



Management Discussion and Analysis

For the Third Quarter of 2020 ended September 30, 2020

(Unreviewed Consolidated Financial Statements)

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Movement of Money Market and Capital Market

Domestic economy for the third quarter of 2020 contracted at a slower pace comparing to the previous quarter following the easing of the disease-control measures, together with the implementation of measures to alleviate the effects, to stimulate economic activities and household spending. Private consumption slightly recovered through improving employment, household income and consumer confidence, yet household debt remained elevated. Export sector also contracted but in a lower degree driven by a gradual recovery in demand from trading partners. Private investment also declined softly from a recovery in both domestic and international demands, coupled with better business sentiment. Nonetheless, tourism sector remained subdued amid an absence of tourist arrival for 2 consecutive quarters. The domestic car sale for the first 8 months of 2020 decreased by 33.4% (YoY) totaling 456,822 units, while the headline inflation for the third quarter of 2020 was weak at -0.73%. Consequently, the Bank of Thailand revised the GDP forecast to a contraction of 7.8%.

The Bank of Thailand continued launching the debt relief measures namely "DR BIZ Program" to help business clients, and "Debt Consolidation Program" to help retail clients. In addition, the ceiling interest rate reduction was applied to credit card loans from 18% to 16%, personal loans from 28% to 25% and auto title loans from 28% to 24%. During the quarter, the Bank of Thailand maintained the policy rate at 0.50%. The average 3-month fixed deposit rates of Top-4 commercial banks remained stable at 0.37% while the average minimum lending rate (MLR) was also stable at 5.31%.

For the capital market in the third quarter of 2020, SET index closed at 1,237.04 points, decreased by 101.99 points or 7.6% comparing to 1,339.03 points at the end of the previous quarter, mainly result from the lower investor confidence amid the concerns toward COVID-19 situation and the trade dispute between the US and China, which caused a decline in market trading volume. The average daily turnover declined from 69,431.84 million baht in the second quarter of 2020 to 54,245.67 million baht.

Operating Results

TISCO Financial Group Public Company Limited (“the Company”) had net profit from operations in the third quarter of 2020 on a standalone basis totaling 73.81 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 Third Quarter of 2020 comparing with the Third Quarter of 2019

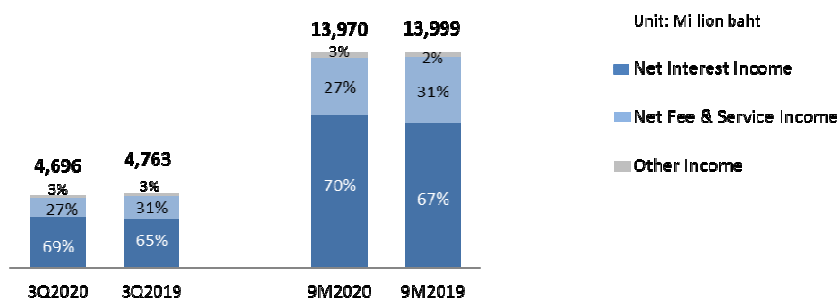
As a consequence of the easing of the disease-control measures, together with the implementation of mitigating measures, economic activities improved from the previous quarter. As a result, net profit attributed to owners of the Company for the third quarter of 2020 totaled 1,611.53 million baht, improved by 21.2% from the previous quarter. However, comparing to the third quarter of 2019, net profit decreased by 14.2% (YoY) resulting from the economic slowdown amid the spread of COVID-19. Net interest income rose YoY, mainly 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 owing to a slowdown in economic activities, particularly banking fee income from bancassurance business and loan-related fee income following lower new business volume, as well as weakened brokerage fee income. Meanwhile, expected credit loss increased reflecting higher credit risks arising from ongoing economic uncertainties.

Operating Results for the First 9 Months of 2020 comparing with the First 9 Months of 2019

The net profit attributed to owners of the Company for the first 9 months of 2020 totaled 4,427.01 million baht, decreased by 978.48 million baht (18.1% YoY) comparing to the first 9 months of 2019, following an economic slowdown amid the spread of COVID-19. Net interest income increased owing to a decrease in funding cost while non-interest income from core businesses weakened from banking businesses following a decline in economic activities. 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 higher credit risks from ongoing economic uncertainties.

