

TMB Bank Plc.

To be the most advocated bank in Thailand

Investor Presentation

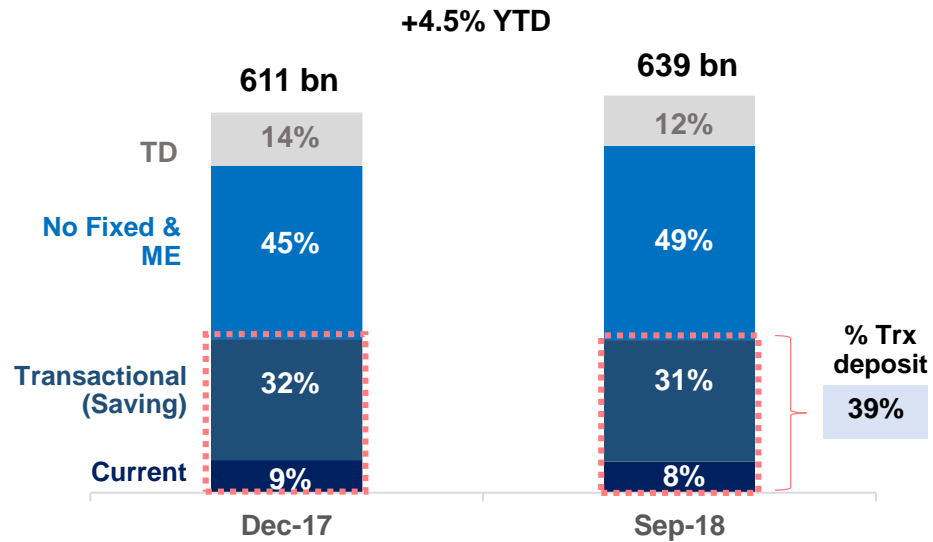
9M18 Performance

9M18 and 3Q18 Performance

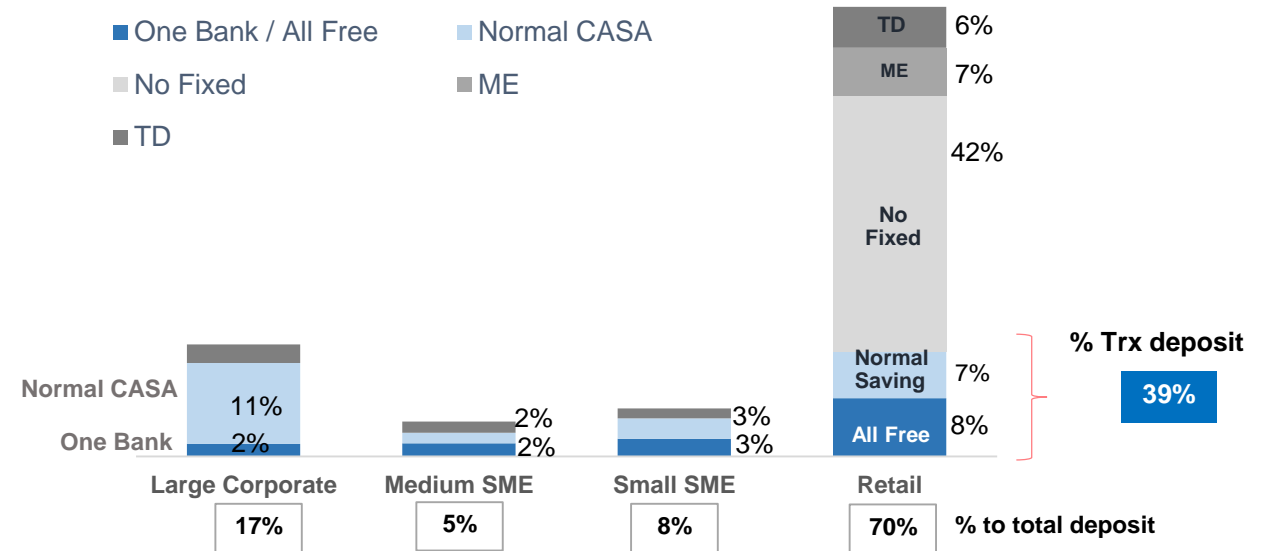
Asset Quality

2018 Target

Deposit Volume & Mix



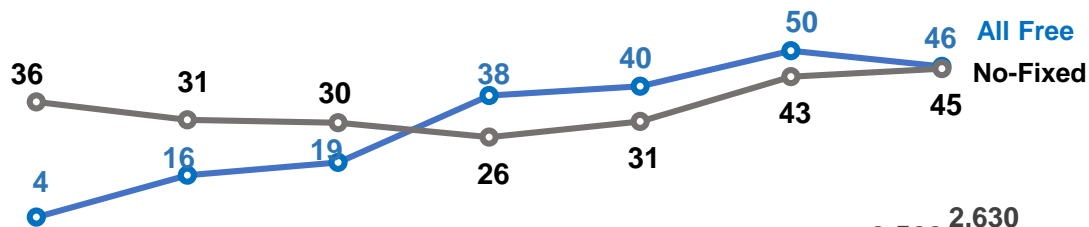
Deposit Structure by Segment



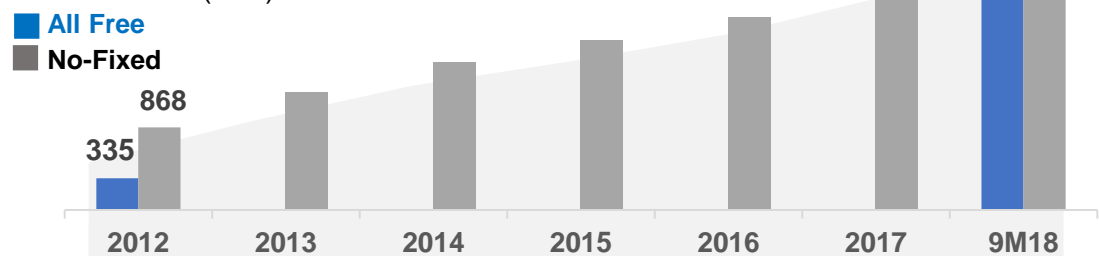
- TMB continues to build stable deposit base by growing more diversified retail deposits
- 9M18 Deposit expanded +4.5% YTD with strong growth in superior saving products, supported by the Bank's strategy in acquiring new customers
 - Non-transactional deposit growth was driven mainly by No-Fixed +13% YTD, ME Save by TMB +10% YTD
 - TD dropped by -10% YTD, in line with the Bank's direction
- % Transactional deposit-to-total deposit mix was 39%
 - % One Bank* deposit-to-total deposit was 7%

Increasing in Number of Accounts both All Free and No-Fixed

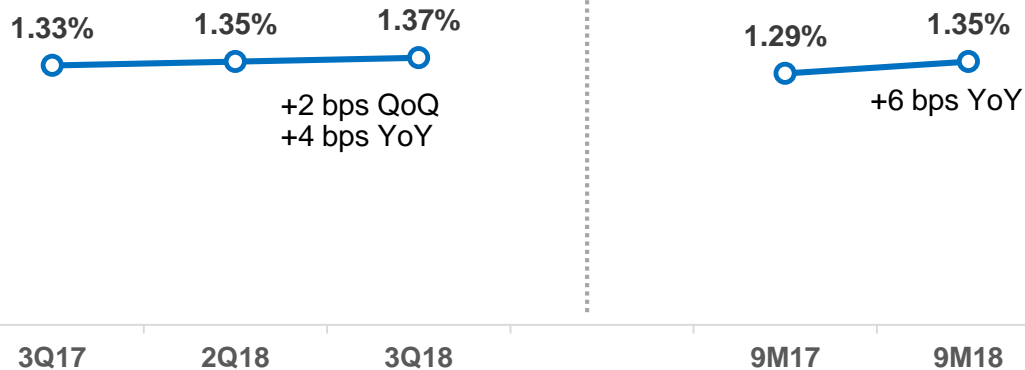
No. of new accounts – monthly average ('000)



Total accounts ('000)



