



Management Discussion and Analysis

For the Second Quarter of 2023 ended June 30, 2023

(Reviewed Consolidated Financial Statements)

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Economic Conditions and Movement of Financial Market

In the second quarter of 2023, Thai economy remained on course of gradual recovery, led by an expansion in tourism sector with the number of foreign tourist arrivals for the first 6 months over 12.5 million tourists. Additionally, private consumption improved in tourism and travel-related service sector following an increase in employment and consumer confidence, together with the recovery trend of household income. Nonetheless, the growth in economic activities were pressured by the high cost of living, resulting in an uneven economic recovery in Thailand. In the second quarter of 2023, the headline inflation increased at a slower pace by 1.14% (YoY) owing to lower energy and food prices, although the core inflation remained high. Moreover, export sector was weak resulted from declining demands from trading partners amid global economic slowdown. The domestic car sale for the first 6 months of 2023 totaled 406,131 units, declined by 5.0% comparing to the same period of last year due to the tightened loan underwriting by the financial institutions.

During the quarter, the Bank of Thailand (BOT) raised the policy rate once from 1.75% to 2.00% in corresponding with the current economic outlook and the high inflation. Commercial banks thereby have increased their interest rates to reflect the rising interest rate cycle. The average 3-month fixed deposit rates of Top-4 commercial increased from 0.75% to 0.92% (QoQ). The lending rates of Top-4 commercial banks also increased, comprising of the average minimum lending rate (MLR) increased from 6.43% to 6.87% (QoQ), the average minimum overdraft rate (MOR) increased from 6.89% to 7.31% (QoQ) and the average minimum retail rate (MRR) increased from 6.72% to 7.12% (QoQ).

The capital market in the second quarter of 2023 continued to be highly volatile with SET index closed at 1,503.10 points, dropped by 106.07 points or 6.6% (QoQ). Additionally, market trading volume drastically declined from the previous quarter and comparing to the second quarter of last year, with the average daily turnover of 47,544.71 million baht, mainly caused by foreign fund outflows amid weakened investor confidence which was impacted by the political uncertainty after the general election and the financial scandal in the listed company.

Operating Results

TISCO Financial Group Public Company Limited (“the Company”) continuously operates business in line with sustainability strategy and takes all stakeholders into account. The Company has committed to responsible business practices, prudent risk management, enhancing competitiveness to support any changes in economic, social and environmental aspects, as well as promoting well-being in society through various projects such as financial literacy, efficient use of resources, employee development and happy organization.

TISCO Financial Group Public Company Limited, as a parent company of the group, had net profit from operations for the second quarter of 2023 on a standalone basis totaling 1,979.61 million baht, mainly contributed by dividend income and service fee income derived 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 capital market businesses.

Operating Results for the Second Quarter of 2023

The net profit of the Company for the second quarter of 2023 was reported at 1,853.89 million baht, increased by 5.45 million baht or 0.3% from the second quarter of 2022. Total operating revenue increased by 4.1% (YoY) supported by the growth in net interest income of 10.1% (YoY) following the loan expansion of 13.4% (YoY), whereas cost of fund rose from 1.06% to 1.80% (YoY) corresponding with rising interest rate environment. Non-interest income weakened by 8.8% (YoY) affected by a drop in brokerage trading volume amid highly volatile capital market, as well as a decline in gain on financial instruments measured at fair value through profit or loss (FVTPL) comparing to the same period of last year. Furthermore, banking fee income decreased from loan-related fee and a slow recovery in bancassurance business owing to lower new business volume amid Thailand’s uneven economic recovery. On the contrary, asset management basic fee income improved along with the growth in assets under management. Operating expenses increased by 12.2% (YoY) mainly related to the Company’s long-term business expansion plan, while expected credit loss (ECL) declined by 54.9% (YoY) and remained low thanks to the sufficient level of loan loss reserves against future potential risks.

Comparing to the first quarter of 2023, net profit increased by 61.31 million baht or 3.4% (QoQ), contributed by increasing net interest income by 4.0% (QoQ) following loan growth of 4.7% (QoQ). Furthermore, the Company recorded a gain on financial instruments measured at fair value through profit or loss (FVTPL) following higher investment value, whereas expected credit loss (ECL) dropped by 59.4% (QoQ). On the other hand, non-interest income from core businesses decreased by 6.9% (QoQ) from all business sectors especially fee from capital market businesses that encountered a subdued trading volume. Meanwhile, operating expenses increased by 4.2% (QoQ) following business expansion.