Table 1 : Statement of Comprehensive Income

Statement of Comprehensive Income Unit: Million baht	3Q2020	3Q2019	%YoY	9M2020	9M2019	%YoY
Interest income						
Interest on loans	1,934.63	2,022.88	(4.4)	6,101.19	5,977.72	2.1
Interest on interbank and money market items	40.14	107.29	(62.6)	212.89	472.31	(54.9)
Hire purchase and financial lease income	2,075.74	2,180.01	(4.8)	6,333.78	6,514.51	(2.8)
Investments	31.76	66.49	(52.2)	109.13	181.83	(40.0)
Total interest income	4,082.27	4,376.67	(6.7)	12,756.99	13,146.38	(3.0)
Interest expenses	(829.92)	(1,266.14)	(34.5)	(2,918.52)	(3,825.91)	(23.7)
Net interest income	3,252.35	3,110.53	4.6	9,838.46	9,320.47	5.6
Fee income	1,343.78	1,560.56	(13.9)	3,984.59	4,545.84	(12.3)
Fee expenses	(63.85)	(69.57)	(8.2)	(220.49)	(207.44)	6.3
Net fee income	1,279.92	1,490.99	(14.2)	3,764.10	4,338.40	(13.2)
Gain (Loss) on the financial instruments measured at fair value and investment	62.34	8.16	664.3	40.39	(28.46)	(241.9)
Share of profit (loss) from subsidiaries	(1.93)	26.22	(107.4)	30.94	(5.69)	(644.1)
Other operating income	103.12	127.29	(19.0)	296.23	374.67	(20.9)
Total operating income	4,695.80	4,763.19	(1.4)	13,970.13	13,999.39	(0.2)
Operating expenses	(2,081.98)	(2,302.62)	(9.6)	(5,891.71)	(6,891.97)	(14.5)
Expected Credit Loss	(604.95)	(125.13)	383.5	(2,559.95)	(370.87)	590.3
Profit before tax and minority interest	2,008.87	2,335.44	(14.0)	5,518.47	6,736.55	(18.1)
Corporate income tax expenses	(397.23)	(459.32)	(13.5)	(1,091.16)	(1,328.20)	(17.8)
Profit before minority interest	1,611.64	1,876.12	(14.1)	4,427.31	5,408.35	(18.1)
Non-controlling interests of subsidiaries	(0.11)	1.62	(106.6)	(0.29)	(2.85)	(89.7)
Net profit	1,611.53	1,877.74	(14.2)	4,427.01	5,405.49	(18.1)

Composition of Operating Income

Basic earnings per share for the third quarter of 2020 was 2.01 baht per share, decreased from 2.35 baht per share in the third quarter of 2019, with the return on average equity (ROAE) reported at 17.4%.

Net Interest Income

In the third quarter of 2020, net interest income was 3,252.35 million baht, increased by 141.82 million baht (4.6% YoY). Total interest income was 4,082.27 million baht, dropped by 294.41 million baht (6.7% YoY). Whereas, interest expense was 829.92 million baht, declined by 436.23 million baht (34.5% YoY).

Yield on loans for the third quarter of 2020 increased to 7.0% from 6.9% (YoY) which was resulted from the adoption of TFRS 9. If excluding this change, yield on loans remained stable. Meanwhile, the cost of fund decreased from 2.1% to 1.5% (YoY) owing to an increase in low-rate deposits during declining interest rate environment to replace the matured debentures. Consequently, loan spread stood at 5.6% whereas the net interest margin was at 4.7%.