Cost of Deposit



➤ The Bank never stops to seek for and deliver better customers' experience

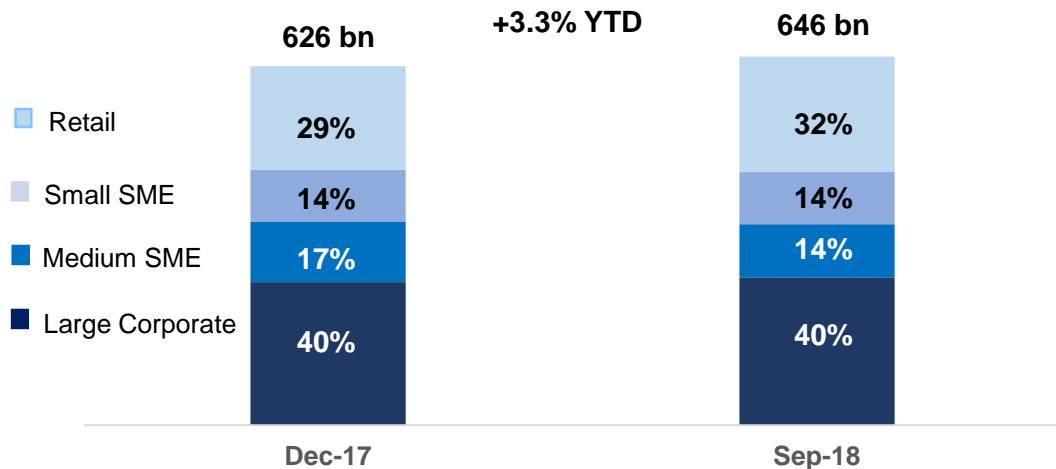
- In 2017, TMB went further by giving a bonus interest rate of 0.30% to TMB No-Fixed account when customers actively use TMB All Free

➤ This reflected TMB's value proposition of "Get More with TMB". As a result, the Bank continues to grow new customers with acquisition strategies targeting at improving high value customers

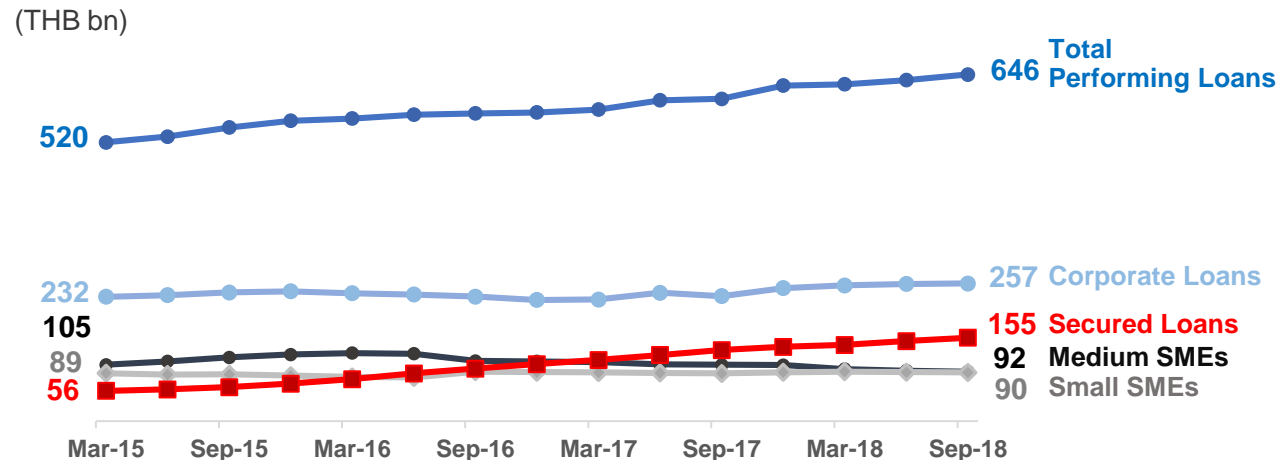
- New customers of All Free account grew +8% YTD and those of No-Fixed account rose +10% YTD

➤ Cost of deposit rose +6 bps to 1.35% in 9M18, driven mainly by an increase in No-Fixed & ME Save volume, (+THB34 bn, +12% YTD)

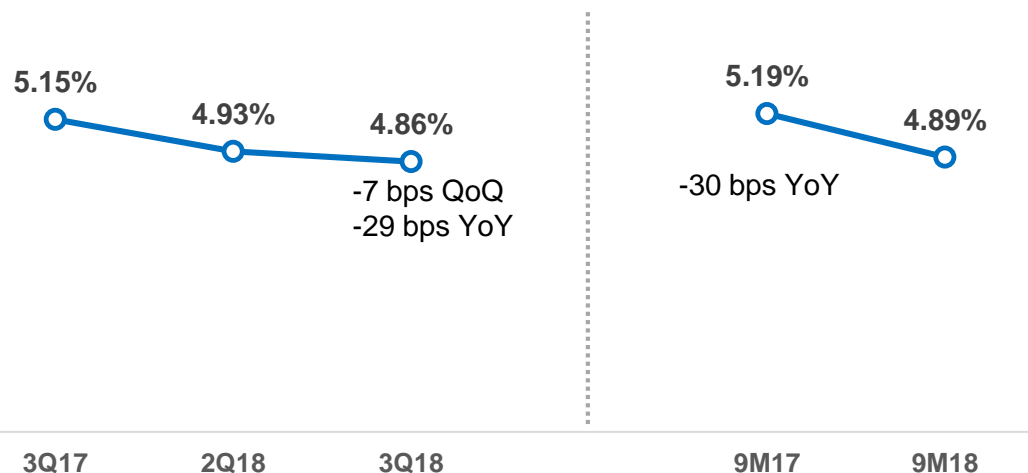
Performing Loan Structure



Loan Portfolio and Loan Yield



Loan Yield



➤ Performing loan grew +3.3% YTD, led by retail and large corporate loans

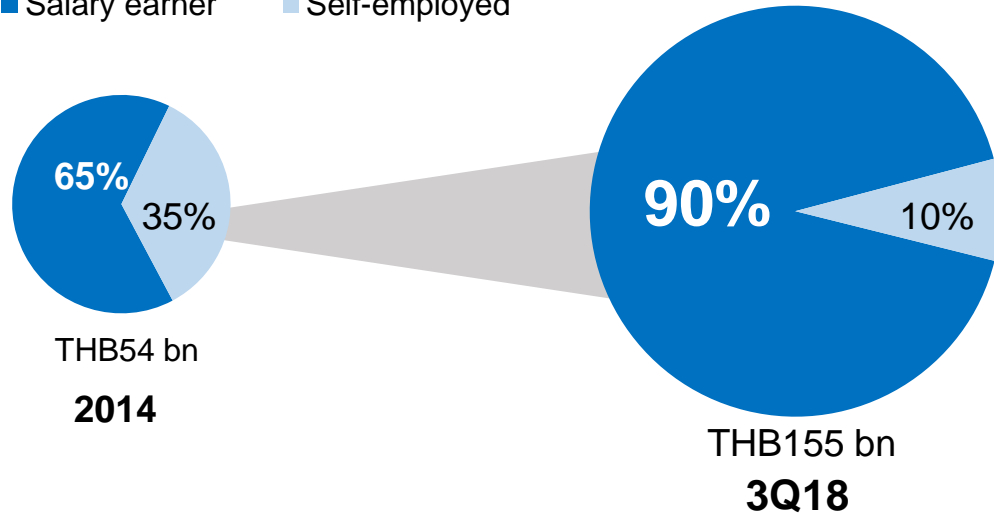
- Retail loan grew +12% YTD with mortgage as a key driver, in line with direction to grow better risk adjusted return loans with better customer profile
- Large corporate loan grew +4% YTD, from trade finance loans and working capital to drive commercial fee income
- SME loan dropped YTD, due mainly to Medium SME while Small SME loan slightly dropped due to proactive measures to de-risk SME portfolio

➤ Loan yield declined from 5.19% in 9M17 to 4.89% in 9M18 due to

- Lower yield in large corporate lending as high yield long-term loan was repaid while new bookings are short-term with lower yield
- MRR cut 50 bps in 22 May-17

TMB Mortgage Portfolio Breakdown

■ Salary earner ■ Self-employed



➤ Ensure portfolio quality with focus on salary earner customers with relative low and stable NPL ratio