Basic earnings per share for the second quarter of 2023 were 2.32 baht per share, increased from 2.31 baht per share in the second quarter of 2022, and increased from 2.24 baht per share in the previous quarter. The return on average equity (ROAE) was reported at 17.5%.

Table 1.1 : Statement of Comprehensive Income (Quarterly)

Statement of Comprehensive Income					
Unit: Million baht	2Q2023	1Q2023	%QoQ	2Q2022	%YoY
Interest income					
Interest on loans	2,476.67	2,254.05	9.9	1,778.74	39.2
Interbank and money market items	171.50	140.27	22.3	35.63	381.3
Hire purchase and financial lease income	1,708.86	1,717.01	(0.5)	1,779.21	(4.0)
Investments	40.43	23.10	75.0	22.91	76.5
Total interest income	4,397.46	4,134.44	6.4	3,616.49	21.6
Interest expenses	(977.83)	(847.48)	15.4	(509.86)	91.8
Net interest income	3,419.63	3,286.96	4.0	3,106.63	10.1
Fee income	1,260.02	1,378.45	(8.6)	1,270.85	(0.9)
Fee expenses	(108.39)	(111.96)	(3.2)	(108.58)	(0.2)
Net fee income	1,151.63	1,266.49	(9.1)	1,162.27	(0.9)
Gain (Loss) on the financial instruments measured at fair value through PL	64.80	17.79	264.3	173.12	(62.6)
Gain (Loss) on Investments	2.18	1.91	13.7	2.63	(17.4)
Share of profit from investment under equity method	10.27	10.12	1.5	14.65	(29.9)
Other operating income	94.75	87.22	8.6	99.00	(4.3)
Total operating income	4,743.26	4,670.50	1.6	4,558.30	4.1
Operating expenses	(2,377.54)	(2,281.67)	4.2	(2,118.83)	12.2
Expected credit loss	(63.08)	(155.39)	(59.4)	(139.87)	(54.9)
Profit before tax and minority interest	2,302.64	2,233.44	3.1	2,299.60	0.1
Corporate income tax expenses	(448.63)	(440.74)	1.8	(451.05)	(0.5)
Profit before minority interest	1,854.02	1,792.70	3.4	1,848.55	0.3
Non-controlling interests of subsidiaries	(0.13)	(0.12)	11.4	(0.11)	15.5
Net profit	1,853.89	1,792.58	3.4	1,848.43	0.3

Operating Results for the First Half of 2023

The net profit for the first half of 2023 was reported at 3,646.47 million baht, remained relatively stable (YoY). Total operating revenue increased by 4.9% (YoY) driven by a growth in net interest income of 8.7% (YoY) following loan expansion, even though cost of fund rose by 81.7% (YoY) along with rising market interest rates and the resumption of Financial Institutions Development Fund (FIDF) cost back to 0.46% per year. Whilst, non-interest income dropped by 3.5% (YoY) due to a slowdown in brokerage business in both fee income and gain on investment value caused by capital market volatility. Moreover, banking business also weakened amid uneven economic recovery. Operating expenses increased by 10.6% (YoY) owing to long-term investment plan for business expansion, while expected credit loss (ECL) remained relatively stable at 0.2% of average loans comparing to the first half of 2022.

Basic earnings per share for the first half of 2023 were 4.55 baht per share, stable (YoY). The return on average equity (ROAE) was reported at 17.6%.

Table 1.2 : Statement of Comprehensive Income (Half Year)

Statement of Comprehensive Income			
Unit: Million baht	1H2023	1H2022	%YoY
Interest income			
Interest on loans	4,730.72	3,474.28	36.2
Interbank and money market items	311.77	70.66	341.2
Hire purchase and financial lease income	3,425.87	3,582.54	(4.4)
Investments	63.53	45.20	40.6
Total interest income	8,531.90	7,172.68	18.9
Interest expenses	(1,825.31)	(1,004.78)	81.7
Net interest income	6,706.59	6,167.91	8.7
Fee income	2,638.47	2,674.49	(1.3)
Fee expenses	(220.35)	(237.95)	(7.4)
Net fee income	2,418.12	2,436.54	(0.8)
Gain (Loss) on the financial instruments measured at fair value through PL	82.59	140.94	(41.4)
Gain (Loss) on Investments	4.09	1.03	298.6
Share of profit from investment under equity method	20.39	28.04	(27.3)
Other operating income	181.97	199.36	(8.7)
Total operating income	9,413.77	8,973.81	4.9
Operating expenses	(4,659.21)	(4,214.21)	10.6
Expected credit loss	(218.47)	(225.21)	(3.0)
Profit before tax and minority interest	4,536.09	4,534.39	0.0
Corporate income tax expenses	(889.37)	(890.25)	(0.1)
Profit before minority interest	3,646.72	3,644.14	0.1
Non-controlling interests of subsidiaries	(0.25)	(0.22)	11.9
Net profit	3,646.47	3,643.92	0.1