Table 2 : Loan Spread

Unit: %	Old Accounting Standard		New Accounting Standard TFRS 9 ²		
	2019 ¹	3Q2019	1Q2020	2Q2020	3Q2020
Yield on loans	6.9	6.9	7.4	6.9	7.0
Cost of fund	2.1	2.1	1.8	1.7	1.5
Loan Spread	4.8	4.8	5.6	5.3	5.6
Net Interest Margin	4.2	4.3	4.7	4.3	4.7

¹ Excluding the revision of interest income recognition and credit cost prior to TFRS 9 adoption

² TFRS 9 reported interest income based on effective interest rate (EIR) and recognized accrued interest income of non-performing loans

Non-interest Income

Non-interest income improved by 17.0% from the previous quarter after the easing of lockdown. However, comparing to the third quarter of 2019, non-interest income dropped by 12.7% (YoY) from weak core businesses amid an economic slowdown during the COVID-19 situation. Non-interest income from core businesses totaled 1,424.87 million baht, declined by 14.1% (YoY). Banking fee income dropped by 268.62 million baht (24.5% YoY) to 828.77 million baht, resulting from a slowdown in bancassurance business and loan-related fee income following lower new business volume. Brokerage fee income declined by 46.81 million baht (23.2% YoY) to 154.61 million baht due to lower trading volume. Meanwhile, asset management basic fee increased by 32.29 million baht (9.1% YoY) to 387.59 million baht, owing to the growth in assets under management. In addition, the Company recorded investment banking fee amounting 38 million baht from underwriting service during the quarter.

Table 3 : Non-Interest Income from Core Businesses

Type of Fee Income Unit: Million baht	3Q2020	3Q2019	%YoY	9M2020	9M2019	%YoY
Banking Fee	828.77	1,097.39	(24.5)	2,472.63	3,215.93	(23.1)
<i>Bancassurance Fee</i>	<i>543.63</i>	<i>787.56</i>	<i>(31.0)</i>	<i>1,634.96</i>	<i>2,231.41</i>	<i>(26.7)</i>
<i>Other Banking Fee</i>	<i>285.14</i>	<i>309.82</i>	<i>(8.0)</i>	<i>837.67</i>	<i>984.52</i>	<i>(14.9)</i>
Asset Management Basic Fee	387.59	355.29	9.1	1,103.41	1,041.08	6.0
Brokerage Fee	154.61	201.42	(23.2)	582.95	566.65	2.9
Investment Banking Fee	53.91	5.04	970.1	62.27	19.55	218.5
Total Non-Interest Income from Core Businesses	1,424.87	1,659.14	(14.1)	4,221.26	4,843.21	(12.8)

Other non-interest income increased by 1.2% (YoY) which consisted of the gain on financial instruments measured at fair value through profit or loss (FVTPL) amounting 59 million baht from an increased in investment value.

Operating Expenses

Operating expenses totaled 2,081.98 million baht, decreased by 220.64 million baht (9.6% 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 44.3%.

Expected Credit Loss

Expected credit loss (ECL) totaled 604.95 million baht, increased comparing with bad debt, doubtful accounts and impairment losses of 125.13 million baht in the third quarter of 2019, and accounted for 1.07% of average loans. The Company maintained high ECL expense to reflect an increase in credit risks amid ongoing economic uncertainties. Nevertheless, comparing to the first half of 2020, ECL declined following the partial setup of ECL impairment against an assumption on economic outlook in advance, according to TFRS 9, with addition of the remaining high-level of excess reserve.

Corporate Income Tax

In the third quarter of 2020, the corporate income tax was 397.23 million baht, equivalent to the effective tax rate of 19.8% increased from 19.7% in the third 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 September 30, 2020 and June 30, 2020

Assets

As of September 30, 2020, the Company's total assets were 275,949.12 million baht, increased by 0.3% (QoQ). Loan portfolio declined from 228,165.17 million baht to 224,899.65 million baht (1.4% QoQ). Interbank and money market increased from 33,238.21 million baht to 36,852.22 million baht (10.9% QoQ). Financial assets measured at fair value through profit or loss amounted 1,945.02 million baht, increased by 2.8% (QoQ) and investments amounted 12,036.38 million baht, increased by 13.1% (QoQ).