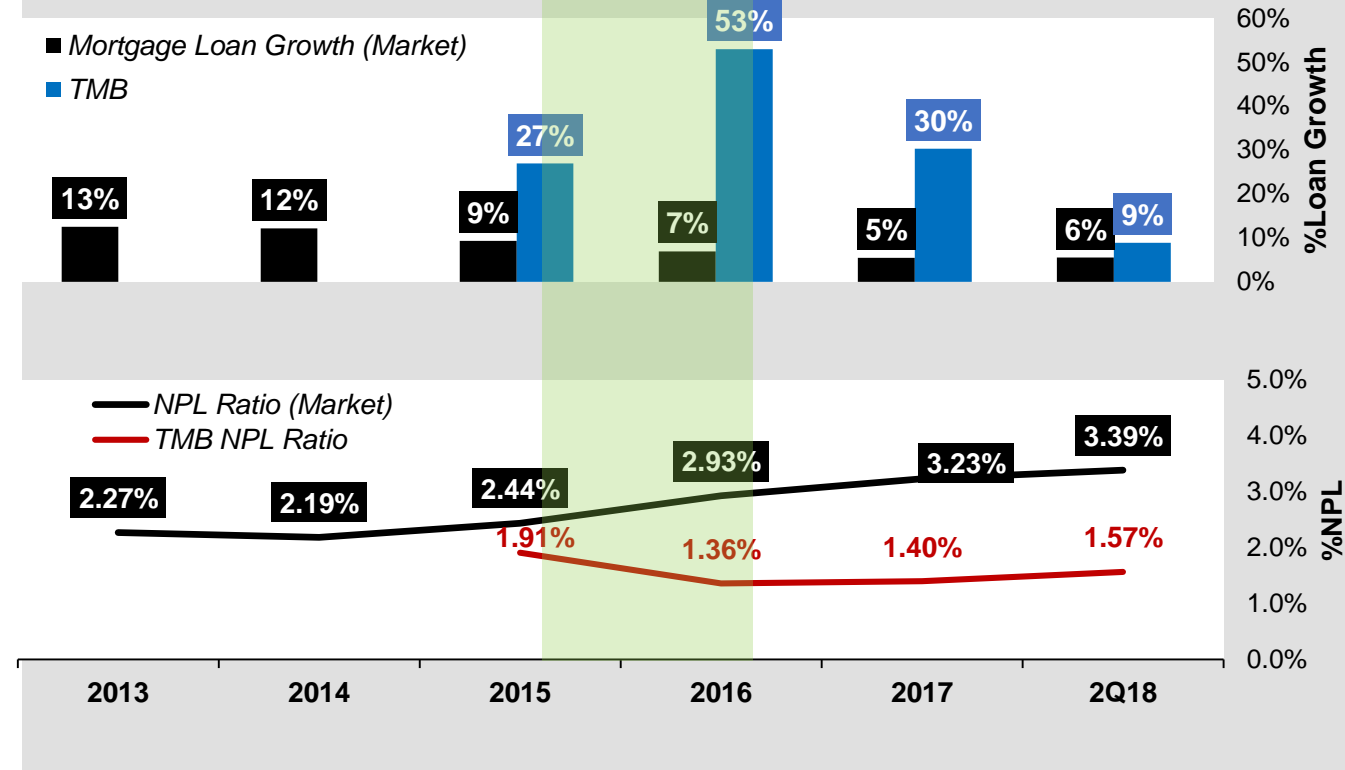
- As of September 2018, **90% of mortgage portfolio is salary earners, up from 65% in 2014**
- TMB avoids concentration risk in mortgage by focusing on middle-range loan size (<5 mn), **represented 92% of total portfolio**

➤ **By focusing on customers with constant income stream and small ticket size loan, TMB allows new booking at higher LTV ratio. As a result, portfolio LTV rose to 75% in Sep-18 from 65% in Dec-14**

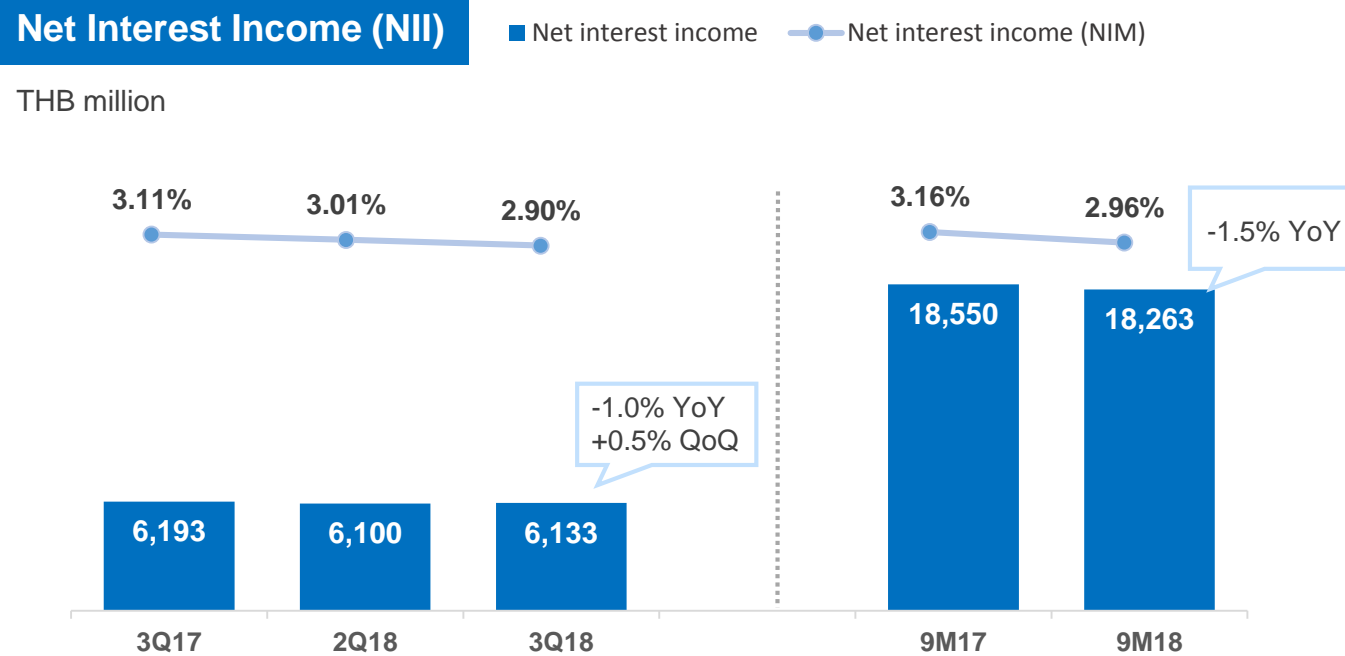
Housing Loan Market Trend

Real estate stimulus program

- A reduction of transfer fees from 2.0% to 0.01% of the officially appraised property value
- 20% Tax incentive of property price <3 mn (Tax reduction, 5 years benefit)



Source: BOT and TMB Analytics (Market data)



