performance of associated companies. Also, net insurance / life insurance income increased.

For the first quarter of 2024 compared with the first quarter of 2023, non-interest income increased by 81 million baht or 3.69 percent, mainly from the following.

- Net fees and service income decreased by 98 million baht or 37.84 percent. This was mainly due to a decrease in brokerage fees as trading volume decreased in line with market conditions.
- Other operating income increased by 179 million baht or 9.24 percent. This was mainly due to the increase in share of profit investments accounted for under equity method – associated companies in line with the improvement of operating performance of associated companies.

Other Operating Expenses

Other Operating Expenses (Million Baht)

	1Q24	4Q23	Change Q-Q		1Q23	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Personnel Expenses	529	511	18	3.52	522	7	1.34
Premises and Equipment Expenses	71	73	(2)	(2.74)	68	3	4.41
Taxes and Duties	12	15	(3)	(20.00)	10	2	20.00
Directors' Remuneration	13	15	(2)	(13.33)	12	1	8.33
Other Expenses	216	248	(32)	(12.90)	223	(7)	(3.14)
Total Other Operating Expenses	841	862	(21)	(2.44)	835	6	0.72

For the first quarter of 2024 compared with the fourth quarter of 2023, other operating expenses of the Company and its subsidiaries amounted to 841 million baht, a decrease of 21 million baht or 2.44 percent. This was mainly due to a reduction in computer and work system expenses as well as marketing expenses.

For the first quarter of 2024 compared with the first quarter of 2023, other operating expenses of the Company and its subsidiaries increased by 6 million baht or 0.72 percent.

Expected Credit Loss (Reversal)

Expected Credit Loss (Reversal) (Million Baht)

	1Q24	4Q23	Change Q-Q		1Q23	Change Y-Y	
			+ / (-)	%		+ / (-)	%
Interbank and Money Market Items	2	-	2	100.00	-	2	100.00
Investments in Debt Securities Measured at Fair Value through Other Comprehensive Income	(1)	-	(1)	(100.00)	1	(2)	(200.00)
Loans to Customers and Accrued Interest Receivables	201	411	(210)	(51.09)	217	(16)	(7.37)
Other Assets	(71)	(49)	(22)	(44.90)	(31)	(40)	(129.03)
Expected Credit Loss	131	362	(231)	(63.81)	187	(56)	(29.95)

For the first quarter of 2024 compared with the fourth quarter of 2023, the Company and its subsidiaries had expected credit loss in the amount of 131 million baht, a decrease of 231 million baht or 63.81 percent. This was mainly due to careful risk management and better repayment ability from customers of a subsidiary company.

For the first quarter of 2024 compared with the first quarter of 2023, expected credit loss of the Company and its subsidiaries decrease by 56 million baht or 29.95 percent. This was a result of a subsidiary company's focus on implementing various measures to manage asset quality as well as stringent loan approval policy.

Financial Position

Consolidated Statements of Financial Position (Million Baht)

	31 March 2024		31 December 2023		Change	
	Amount	%	Amount	%	+/(-)	%
Cash	4	0.00	7	0.00	(3)	(42.86)
Interbank and Money Market Items - net						
- Deposits at Financial Institutions	8,394	5.07	4,208	2.60	4,186	99.48
Financial Assets Measured at Fair Value through Profit or Loss	1,743	1.05	1,712	1.06	31	1.81
Investments - net	19,924	12.02	20,158	12.45	(234)	(1.16)
Investments in Associated Companies and Joint venture	60,938	36.78	59,324	36.63	1,614	2.72
Net Loans to Customers and Accrued Interest Receivables	62,726	37.85	64,583	39.88	(1,857)	(2.88)
Property Foreclosed - net	4,181	2.52	4,539	2.80	(358)	(7.89)
Land, Premises, Equipment and Right-of-use Assets - net	627	0.38	641	0.40	(14)	(2.18)
Other Assets	7,167	4.33	6,772	4.18	395	5.83
Total Assets	165,704	100.00	161,944	100.00	3,760	2.32
Interbank and Money Market Items						
- Borrowings from Financial Institutions	9,795	5.91	11,477	7.09	(1,682)	(14.66)
Debts Issued and Borrowings	56,214	33.92	53,321	32.93	2,893	5.43
Insurance Contracts Liabilities	13,762	8.31	13,536	8.35	226	1.67
Other Liabilities	7,816	4.72	7,503	4.63	313	4.17
Total Liabilities	87,587	52.86	85,837	53.00	1,750	2.04
Company's Shareholders' Equity	72,074	43.49	70,192	43.35	1,882	2.68
Non-controlling Interests	6,043	3.65	5,915	3.65	128	2.16
Total Shareholders' Equity	78,117	47.14	76,107	47.00	2,010	2.64
Total Liabilities and Shareholders' Equity	165,704	100.00	161,944	100.00	3,760	2.32
Book Value per Share (Baht)	68.73		66.94			