Table 4 : Assets Breakdown

Assets Unit: Million baht	As of Sep 30, 2020	As of Jun 30, 2020	%QoQ	As of Dec 31, 2019	%YTD
Cash	1,040.89	1,164.17	(10.6)	1,102.56	(5.6)
Interbank and Money Market Items	36,852.22	33,238.21	10.9	45,300.14	(18.6)
Derivatives	0.20	27.12	(99.3)	21.91	(99.1)
Financial assets measured at fair value through profit or loss	1,945.02	1,892.34	2.8	-	n.a.
Investments – Net	12,036.38	10,646.68	13.1	9,363.03	28.6
Investments in subsidiaries, associate and JV	836.29	843.87	(0.9)	813.60	2.8
Loans	224,899.65	228,165.17	(1.4)	242,826.14	(7.4)
Allowance for expected credit loss	(11,605.34)	(11,603.90)	0.0	(10,716.71)	8.3
Other Assets	9,943.81	10,737.15	(7.4)	9,593.42	3.7
Total Assets	275,949.12	275,110.80	0.3	298,304.10	(7.5)

Liabilities

As of September 30, 2020, total liabilities were 238,104.14 million baht, decreased by 0.3% (QoQ). Total deposits increased from 200,215.95 million baht to 204,792.89 million baht (2.3% QoQ). Interbank and money market increased from 5,482.17 million baht to 5,595.55 million baht (2.1% QoQ) and debentures declined from 19,190.00 million baht to 14,210.00 million baht (26.0% QoQ).

Table 5 : Liabilities Breakdown

Liabilities Unit: Million baht	As of Sep 30, 2020	As of Jun 30, 2020	%QoQ	As of Dec 31, 2019	%YTD
Deposits	204,792.89	200,215.95	2.3	216,121.47	(5.2)
Interbank and money market items	5,595.55	5,482.17	2.1	4,656.13	20.2
Debentures	14,210.00	19,190.00	(26.0)	24,980.00	(43.1)
Others	13,505.70	13,975.90	(3.4)	13,350.38	1.2
Total Liabilities	238,104.14	238,864.02	(0.3)	259,107.98	(8.1)

Shareholders' Equity

As of September 30, 2020, shareholders' equity was 37,844.98 million baht, increased by 1,598.19 million baht (4.4% QoQ) from an increase in retained earnings of the third quarter of 2020. As a result, the book value per share (BVPS) as of September 30, 2020 was 47.27 baht per share, increased from 45.27 baht per share (QoQ).

Business Segment Operations

(1) Banking Business

Loans

Total loans and receivables as of September 30, 2020 were 224,899.65 million baht, declined by 3,265.52 million baht (1.4% QoQ) from the contraction in all business sectors. The composition of loan portfolio was 79.3% of retail loans, 16.1% of corporate loans, 3.6% of commercial loans and 1.0% of other loans.

Retail Lending portfolio totaled 178,368.52 million baht, decreased by 1.5% (QoQ). The total retail portfolio as of September 30, 2020 consisted of 72.3% car and motorcycle hire purchase loans, 19.5% loans against auto license and 8.2% housing loans. The outstanding hire purchase loans totaled 128,963.70 million baht, dropped by 0.8% (QoQ) following stricter loan underwriting policy amidst a high level of household debt. The domestic car sale for the first 8 months of 2020 was 456,822 units, decreased by 33.4% (YoY), compared to 685,652 units in the first 8 months of 2019. The car penetration rate of TISCO for the first 8 months of 2020 declined to 5.7% (YoY).

Loans against auto licenses ("Auto Cash") amounted 34,838.40 million baht, contracted by 2.7% (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 remained stringent and cautious on the loan underwriting policy, awaiting for clarity on economic recovery. Loans from "Somwang" channels amounted 18,196.16 million baht, declined by 476.81 million baht (2.6% QoQ), and accounted for 52.2% of total loans against auto licenses. Nevertheless, the Company continued the network expansion strategy with at the end of the third quarter of 2020, "Somwang" loan offices totaled 342 branches nationwide.

Housing loans totaled 14,566.42 million baht, dropped by 5.0% (QoQ).