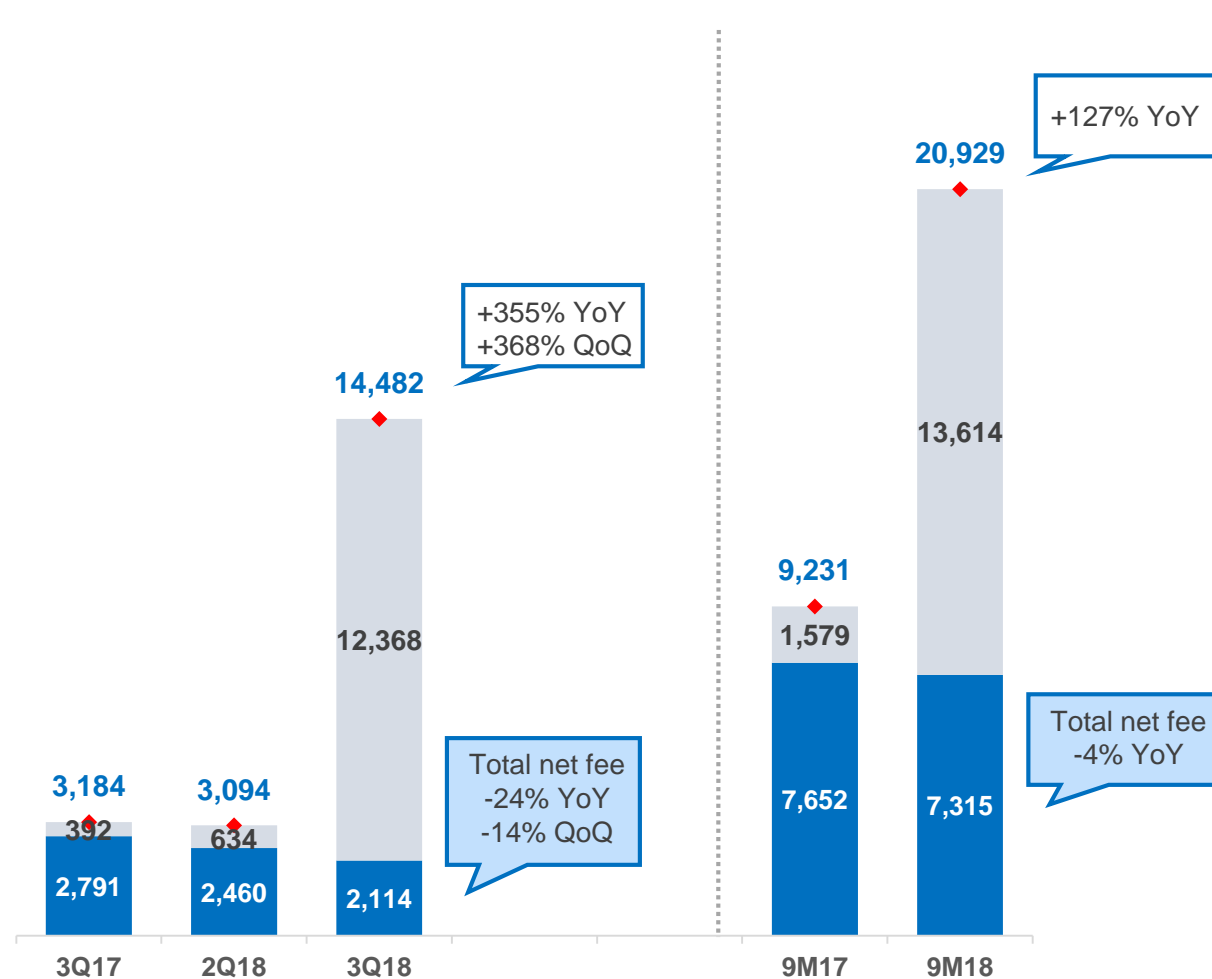
- For 9M18, Net Interest Margin (NIM) dropped by 20 bps to 2.96% due to
 - The impact of shift in loan mix
 - Excess liquidity from gain on sale of TMBAM stake was **temporarily placed in lower yield assets**
- However, small SME developed a positive trend in new limit setup for 8 consecutive quarters (limit setup +8% QoQ, +42% YoY) with relatively healthy level of OD utilization
- Net Interest Income (NII), therefore, slightly dropped to THB18,263 mn in 9M18, down -1.5%YoY

Strong growth in Non-NII, driven by gain on sell of 65% stake in TMBAM to Eastspring

Non-Interest Income (Non-NII)

■ Net fee income ■ Other Non-NII ◆ Total Non-NII

THB million



➤ For 9M18, non-interest income (Non-NII) increased +127% YoY, primarily as a result of gain from a deal to sell 65% stake of TMBAM to form a partnership with Eastspring Investment (Singapore)

- Net fee income was slowdown mainly from bancassurance and mutual fund following volatility in global financial market
- As customers increased hedging transactions on import and export, gain on trading and FX transactions grew by +41% YoY or THB345 mn
- Other Non-NII increase from **THB12 bn gain from sales of 65% stake in TMBAM**

Strategic Rationale

- TMBAM is the **5th largest asset manager** in the Thailand with **AUM THB 385bn**, representing **8% market share** as of Sep-18
- **To sustain this growth and to maintain its competitiveness going forward**, the company believes **global expertise can serve as strategic enabler** for TMBAM to further develop more sophisticated products/investment choices and uplift digital capabilities
- The transaction would also **enhance TMB's Open Architecture proposition** and be able to focus more in bringing in best-in-class products and services to the customers

Transaction

TMBAM shareholder structure as a result of this transaction:
65% Eastspring and 35% TMB

Total gain from this transaction consist of;

- Gain on sale of subsidiary of **THB 7.6bn**
- Gain from change in control of investment of **THB 4.2bn**

On remaining 35% stake, TMB agrees to sell out through **a predefined mechanism in the future**

In Sep 2018, sale transaction was completed and the proceeds were received in cash and has been placed in interbank loan

No effect on AUM under open architecture platform

Benefit to All Stakeholders

TMB customers

Best-in-class service

- **Broad range of sophisticated products** to choose for
- **Advanced global experience** in robo-advisory service and digital experience

TMB bank

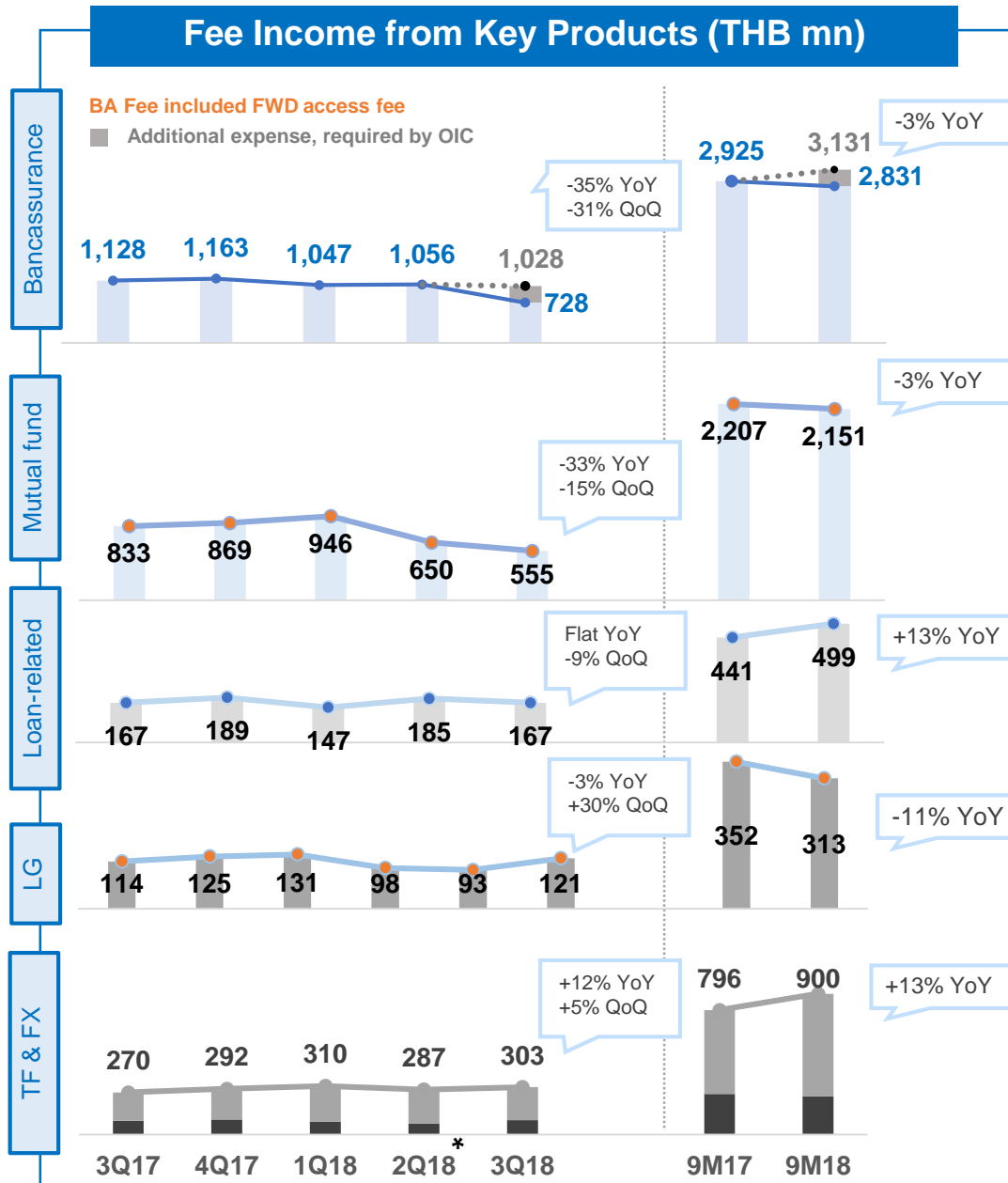
Door to opportunities

- **Increase AUM** thru diversified products on shelf
- **Long term anchor partner** supports in enhancing product / investment capabilities / advance solutions