Assets

As of 31 March 2024, **Thanachart Group's total assets amounted to 165,704 million baht, an increase of 3,760 million baht or 2.32 percent** from the end of 2023. Key factors were as follows:

- Net interbank and money market items – deposits at financial institutions amounted to 8,394 million baht, an increase of 4,186 million baht or 99.48 percent. This was due to liquidity management.

- Net investments amounted to 19,924 million baht, a decrease of 234 million baht or 1.16 percent. This was mainly due to the adjustment of the investment portfolio in debt securities.
- Investment in associated companies and joint venture amounted to 60,938 million baht, an increase of 1,614 million baht or 2.72 percent. This was mainly due to the operating performances of associated companies that continued improving.
- Net loans to customers and accrued interest receivables amounted to 62,726 million baht, a decrease of 1,857 million baht or 2.88 percent. This was mainly due to the decrease in loans of Ratchthani Leasing following the tighter lending policy while loans of Thanachart Plus continued growing.

Liabilities

Total liabilities of Thanachart Group as of 31 March 2024 **were 87,587 million baht, an increase of 1,750 million baht or 2.04 percent** from the end of 2023. Interbank and money market items - borrowings from financial Institutions and debts issued and borrowings totaled 66,009 million baht, an increase of 1,211 million baht or 1.87 percent. This was from fund raising to support loan growth and additional investments of the Company in the future.

Shareholders' Equity

Total shareholders' equity as of 31 March 2024 **was 78,117 million baht, an increase of 2,010 million baht or 2.64 percent** from the end of 2023. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 72,074 million baht, an increase of 1,882 million baht or 2.68 percent. This was mainly due to the operating net profit of the Company and its subsidiaries in the first quarter of 2024 in the amount of 1,762 million baht.
- Equity attributable to non-controlling interest amounted to 6,043 million baht, an increase of 128 million baht or 2.16 percent. This was mainly from the operating results of subsidiary companies.

Operating Results of Subsidiaries

Operating Results of Subsidiaries (Million Baht)

Subsidiaries	% Shareholding	Net Profit (Loss)		
		1Q24	4Q23	1Q23
Ratchthani Leasing Public Company Limited (Consol.)	60.88%	343	162	450
Thanachart Insurance Public Company Limited	89.96%	212	90	211
Thanachart Securities Public Company Limited	89.97%	66	64	102
TS AMC Company Limited	100.00%	(6)	(5)	71
MAX AMC Company Limited	83.44%	(3)	(8)	(4)
NFS AMC Company Limited	100.00%	(10)	(11)	(10)
T Life Assurance Public Company Limited	100.00%	(24)	(78)	(51)
Thanachart Plus Company Limited	100.00%	16	13	32

Ratchthani Leasing Public Company Limited (Consolidated)

As of 31 March 2024, Ratchthani Leasing Public Company Limited and its subsidiary had total assets of 55,981 million baht, an increase of 721 million baht or 1.30 percent from the end of 2023. **The company had hire purchase and financial leases in the amount of 49,896 million baht, a decrease of 1,768 million baht or 3.42 percent** and loans in the amount of 640 million baht, a decrease of 79 million baht or 10.99 percent. Total loans represented 90.27 percent of total assets. Total liabilities amounted to 42,953 million baht while shareholders' equity was 13,028 million baht.

Net profit for the first quarter of 2024 when compared with the fourth quarter of 2023 amounted to 343 million baht, an increase of 181 million baht or 111.73 percent. Total income decreased by 10 million baht or 0.89 percent while interest expenses decreased by 3 million baht or 0.94 percent. Expected credit loss amounted to 177 million baht, decreased by 209 million baht or 54.15 percent as a result of careful risk management and the better repayment ability from customers. **Return on equity (ROE) of the company in the first quarter of 2024 was 10.83 percent.**

For the first quarter of 2024 compared with first quarter of 2023, the company's net profit decreased by 107 million baht or 23.78 percent. Total income decreased by 80 million baht or 6.72 percent. Interest expenses increased by 54 million baht or 20.61 percent while expected credit loss decreased by 5 million baht or 2.75 percent. The decrease in expected credit loss was a result of the company's focus on implementing various measures to manage asset quality as well as stringent loan approval policy.