Details of Financial Performance for the Second Quarter of 2023 comparing to the Second Quarter of 2022

Net Interest Income

In the second quarter of 2023, the net interest income totaled 3,419.63 million baht, increased by 313.00 million baht (10.1% YoY). Total interest income was 4,397.46 million baht, increased by 780.97 million baht (21.6% YoY) following loan expansion. Whilst, interest expense was at 977.83 million baht, increased by 467.97 million baht (91.8% YoY) from rising funding cost aligning with the policy rate increase.

Yield on loans increased from 7.02% to 7.42% (YoY) following the increased proportion of high-yield loans and the adjustment of floating interest rates. The cost of fund rose from 1.06% to 1.80% (YoY) owing to an increase in funding cost amid rising interest rate environment. Therefore, loan spread declined from 5.96% to 5.62% (YoY) and net interest margin decreased from 5.05% to 5.02% (YoY).

Table 2 : Loan Spread

Unit: %	2022	2Q2022	1Q2023	2Q2023
Yield on Loans	7.03	7.02	7.36	7.42
Cost of Fund	1.11	1.06	1.63	1.80
Loan Spread	5.92	5.96	5.74	5.62
Net Interest Margin (NIM)	5.09	5.05	4.98	5.02

Non-Interest Income

Non-interest income totaled 1,323.63 million baht, decreased by 128.04 million baht or 8.8% (YoY), mainly caused by a slowdown in brokerage business amid the volatile capital market, as well as lower gain on financial instruments measured at fair value through profit or loss (FVTPL) comparing to the second quarter of 2022.

Non-interest income from core businesses totaled 1,333.45 million baht, declined by 1.7% (YoY), driven by a slowdown in brokerage businesses and banking business. Brokerage fee income totaled 137.16 million baht, decreased by 21.29 million baht (13.4% YoY) following lower market trading volume amid highly volatile capital market. Whereas, banking fee income was softened by 14.79 million baht to 787.32 million baht (1.8% YoY) owing to a decline in loan-related fee which was resulted from the regulatory changes in fee charges that were gradually recognized during the year, coupled with a slow recovery in bancassurance business from lower new business volume amid Thailand's uneven economic recovery. On the positive side, asset management basic fee was reported at 408.62 million baht, increased by 15.75 million baht (4.0% YoY) aligning with the growth in assets under management.

Gain on financial instruments measured at fair value through profit or loss (FVTPL) decreased from 173.12 million baht in the second quarter of 2022 to 64.80 million baht amid volatile Thai and global capital markets.

Table 3 : Non-Interest Income Breakdown

Type of Incomes Unit: Million baht	2Q2023	1Q2023	%QoQ	2Q2022	%YoY
Banking Fee	787.32	800.88	(1.7)	802.11	(1.8)
<i>Bancassurance Fee</i>	<i>593.67</i>	<i>615.29</i>	<i>(3.5)</i>	<i>595.60</i>	<i>(0.3)</i>
<i>Other Banking Fee</i>	<i>193.65</i>	<i>185.59</i>	<i>4.3</i>	<i>206.51</i>	<i>(6.2)</i>
Asset Management Basic Fee	408.62	416.33	(1.9)	392.87	4.0
Brokerage Fee	137.16	186.80	(26.6)	158.45	(13.4)
Investment Banking Fee	0.35	27.65	(98.7)	2.55	(86.3)
Non-Interest Income from Core Businesses	1,333.45	1,431.66	(6.9)	1,355.98	(1.7)
Gain (Loss) on Financial Instruments measured at fair value through PL	64.80	17.79	264.3	173.12	(62.6)
Gain (Loss) on Investments	2.18	1.91	13.7	2.63	(17.4)
Share Profit from subsidiaries	10.27	10.12	1.5	14.65	(29.9)
Dividend Income	19.54	33.04	(40.9)	13.88	40.7
Asset Management Performance Fee	1.78	0.97	83.4	(0.01)	n.a.
Fee Expenses	(108.39)	(111.96)	(3.2)	(108.58)	(0.2)
Total Non-Interest Income	1,323.63	1,383.54	(4.3)	1,451.67	(8.8)