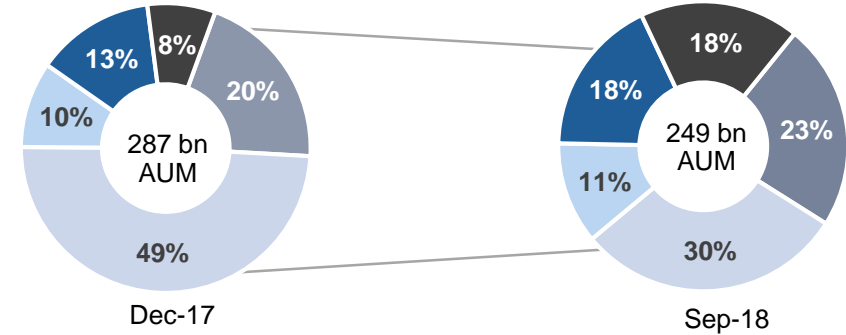
TMBAM

Taking quality to the next level

- Value created by **strengthen distribution capability, know-how, and risk management**
- **Integrated platform** with Eastspring global teams

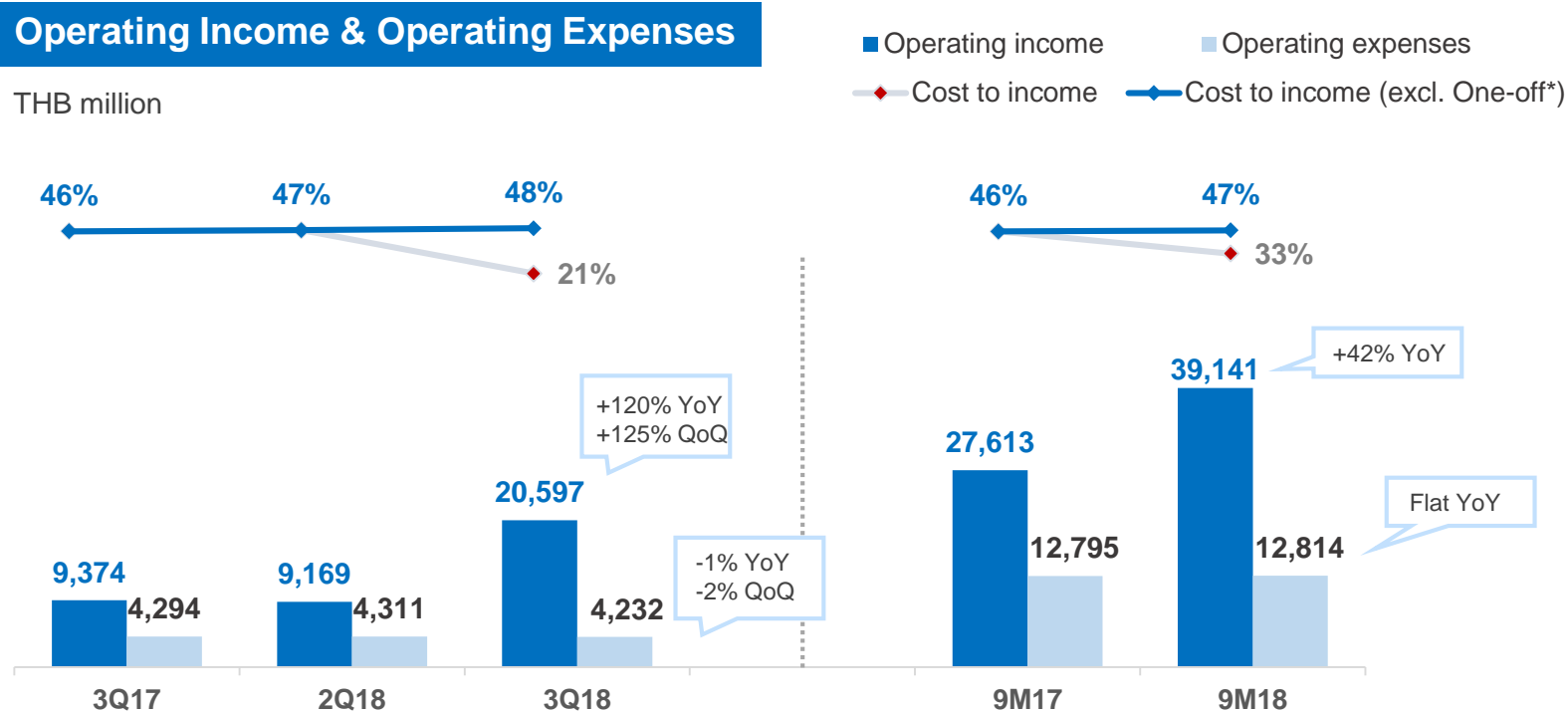


Mutual Fund Fee Breakdown by Type



■ Money Market ■ Fixed Income Fund ■ Equity Fund ■ Tax Saving ■ Others

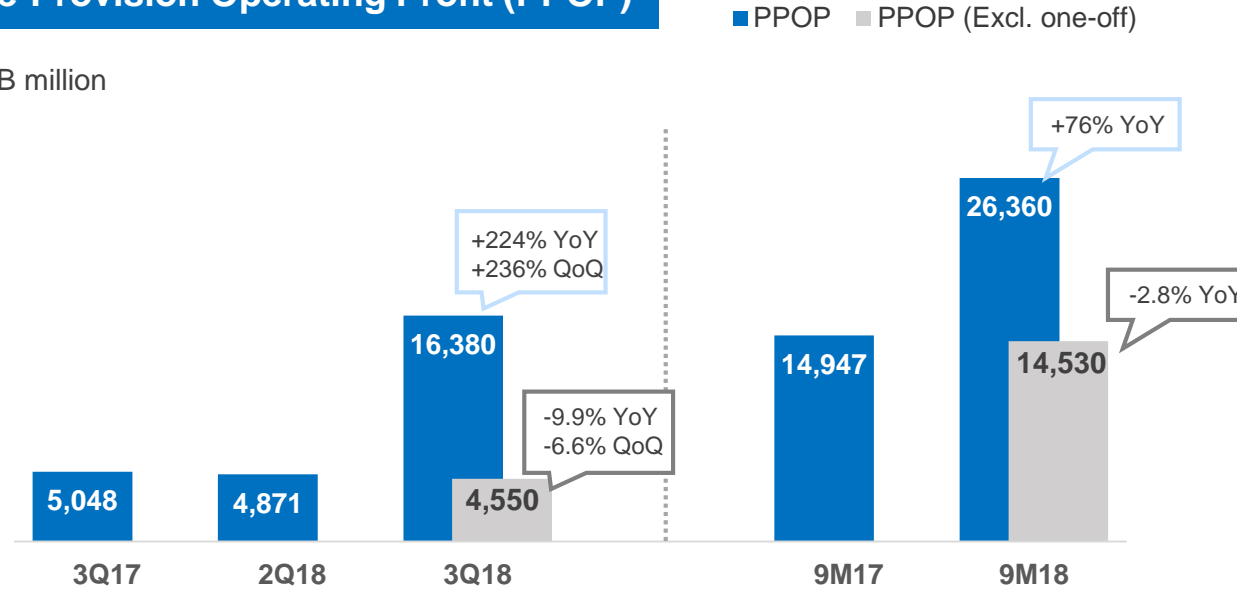
- 9M18 commercial fee rose +9% YoY, supported by loan related fee and trade finance & FX
- 9M18 retail fee dropped -8% YoY, due mainly to lower fees from bancassurance and mutual fund
- 3Q18 retail fee dropped primarily due to:
 - Unfavorable market environment, resulting in lower MF inflow
 - Lower BA fee was due to an adjustment expense in calculation of capital reserve in insurance industry, affecting profit sharing scheme from FWD (net impact of THB300 mn; without the change, normal bancassurance performance remained on track)