Thanachart Insurance Public Company Limited

In the first quarter of 2024, Thanachart Insurance Public Company Limited had **total insurance premium of 2,849 million baht, a decrease of 360 million baht or 11.22 percent** from the previous quarter. This was due to the fact that in the last quarter of the year, there will be higher insurance than in other quarters. However, **the insurance premium increased by 43 million baht or 1.53 percent** from the same quarter last year. This was due to the increase in sales through the broker and dealer channels. Auto insurance premium in the first quarter of 2024 amounted to 2,577 million baht, a decrease of 358 million baht or 12.20 percent from the previous quarter and an increase of 67 million baht or 2.67 percent from the same quarter last year.

For operating results, **the net profit of the company in the first quarter of 2024 when compared with the fourth quarter of 2023 was 212 million baht, an increase of 122 million baht or 135.56 percent.** This was mainly due to an increase in net earned premium of 36 million baht as unearned premium reserve decreased; an increase in investment income of 74 million baht; a decrease in commission and brokerage expenses of 64 million baht in line with the decrease in insurance premium. Meanwhile, net claims and loss adjustment expenses increased by 16 million baht and fee and commission income on reinsurers decreased by 15 million baht which was in line with the decrease in reinsurance premium. **Return on equity (ROE) of the company in the first quarter of 2024 was 13.13 percent.**

For the first quarter of 2024 compared with the first quarter of 2023, the company's net profit increased by 1 million baht or 0.47 percent. This was mainly due to an increase in net earned premium of 234 million baht as unearned premium reserve decreased; an increase in investment income of 31 million baht; and an increase in fee and commission income on reinsurers of 18 million baht. However, net claims and loss adjustment expenses increased by 246 million baht as the number of incidents and auto insurance portfolio increased. Operating expenses increased by 17 million baht.

Capital fund at the end of March 2024 was at 611.34 percent, an increase from 535.73 percent at the end of December 2023. The increase was due to the decrease in market risks following the adjustment of debenture investment portfolio

by shortening the duration and investing more in good rating debentures. Meanwhile, insurance risk increased as incurred loss reserve for auto insurance increased. However, the capital fund was well above the requirement of 140.00 percent set by the Office of Insurance Commission (OIC).

Thanachart Securities Public Company Limited

Average daily securities trading volume of Thanachart Securities Public Company Limited in the first quarter of 2024 was 2,428 million baht, an increase from the previous quarter's average daily trading of 1,243 million baht. This was due to the fact that in the first quarter of this year, there were large securities trading transactions (Big Lot) from customers of the company. The average daily trading volume excluding Big Lot amounted to 1,257 million baht. The company's market share of securities trading was at 2.85 percent. The trading volume could be divided into 78.74 percent of retails, 20.68 percent of institutions, and 0.58 percent of foreign investors.

Compared with the same quarter last year, the average daily trading volume of the company excluding Big Lot decreased from the same quarter last year's average daily trading of 2,104 million baht. This was in line with the declining investment situation in the stock market.

Net profit for the first quarter of 2024 when compared with the fourth quarter of 2023 amounted to 66 million baht, an increase of 2 million baht or 3.13 percent. Total income was 299 million baht, an increase of 11 million baht or 3.82 percent, divided into brokerage fees of 137 million baht, an increase of 17 million baht or 14.17 percent; fees and service income of 30 million baht, a decrease of 25.00 percent; gains and returns on financial instruments of 33 million baht, an increase of 22.22 percent; and interest income of 98 million baht, a slight decrease. Meanwhile, total expenses amounted to 216 million baht, an increase of 3.85 percent. The company's total expenses consisted of interest expenses and fees and service expenses of 54 million baht and operating expenses of 162 million baht. **Return on equity (ROE) of the company in the first quarter of 2024 was 7.41 percent.**

For the first quarter of 2024 compared with the first quarter of 2023, the company's net profit declined by 36 million baht. Brokerage fees decreased by 70 million baht in line with the decrease in trading volume of the company, meanwhile, interest income increased by 9 million baht, due to the increase in interest rates, which resulted in the increase in interest expenses. Fees and service expenses and operating expenses decreased by 29 million baht in line with the decrease in revenue and transaction volume.

As of 31 March 2024, the company maintained its liquidity ratio (Net Liquid Capital Rules: NCR) at 66.51 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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