Operating Expenses

Operating expenses totaled 2,377.54 million baht, increased by 258.71 million baht (12.2% YoY), resulting from expenses related to the long-term investment plan for business expansion, coupled with 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 50.1%.

Expected Credit Loss

Expected credit loss (ECL) was reported at 63.08 million baht, decreased comparing with 139.87 million baht in the second quarter of 2022, and accounted for 0.1% of average loans. Meanwhile, non-performing loans (NPLs) increased to 2.20% mostly due to the growth strategy into high yield loans, together with the pressure from consumers' purchasing power and rising cost of living. However, these risks were in accordance with the Company's forecast, and the Company have maintained a sufficient level of loan loss reserves against credit risks arising from the business growth strategy and macroeconomic factors in the loan loss coverage ratio of 224.0%.

Corporate Income Tax

The corporate income tax for the second quarter of 2023 was 448.63 million baht, equivalent to the effective tax rate of 19.5%.

Financial Positions

Assets

As of June 30, 2023, the Company's total assets were 274,358.89 million baht, increased by 0.4% (QoQ), mainly from loan growth of 4.7% (QoQ) totaled 230,494.38 million baht. Whilst, interbank and money market totaled 37,581.56 million baht, decreased by 17.9% (QoQ). Financial assets measured at fair value through Profit or Loss amounted 2,036.38 million baht, decreased by 12.6% (QoQ), and investments amounted 3,537.53 million baht, decreased by 19.3% (QoQ).

Table 4 : Assets Breakdown

Assets Unit: Million baht	As of Jun 30, 2023	As of Mar 31, 2023	%QoQ	As of Dec 31, 2022	%YTD
Cash	947.59	1,046.95	(9.5)	1,005.07	(5.7)
Interbank and money market items	37,581.56	45,790.98	(17.9)	40,272.42	(6.7)
Derivatives	-	-	-	147.49	n.a.
Financial assets measured at fair value through Profit or Loss	2,036.38	2,329.87	(12.6)	2,172.39	(6.3)
Investments - net	3,537.53	4,383.07	(19.3)	3,989.88	(11.3)
Investments in subsidiaries and JV	883.84	872.45	1.3	872.81	1.3
Loans	230,494.38	220,099.17	4.7	219,003.80	5.2
Accrued interest receivables	1,803.97	1,728.19	4.4	1,722.32	4.7
Allowance for expected credit loss	(11,345.01)	(11,643.89)	(2.6)	(11,844.73)	(4.2)
Loans and accrued interest receivables – net	220,953.35	210,183.46	5.1	208,881.38	5.8
Other assets	8,418.64	8,619.88	(2.3)	8,073.00	4.3
Total assets	274,358.89	273,226.66	0.4	265,414.44	3.4

Liabilities

As of June 30, 2023, total liabilities were 234,146.02 million baht, increased by 2.4% (QoQ) from an increase in total deposits by 1.4% (QoQ) to 199,392.55 million baht, and an increase in debentures by 27.6% (QoQ) to 13,950.00 million baht.

Table 5 : Liabilities Breakdown

Liabilities Unit: Million baht	As of Jun 30, 2023	As of Mar 31, 2023	%QoQ	As of Dec 31, 2022	%YTD
Deposits	199,392.55	196,718.79	1.4	188,302.73	5.9
Interbank and money market items	6,513.56	7,156.08	(9.0)	6,195.46	5.1
Debentures	13,950.00	10,930.00	27.6	15,720.00	(11.3)
Others	14,289.92	13,822.62	3.4	12,405.63	15.2
Total liabilities	234,146.02	228,627.49	2.4	222,623.81	5.2

Shareholders' Equity

As of June 30, 2023, shareholders' equity was 40,212.87 million baht, decreased by 4,386.30 million baht (9.8% QoQ) as the Company paid annual dividend from operation result for the year 2022 at 7.75 baht per common and preferred share in May 2023. The total dividend payment was 6,205 million baht with dividend payout ratio of 85.9%. As a result, the book value per share (BVPS) as of June 30, 2023 was 50.22 baht per share.