- For 9M18, operating income increased +42% YoY while operating expenses remained flat
- 3Q18 operating income significantly grew +120% YoY (+125% QoQ) primarily due to gain from TMBAM deal, while OPEX reduced -1% YoY (-2% QoQ). The reduction in operating expenses was due to lower employee expense
- Cost-to-income ratio was at 33% in 9M18 (Excluded the gain, cost-to-income registered at 47%)
- Nonetheless, operating expenses is expected to increase in 4Q18 due to cycle and potential change in labor law which will affect HR cost

Pre-Provision Operating Profit (PPOP)

THB million

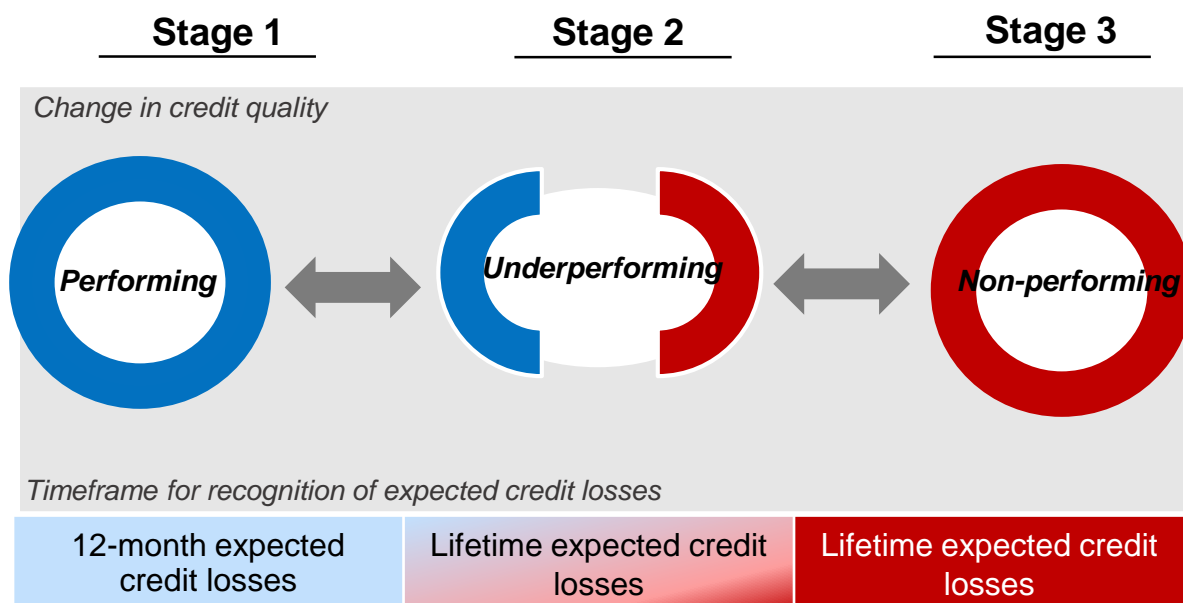


- 9-month PPOP recorded at THB26,360 mn, +76% YoY
- 3Q18 PPOP rose by +224% YoY and +236% QoQ

9M18 and 3Q18 Performance

Asset Quality

2018 Target



➤ As illustrated above, the new IFRS 9 standard outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition

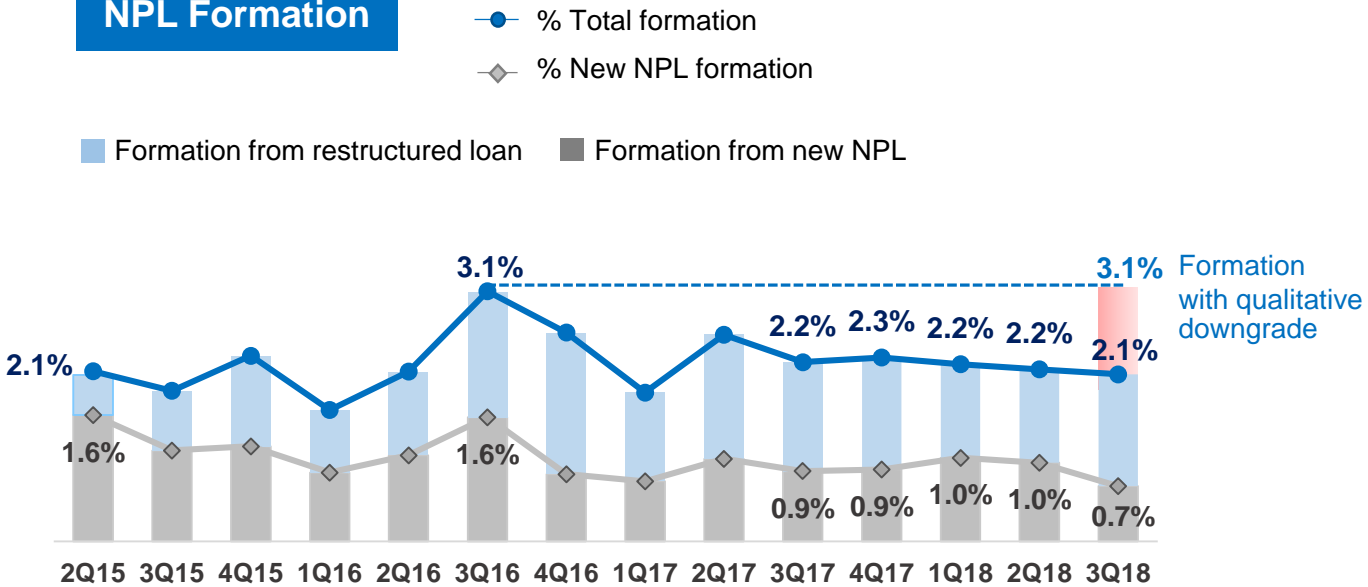
Strengthen & Optimize Capital

(THB mn)	2Q18	3Q18
Normal provision	2,380	~2,400
IFRS 9 & prudent management		~7,000
Total provision		9,386

-IFRS 9 to be implemented on 1st January 2020
 -Conservative approach based on ECL model assumption as of Sep18

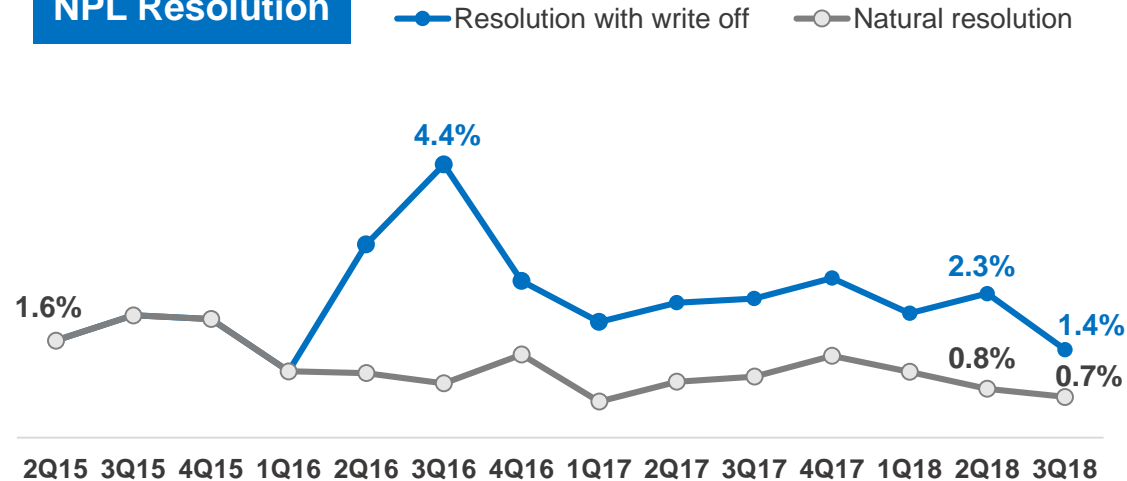
- With higher PPOP, TMB decided to set aside additional provision in excess of BOT’s minimum rates, in preparation for future regulatory requirement and as part of prudent management by tightening certain credit risk factors, resulting in qualitative reclassification of low-quality loans
- With additional provisioning in 3Q18, coverage ratio rose to 157% on the back of strengthened fundamentals at TMB
- TMB will have a smooth transition for IFRS 9 in coming year