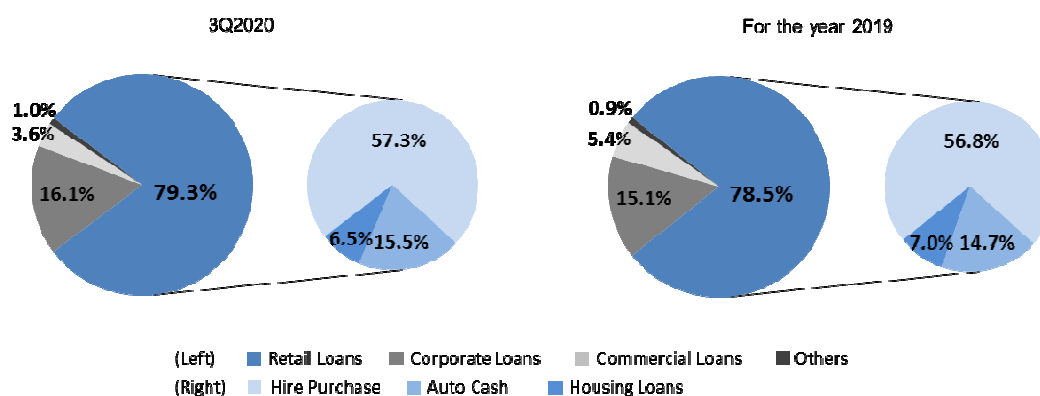
Corporate Lending portfolio totaled 36,177.72 million baht, decreased by 0.2% (QoQ), due to the loan repayment from the clients in real estate and construction sector.

Commercial Lending portfolio totaled 8,110.85 million baht, dropped by 4.2% (QoQ) owing to subdued private sector.

Other Loans portfolio totaled 2,273.74 million baht, decreased by 2.0% from the previous quarter.

Table 6 : Loans

Loans Unit: Million baht	As of Sep 30, 2020	As of Jun 30, 2020	%QoQ	As of Dec 31, 2019	%YTD
Manufacturing and Commerce	1,599.57	1,594.06	0.3	2,630.54	(39.2)
Real Estate and Construction	15,189.86	16,519.59	(8.0)	14,674.57	3.5
Public Utilities and Services	19,388.29	18,132.23	6.9	19,388.66	(0.0)
Corporate Loans	36,177.72	36,245.88	(0.2)	36,693.77	(1.4)
Commercial Loans	8,110.85	8,467.44	(4.2)	13,200.02	(38.6)
Hire Purchase	128,963.70	129,978.65	(0.8)	137,990.30	(6.5)
Loans against Auto Licenses	34,838.40	35,816.63	(2.7)	35,660.00	(2.3)
Housing Loans	14,566.42	15,335.53	(5.0)	16,996.46	(14.3)
Retail Loans	178,368.52	181,130.81	(1.5)	190,646.76	(6.4)
Others	2,242.56	2,321.04	(3.4)	2,285.59	(1.9)
Total Loans	224,899.65	228,165.17	(1.4)	242,826.14	(7.4)

Loan Breakdown

As of the end of the third quarter of 2020, the number of clients under Bank of Thailand's debt relief programs remained relatively stable (approximately 24% of total loans), as the application period for debt relief programs phase 1 ended in the second quarter, and these clients had completed the restructuring process.

Asset Quality and Expected Credit Loss

In the third quarter of 2020, the Company reported NPLs amounting 5,917.78 million baht, decreased by 1,562.51 million baht (20.9% QoQ), and accounted for NPL ratio of 2.63%, declined from 3.28% at the end of the second quarter of 2020. The decline was mainly contributed by clients in hire purchase loans and loans against auto licenses which was a result of an improved debt collection process during the easing of lockdown. Additionally, one corporate client was able to resume debt repayment. However, the Company still closely monitors and follows up all client groups, as well as the cautious setup of ECL.

