

TMB Bank Plc.

To be the most advocated bank in Thailand

Investor Presentation

1Q19 Performance

Overview of 1Q19 Results

1Q19 Performance

Asset Quality

	2019 Targets	1Q19 Actual		
Operating performance	Deposit Growth	6% - 8%	1.8% YTD	Strong deposit growth contributed from retail segment, underpinned by flagship products
	Loan Growth	4% - 6%	0.2% YTD	Retail secured loan remained a key loan growth driver
	NIM	2.86% - 2.93%	2.89%	NIM slightly improved from a shift in loan mix toward a better yielding assets and improving loan pricing in commercial loan
	Non-NII Growth (excl. gain from TMBAM deal)	10% - 15%	-32% YoY	Weak Non-NII growth was pressured by a reduction in retail fee, largely from MF and partly from Bancassurance fee
	C/I Ratio	47% - 49%	55%	Increase in operating expense was due mainly to one-time set up employee retirement benefit from new Labor Protection Act on legal severance pay 400 days and annual salary incremental
Asset quality	Credit Cost	125 - 130 bps	109 bps	Prudential provision in 2018 allowed TMB to proactively manage portfolio with aims to de-risk loan book and to prepare for IFRS 9. Therefore, special mention loan reduced QoQ. Credit cost dropped further. NPL ratio and coverage ratio remained within the guidance.
	NPL Ratio	<2.9%	2.81%	
	Coverage Ratio	>140%	145%	

Overview of 1Q19 Results

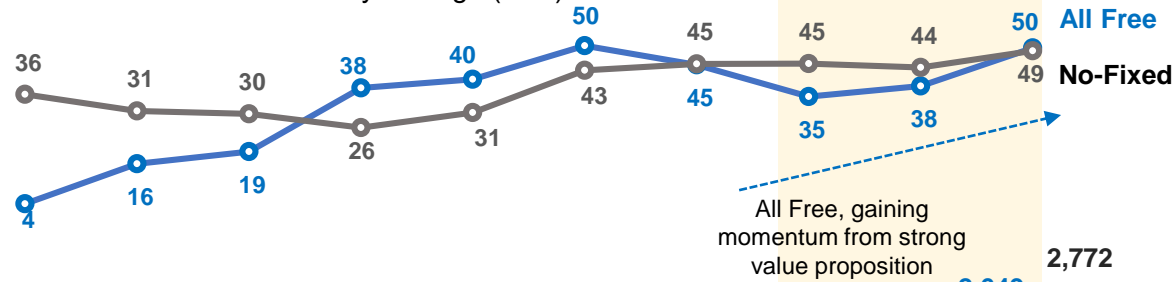
1Q19 Performance

Asset Quality

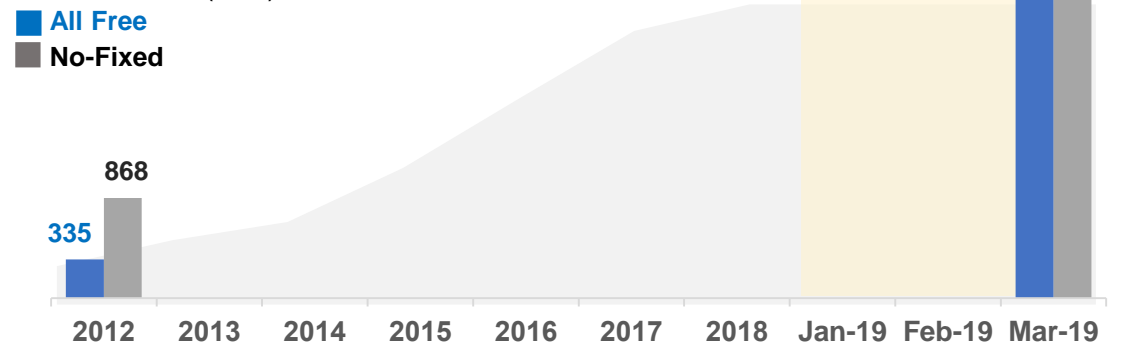
TMB continues to focus on deposit-led strategy and to extend value proposition to deliver better customer experience, resulting in successful customer acquisition

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

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



Total accounts ('000)



All Free, gaining momentum from strong value proposition

1Q19 Free 20 times coverage from accident protection of the remaining balance in All Free deposit

4Q18 TMB All Free Debit Card with competitive rates and secured solution worldwide

2018 Loyalty program with WoW point to earn & burn

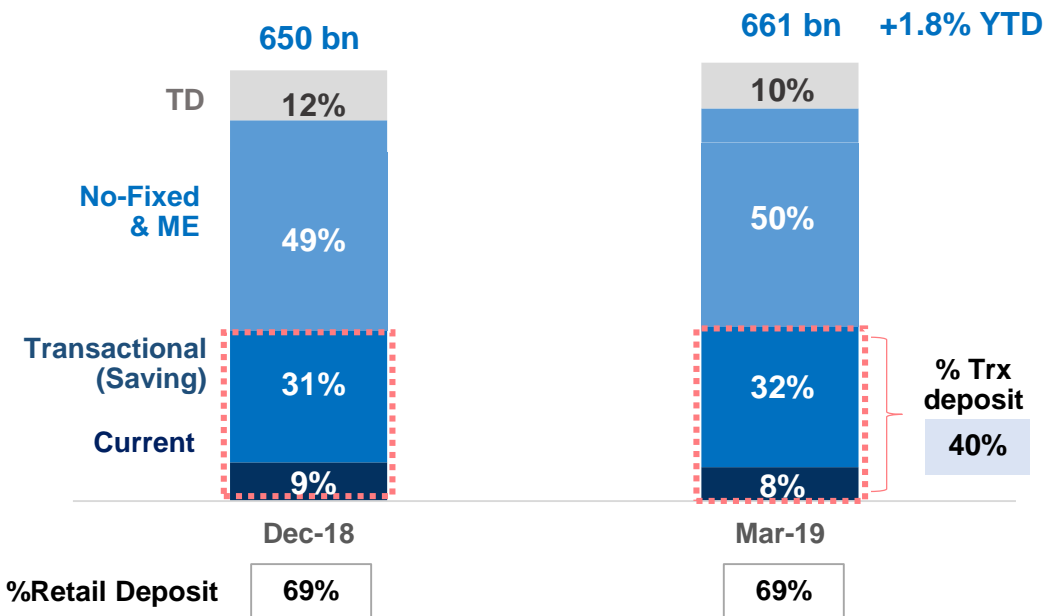
2012 Free domestic transactions – free ATM nation-wide withdrawal, top up, bill payment, transfer