NPL Formation



- If excluded the qualitative downgrade, total formation has been stable at around 2%
- Formation from New NPLs continued its stabilized trend and was at 0.7% in 3Q18
- Formation from restructured loans was at 1.4% in 3Q18, compared with 1.4% in 4Q17

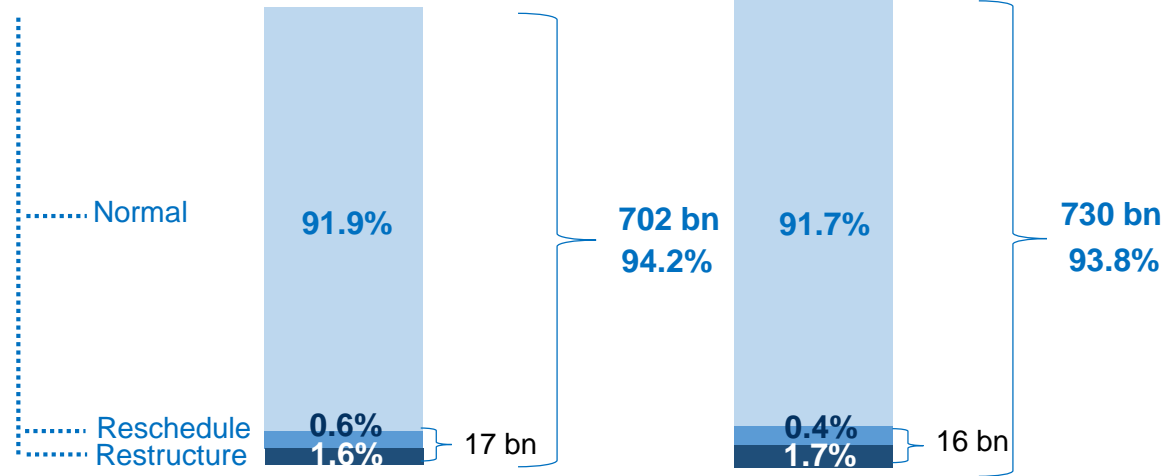
NPL Resolution



- NPL resolution in 3Q18 was slower, down to 1.4% due to lower NPL resolution activities in the market
- In 3Q18, the Bank wrote off further by THB1.5 bn, down from THB2.9 bn in 2Q18 **to limit downside risks**
- The written-off portfolio outstanding was THB34 bn as of 3Q18

Total Loan Portfolio (including interbank)

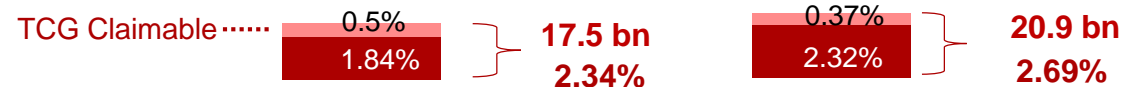
Pass Loans



SM Loans



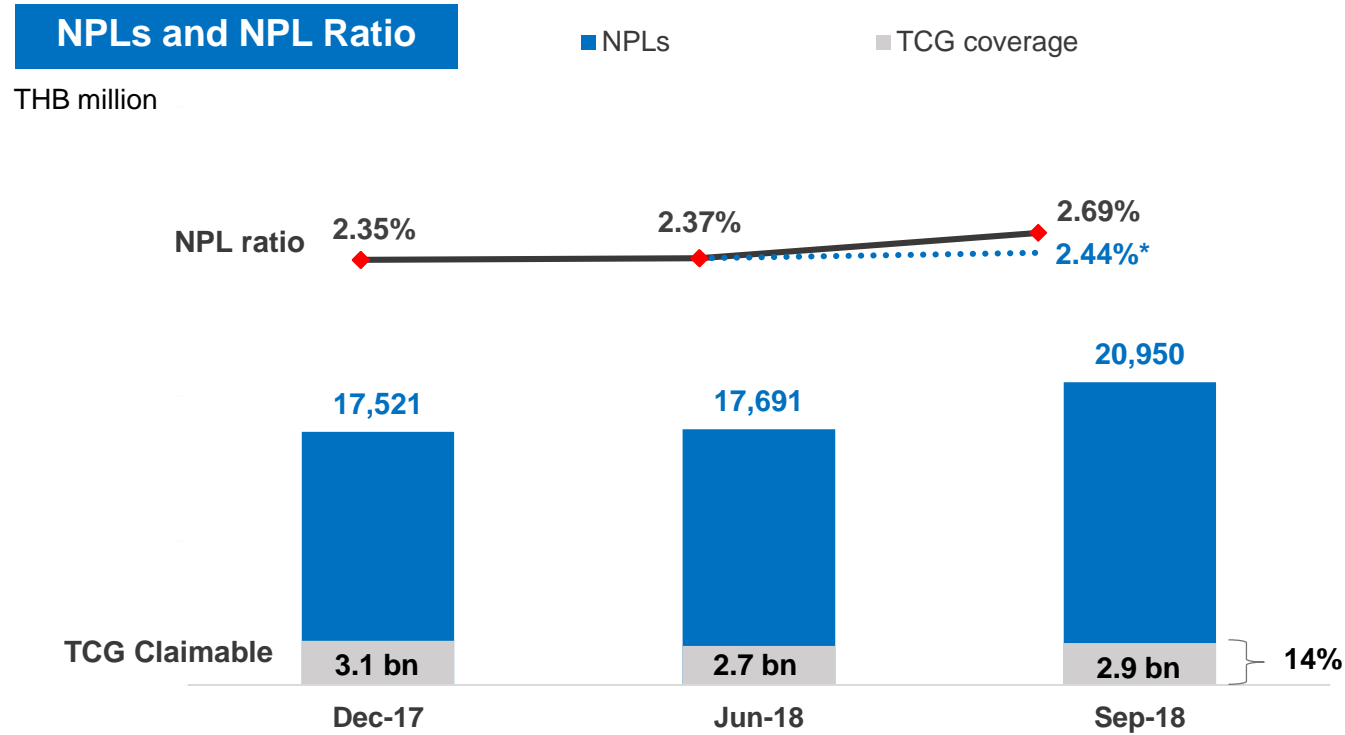
NPLs



Written-Off Loans
29 bn
Dec-17

Written-Off Loans
34 bn
Sep-18

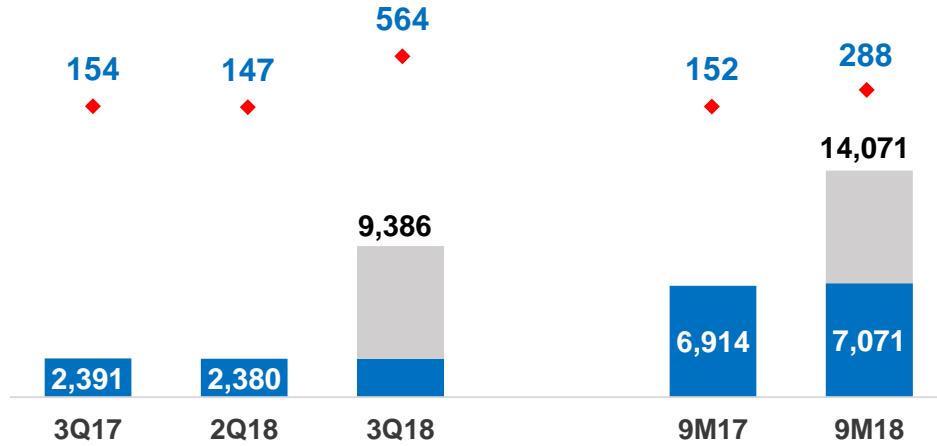
- As of Sep-18 (bank-only basis), Pass loan accounted for 93.8% of total loan portfolio (including interbank)
- SM loan stabilized at 3.5% of total loan
- NPL ratio rose to 2.69% from 2.34% as of Dec-17. The rise was due to 1) qualitative downgrade action and 2) slower NPL resolution in 3Q18
- TMB wrote off further by THB1.5 bn in 3Q18, down from THB2.9 bn in 2Q18
- Written-off loan outstanding was THB34 bn as of Sep-18, compared to THB33 bn as of Jun-18 and THB29 bn as of Dec-17