Business Segment Operations

(1) Banking Business

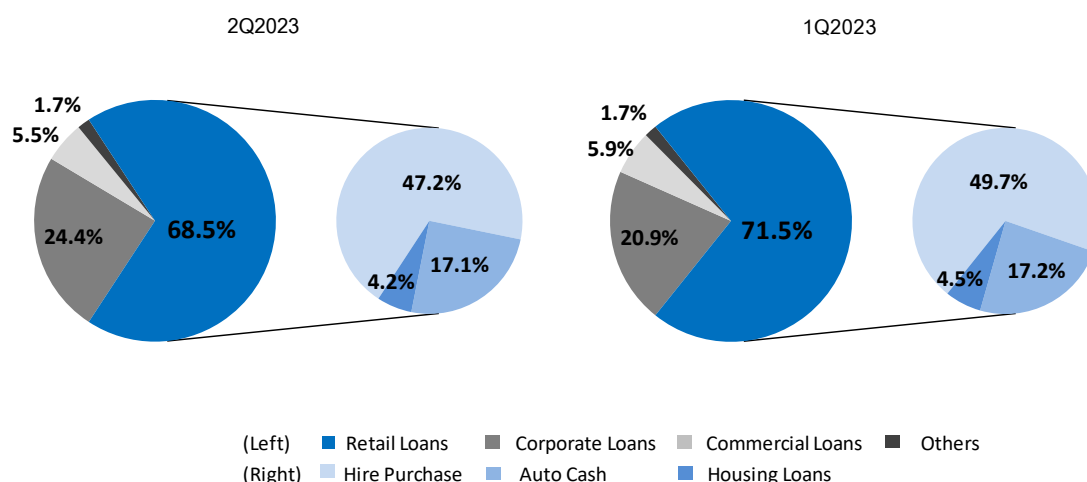
1.1 Loans

Total loans and receivables as of June 30, 2023 totaled 230,494.38 million baht, grew by 4.7% (QoQ) and 5.2% (YTD), contributed by corporate loans, auto title loans and used car hire purchase loans.

Table 6 : Loans

Loans Unit: Million baht	As of Jun 30, 2023	As of Mar 31, 2023	%QoQ	As of Dec 31, 2022	%YTD
Hire purchase	108,839.94	109,490.15	(0.6)	110,264.21	(1.3)
Loans against auto licenses	39,310.69	37,904.30	3.7	36,348.09	8.2
Housing loans	9,627.03	9,966.82	(3.4)	10,230.17	(5.9)
Retail loans	157,777.66	157,361.27	0.3	156,842.47	0.6
Corporate loans	56,130.73	46,020.74	22.0	44,369.14	26.5
Commercial loans	12,709.36	13,013.33	(2.3)	14,303.41	(11.1)
Others	3,876.63	3,703.83	4.7	3,488.78	11.1
Total loans	230,494.38	220,099.17	4.7	219,003.80	5.2

Loan Breakdown



Retail Lending portfolio totaled 157,777.66 million baht, increased by 0.3% (QoQ). The total retail portfolio as of June 30, 2023 consisted of 69.0% car and motorcycle hire purchase loans, 24.9% loans against auto licenses and 6.1% housing loans. The outstanding hire purchase loans totaled 108,839.94 million baht, dropped by 0.6% (QoQ) from a decline in new car hire purchase of 1.1% (QoQ) following cautious underwriting policy amid intense market competition. The domestic car sale for the first 6 months of 2023 was 406,131 units, decreased by 5.0%, compared to 427,296 units in the first 6 months of 2022 due to tightened loan underwriting by the financial institutions. The car penetration rate of TISCO for the first 6 months of 2023 was at 4.6%, declined from 4.7% in the same period of last year. Meanwhile, used car hire purchase grew by 2.4% (QoQ), and motorcycle hire purchase increased by 2.3% (QoQ) following the high-yield loan expansion strategy.

Loans against auto licenses (“Auto Cash”) totaled 39,310.69 million baht, expanded by 3.7% (QoQ) following a growth strategy into high yield businesses and branch network expansion strategy, particularly loans through “Somwang” channels which further grew by 5.3% (QoQ) amounting 25,317.68 million baht and accounted for 64.4% of total loans against auto licenses. During the quarter, “Somwang” has opened 51 new loan offices with total number of 535 branches nationwide.