Table 7 : Loan Classification

Loan Classification Unit: Million baht	As of Sep 30, 2020	As of Jun 30, 2020	%QoQ	As of Dec 31, 2019	%YTD
Loans with no significant increase in credit risk (Performing)	189,524.57	190,506.95	(0.5)	220,168.77	(13.9)
Loans with significant increases in credit risk (Under-performing)	29,457.30	30,177.94	(2.4)	16,822.93	75.1
Loans that are credit-impaired (NPLs)	5,917.78	7,480.28	(20.9)	5,834.44	1.4
Total Loans	224,899.65	228,165.17	(1.4)	242,826.14	(7.4)

Table 8 : NPLs Breakdown

NPLs Unit: Million baht, %	As of Sep 30, 2020		As of Jun 30, 2020		%QoQ	As of Dec 31, 2019		%YTD
	Million baht	%	Million baht	%		Million baht	%	
Manufacturing and Commerce	-	-	228.76	14.35	(100.0)	259.45	9.86	(100.0)
Real Estate and Construction	-	-	-	-	n.a.	-	-	n.a.
Public Utilities and Services	-	-	-	-	n.a.	-	-	n.a.
NPLs - Corporate Loans	-	-	228.76	0.63	(100.0)	259.45	0.71	(100.0)
NPLs - Commercial Loans	117.89	1.45	146.95	1.74	(19.8)	158.45	1.20	(25.6)
Hire Purchase	3,575.44	2.77	4,539.83	3.49	(21.2)	3,248.86	2.35	10.1
Loans against Auto Licenses	1,221.97	3.51	1,589.20	4.44	(23.1)	848.02	2.38	44.1
Housing Loans	996.32	6.84	966.63	6.30	3.1	1,315.69	7.74	(24.3)
NPLs - Retail Loans	5,793.72	3.25	7,095.65	3.92	(18.3)	5,412.57	2.84	7.0
Others	6.17	0.27	8.93	0.38	(31.0)	3.97	0.17	55.3
Total NPLs	5,917.78	2.63	7,480.28	3.28	(20.9)	5,834.44	2.40	1.4

The Company reported expected credit loss (ECL) amounting 604.95 million baht, increased comparing with bad debt, doubtful accounts and impairment losses of 125.13 million baht in the third quarter of last year, and accounted for 1.07% of average loans. ECL remained high to reflect an increase in credit risks amid ongoing economic uncertainties. Nevertheless, comparing to the first half of 2020, ECL declined following the partial setup of ECL impairment against an assumption on economic outlook in advance, according to TFRS 9, with addition of the remaining high-level of excess reserve. Hence, loan loss coverage ratio was reported at 196.1% at the end of the third quarter.

Total allowance for expected credit loss of the Company was 11,605.34 million baht, which consisted of ECL impairment of 10,284.85 million baht and excess reserve of 1,320.50 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 219,002.89 million baht, decreased by 0.2% (QoQ). Total deposits reported at 204,792.89 million baht, increased by 4,576.94 million baht (2.3% QoQ) following an increase in new deposits to replace the matured debentures. Debentures decreased by 4,980.00 million baht (26.0% QoQ), totaling 14,210.00 million baht. As of September 2020, the Bank had liquid assets totaling 47,693.66 million baht, increased by 5,073.68 million baht (11.9% QoQ). Thus, the liquid assets were accounted for 21.8% of total deposits and borrowings, and projected LCR ratio remained high at 158.9%.

Table 9 : Deposits Structure

Deposits Unit: Million baht	As of Sep 30, 2020	As of Jun 30, 2020	%QoQ	As of Dec 31, 2019	%YTD
Current accounts	2,580.02	2,762.15	(6.6)	2,638.32	(2.2)
Saving accounts	44,138.39	43,689.65	1.0	37,801.62	16.8
Fixed accounts	49,282.18	50,156.16	(1.7)	56,560.88	(12.9)
Negotiate certificate deposits	108,755.38	103,571.08	5.0	119,083.73	(8.7)
Short-term borrowings	36.92	36.92	0.0	36.92	0.0
Total Deposits	204,792.89	200,215.95	2.3	216,121.47	(5.2)