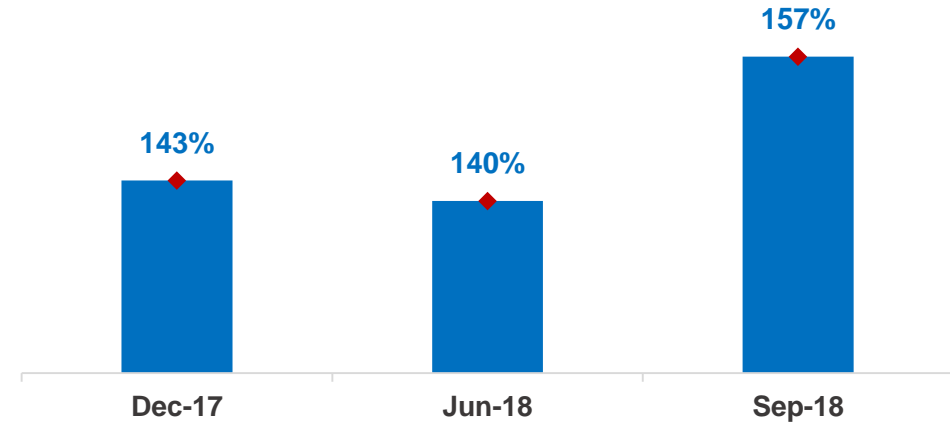
- Due to prudent actions NPLs slightly increased to THB20,950 mn, representing an NPL ratio of 2.69%
- Of total NPLs, THB2.9 bn or 14% was claimable by TCG
- *If excluded qualitative downgrade, NPL ratio would be 2.44%, still within target

Provision & Credit Cost

■ Additional provision
■ Normal provision ◆ Credit cost (bps)

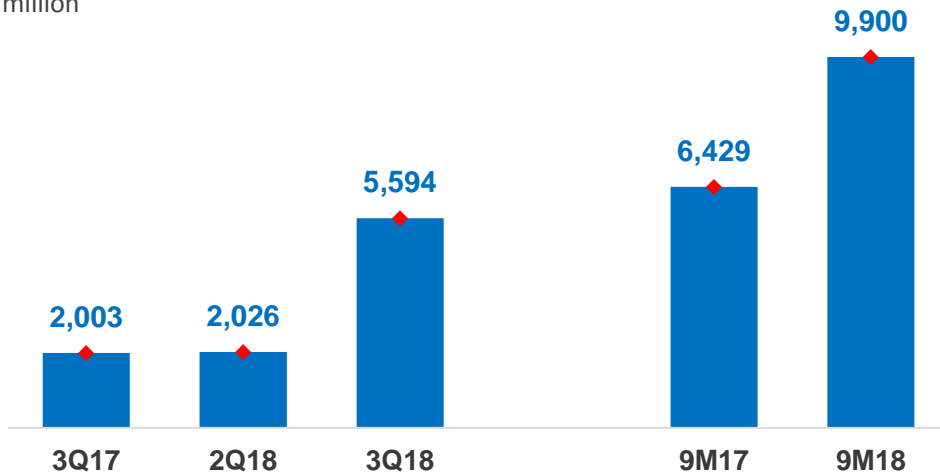


Coverage Ratio



Net Profit (to equity holder of the Bank)

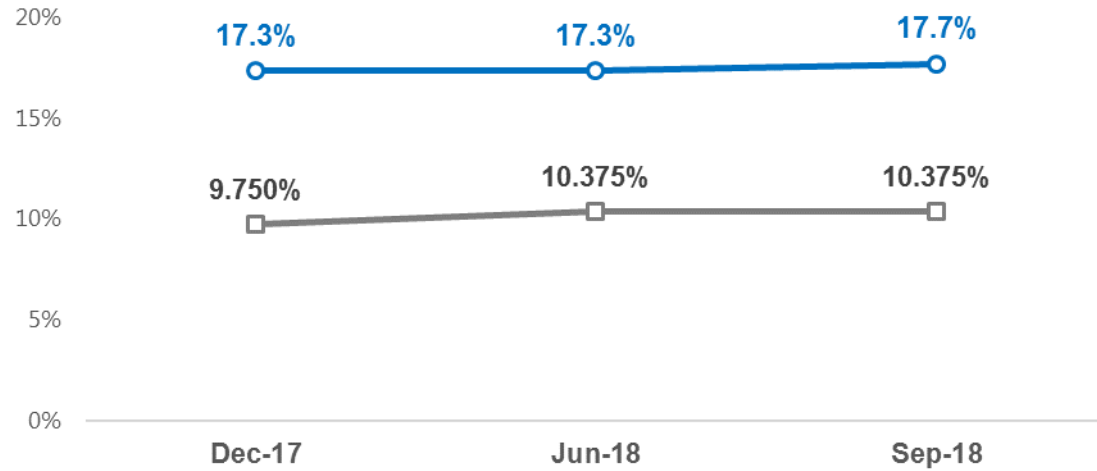
THB million



- In 3Q18, with gain from TMBAM deal, TMB decided to set aside THB9.4 bn of provision which consisted of;
 - Normal provision for the third quarter
 - Additional provision for IFRS9 adoption in 2020 and provision for prudent action in reclassification of weak loans
- With the additional provisioning, the Bank's coverage ratio stood at 157%
- 9M18 ROE recorded at 14% (Excl. one-off, ROE registered at 9%)

Capital Adequacy Ratio (CAR)

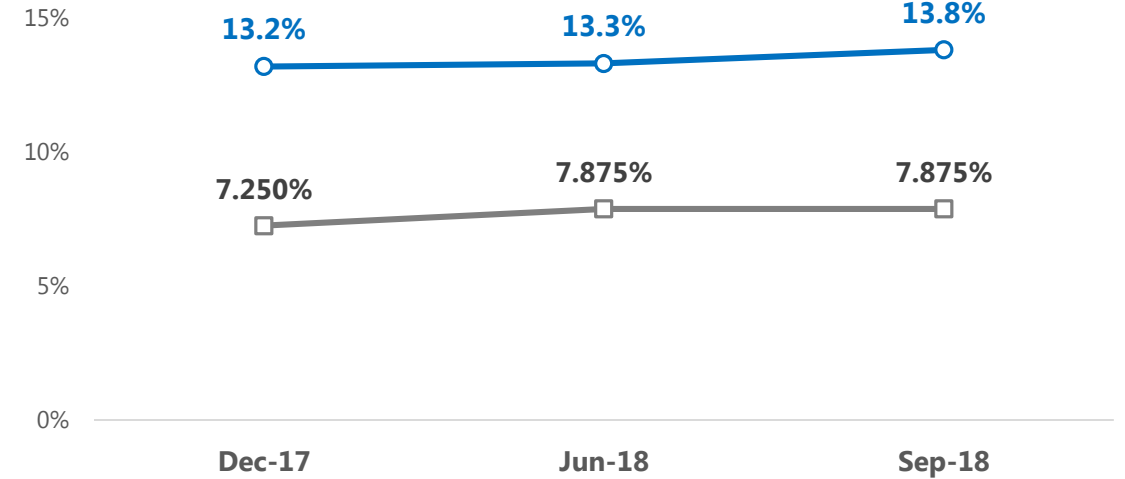
○ CAR □ BoT's min. requirement



Note: Bank-only financial statement

Tier I Ratio

○ Tier I □ BoT's min. requirement



Note: Bank-only financial statement

➤ Capital ratios are well above BoT's requirements

- As of Sep-18, CAR was at 17.7%
- Tier I and Core Tier I were at 13.8%

9M18 and 3Q18 Performance

Asset Quality

2018 Target

Key Ratios	2018 Target	Actual 9M18
Performing loan growth	8-10%	3.3% YTD
Deposit growth	10-12%	4.5% YTD
Net interest margin (NIM)	3.05% - 3.15%	2.96%
Net fee income growth	15%-20%	-4% YoY
Cost to income ratio	45%-47%	33%
		47% (Excluded gain)
NPL ratio	2.3%-2.5%	2.69%
		2.44% (Excluded qualitative downgrade)
Coverage ratio	140%-150%	157%
Credit cost (annualized)	135-145 bps	564 bps (With additional provision for IFRS9)
		145 bps (Excluded additional provision)



Make **THE** Difference

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