Housing loans totaled 9,627.03 million baht, dropped by 3.4% (QoQ) following highly competitive market condition and rising risk.

Corporate Lending portfolio totaled 56,130.73 million baht, increased by 22.0% (QoQ), deriving from loan drawdown from public utilities and service sector and real estate and construction sector.

Commercial Lending portfolio totaled 12,709.36 million baht, declined by 2.3% (QoQ) from the repayment in car inventory financing business.

Other Loans portfolio totaled 3,876.63 million baht, increased by 4.7% (QoQ).

1.2 Asset Quality and Expected Credit Loss

In the second quarter of 2023, the Company reported NPLs amounting 5,064.86 million baht, increased by 7.9% (QoQ), and accounted for NPL ratio of 2.20% of total loans, increased from 2.13% (QoQ). The rising NPLs were impacted mostly by the growth strategy into high yield businesses, together with the pressure from consumers’ purchasing power and rising cost of living. However, these risks were in accordance with the Company’s forecast, and the Company have maintained a sufficient level of loan loss reserves against credit risks from the business growth strategy and macroeconomic factors.

Total allowance for expected credit loss of the Company reported at 11,345.01 million baht, and loan loss coverage ratio stood at 224.0%.

Table 7 : Loan Classification

Loan Classification* Unit: Million baht	As of Jun 30, 2023	As of Mar 31, 2023	%QoQ	As of Dec 31, 2022	%YTD
Stage 1 loans (Performing)	203,369.97	194,019.90	4.8	192,339.28	5.7
Stage 2 loans (Under-performing)	22,059.55	21,385.75	3.2	22,088.00	(0.1)
Non-performing loans (NPLs)	5,064.86	4,693.52	7.9	4,576.52	10.7
Total loans	230,494.38	220,099.17	4.7	219,003.80	5.2

*Excluding accrued interest in accordance with BOT’s guideline

Table 8 : NPLs Breakdown

NPLs Unit: Million baht, %	As of Jun 30, 2023		As of Mar 31, 2023		As of Dec 31, 2022	
	Million baht	%	Million baht	%	Million baht	%
Hire purchase	2,782.68	2.56	2,571.70	2.35	2,605.71	2.36
Loans against auto licenses	1,406.55	3.58	1,198.75	3.16	1,039.76	2.86
Housing loans	802.66	8.34	836.09	8.39	840.23	8.21
NPLs - Retail loans	4,991.90	3.16	4,606.54	2.93	4,485.70	2.86
NPLs - Corporate loans	-	-	-	-	-	-
NPLs - Commercial loans	66.13	0.52	82.83	0.64	87.45	0.61
Others	6.83	0.18	4.16	0.11	3.37	0.10
Total NPLs	5,064.86	2.20	4,693.52	2.13	4,576.52	2.09

*Excluding accrued interest in accordance with BOT's guideline

1.3 Deposits and Borrowings

Total deposits and borrowings amounted 213,342.55 million baht, increased by 2.7% (QoQ). Total deposits reported at 199,392.55 million baht, increased by 2,673.75 million baht (1.4% QoQ) in tandem with loan expansion. Whereas, debentures totaled 13,950.00 million baht, increased by 3,020.00 million baht (27.6% QoQ). As of June 2023, the Bank had high-quality liquid assets according to the Liquidity Coverage Ratio (LCR) of 39,920 million baht, decreased by 18.4% (QoQ). Thus, the high-quality liquid assets were accounted for 18.7% of total deposits and borrowings, and LCR ratio was at 145.8%.

Table 9 : Deposit Structure

Deposits Unit: Million baht	As of Jun 30, 2023	As of Mar 31, 2023	%QoQ	As of Dec 31, 2022	%YTD
Current accounts	1,468.65	1,639.16	(10.4)	1,820.83	(19.3)
Saving accounts	33,656.00	38,178.43	(11.8)	42,929.52	(21.6)
Fixed accounts	56,442.40	54,636.09	3.3	42,925.39	31.5
Negotiate certificate deposits	107,789.38	102,228.99	5.4	100,590.08	7.2
Short-term borrowings	36.12	36.12	0.0	36.92	(2.2)
Total deposits	199,392.55	196,718.79	1.4	188,302.73	5.9

(2) Securities Business

In the second quarter of 2023, market trading volume significantly declined comparing to the second quarter of 2022 in the midst of highly volatile capital market condition, and average daily turnover of TISCO Securities decreased accordingly from 1,638.05 million baht in the second quarter of last year to 1,531.83 million baht. As a result, brokerage fee income of TISCO Securities declined by 13.4% (YoY) to 137.16 million baht.