(2) Securities Business

In the third quarter of 2020, brokerage fee income of TISCO Securities declined by 23.2% (YoY) to 154.61 million baht, owing to a decrease in average daily turnover of TISCO Securities from 1,832.12 million baht to 1,413.00 million baht following weakened market trading volume and the termination of the joint venture agreement in "Deutsche TISCO Investment Advisory Company Limited". TISCO Securities' market share contracted from 1.7% to 1.5% (YoY) resulting from a decline in market share of foreign institutions and retail investors from 0.2% to 0.01% (YoY) and 1.9% to 1.5% (YoY) respectively. On the other hand, the market share of local institution sector (excluding proprietary trading) increased from 6.6% to 6.7% (YoY). All in all, TISCO brokerage volume comprised of 48.4% of local institutions, 0.2% of foreign institutions, and 51.4% of retail customers.

(3) Asset Management Business

As of September 30, 2020, assets under management of TISCO Asset Management reported at 297,662.38 million baht, grew by 1.1% (QoQ) mainly from a growth in mutual fund business. The basic fee income from asset management totaled 387.59 million baht, rose by 9.1% (YoY) owing to the increase in assets under management. The composition of total asset under management was 65.5% provident fund, 18.5% private fund, and 16.0% mutual fund. Total market share of TISCO Asset Management as of August 31, 2020 was 3.8%, ranking 8th in the market. The market share of provident fund was 16.1%, ranking 1st in the market. The market share of private fund was 2.9%, ranking 5th in the market and the market share of mutual fund was 1.0%, ranking 13th in the market.

Table 10 : Assets under Management Breakdown

Funds Unit: Million baht	As of Sep 30, 2020	As of Jun 30, 2020	%QoQ	As of Dec 31, 2019	%YTD
Provident Fund	194,984.56	194,409.42	0.3	184,246.82	5.8
Private Fund	55,043.46	55,393.61	(0.6)	56,824.62	(3.1)
Mutual Fund	47,634.36	44,584.02	6.8	49,167.53	(3.1)
Total AUMs	297,662.38	294,387.05	1.1	290,238.97	2.6

Risk Management

As of September 30, 2020, TISCO Group's internal capital stood at 39,236.26 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital decreased by 694.39 million baht from the end of June 2020 to 12,844.84 million baht mainly resulting from a decrease in credit risk capital. In addition, the capital surplus remained strong at 26,391.43 million baht or 67.3% of total capital.

Comparing to the end of the second quarter, loan portfolio contracted by 1.4% mostly in retail portfolio. The credit risk capital stood at 9,821.70 million baht, which fell by 660.28 million baht or 6.3%, while non-performing loan of TISCO Group declined from 3.28% to 2.63%.

The market risk capital decreased from 280.19 million baht to 246.09 million baht as a result of lower market volatility and increasing in SET index. Meanwhile, the overall duration gap decreased from 0.97 year to 0.86 year, which was in a manageable level. The assets duration fell from 1.56 year to 1.43 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, slightly decreased from 0.59 year to 0.57 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 September 2020, the projected regulatory capital adequacy ratio based on IRB approach (BIS ratio) of the bank stood at 22.60%, remaining higher than 11.0% required by the Bank of Thailand. The projected Tier-I and Tier-II capital adequacy ratio stood at 18.00% and 4.61%, 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 60.82%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 11 : Regulatory Capital Requirement of the Bank

Capital Adequacy Unit: %	As of Sep 30, 2020 ¹	As of Jun 30, 2020	As of Dec 31, 2019
Tier-I	18.0	17.6	17.3
Tier-II	4.6	4.3	4.7
BIS Ratio	22.6	22.0	22.1

¹ Projected Figures

Table 12 : 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	
	Sep 30, 2020	Jun 30, 2020	Sep 30, 2020	Jun 30, 2020
Assets	1.56	1.45	1,113.42	1,399.55
Liabilities ¹	0.59	0.52	(1,080.38)	(1,315.82)
Net Gap	0.97	0.94	33.05	83.73

¹ Excluding current accounts and saving accounts