On the bright side, TISCO Securities' overall market share improved to 1.7% QoQ and YoY from an increased volume in local institutions and retail investors. TISCO brokerage volume comprised of 52.6% of local institutions, 8.1% of foreign institutions, and 39.3% of retail investors.

(3) Asset Management Business

As of June 30, 2023, assets under management of TISCO Asset Management totaled 374,873.55 million baht, grew by 1.2% (QoQ) derived from the increased contributions in provident fund and private fund. Basic fee income reported at 408.62 million baht, increased by 4.0% (YoY) due to a growth in assets under management, but decreased by 1.9% (QoQ) due to a lower number of new mutual fund issuances during the quarter.

The composition of total asset under management was 66.0% provident fund, 19.4% private fund, and 14.6% mutual fund. Total market share of TISCO Asset Management as of June 30, 2023 was 4.4%, ranking 9th in the market. The market share of provident fund was 17.9%, ranking 1st in the market. The market share of private fund was 3.3%, ranking 5th in the market and the market share of mutual fund was 1.1%, ranking 12th in the market.

Table 10 : Assets under Management Breakdown

Funds Unit: Million baht	As of Jun 30, 2023	As of Mar 31, 2023	%QoQ	As of Dec 31, 2022	%YTD
Provident fund	247,596.49	244,671.64	1.2	247,652.36	(0.0)
Private fund	72,620.22	70,251.08	3.4	72,717.00	(0.1)
Mutual fund	54,656.84	55,664.67	(1.8)	53,694.41	1.8
Total AUMs	374,873.55	370,587.39	1.2	374,063.77	0.2

Risk Management

As of June 30, 2023, TISCO Group's internal capital (ICAAP) stood at 37,928.16 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital rose by 616.79 million baht from the end of the first quarter of 2023 to 13,010.97 million baht mainly resulting from an increase in credit risk capital. In addition, the capital surplus remained strong at 24,917.19 million baht or 65.7% of total capital.

Comparing to the end of March 2023, the credit risk capital increased by 625.06 million baht, or 6.5%, to 10,179.26 million baht mostly resulting from loan expansion in corporate and auto cash portfolios. Total loan portfolio of TISCO Group expanded by 4.7%, while non-performing loans increased from 2.1% to 2.2% during the quarter as a result of economic pressures and rising cost of living, as well as growth strategy into high-yield segments. However, the increase in NPLs was in accordance with the forecast, while the Company still maintained high loan loss reserves to cushion against future risks.

The market risk capital decreased from 286.04 million baht to 272.93 million baht, which resulted from a decrease in investment portfolio during the period. Meanwhile, the overall duration gap decreased from 0.69 year to 0.66 year, which was in a manageable level. The assets duration declined from 1.17 year to 1.13 year, while the liabilities duration slightly decreased from 0.48 year to 0.47 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, 2023	Mar 31, 2023	Jun 30, 2023	Mar 31, 2023
Assets	1.13	1.17	1,355.79	1,325.59
Liabilities	0.47	0.48	(1,417.02)	(1,414.27)
Net gap	0.66	0.69	(61.23)	(88.68)

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 2023, the regulatory capital based on IRB approach of the Bank was 41,292.56 million baht, while the capital adequacy ratio (BIS ratio) stood at 23.0%, remaining higher than 11.0% required by the Bank of Thailand. The Tier-I and Tier-II ratios of the Bank stood at 19.4% and 3.6%, 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 40,088.60 million baht, with BIS ratio, Tier-I and Tier-II ratios at 20.2%, 16.9% and 3.3%, respectively, which also remained higher than the minimum capital requirement. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 52.8%, 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, 2023	As of Mar 31, 2023	As of Dec 31, 2022
TISCO Financial Group			
Tier-I	16.9	17.2	17.1
Tier-II	3.3	3.5	3.5
BIS Ratio	20.2	20.6	20.6
TISCO Bank			
Tier-I	19.4	19.7	19.6
Tier-II	3.6	3.8	3.7
BIS Ratio	23.0	23.5	23.4