“The Best Transactional Account”

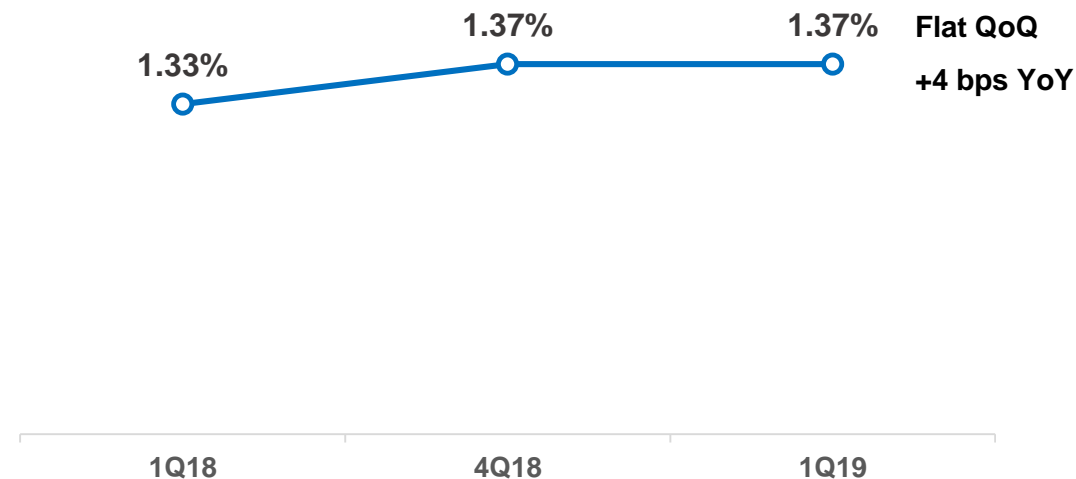
- The Bank never stops to seek for and deliver better customer experience. TMB introduced the best transactional excellence in retail, aiming to bring the best benefit to customers
- As the result of refreshed TMB All Free’s value proposition, customer acquisition of both All Free and No-Fixed **started to see high growth level at around 50K a month** since a slowdown in April-18 after the announcement of digital fee waiver from big banks, **affirming capability in acquiring new customers**

Growth in deposit was boosted by retail flagship products

Deposit Structure



Cost of Deposit



➤ Consolidated deposit rose 1.8% in 1Q19, supported mainly by retail flagship products;

- All Free +2% YTD and No-Fixed +3% YTD
- ME Save, digital saving product +7% YTD
- TMB One Bank +3% YTD

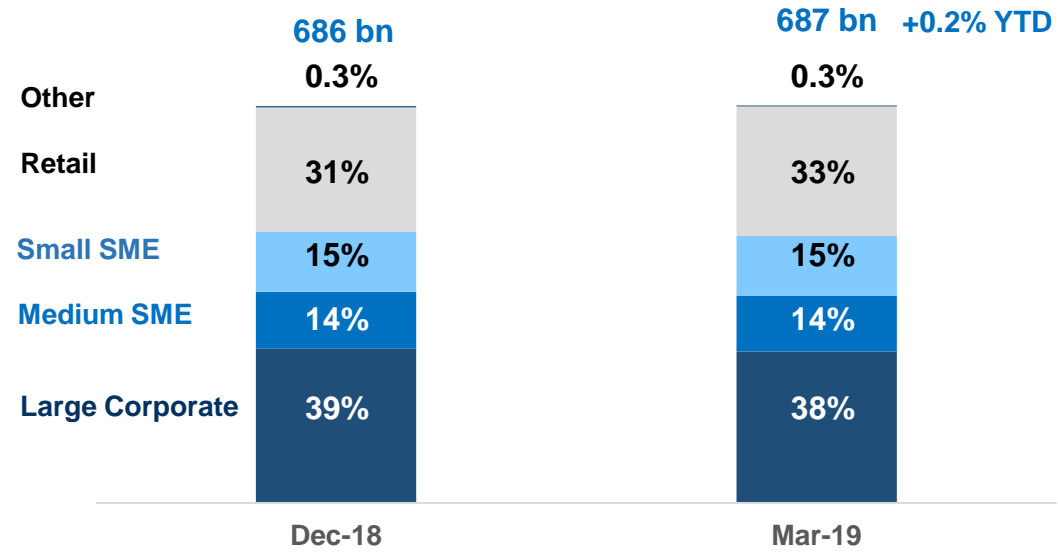
➤ % Transactional deposit-to-total deposit mix was 40%

➤ Deposit cost was at 1.37%, flat QoQ and +4 bps YoY

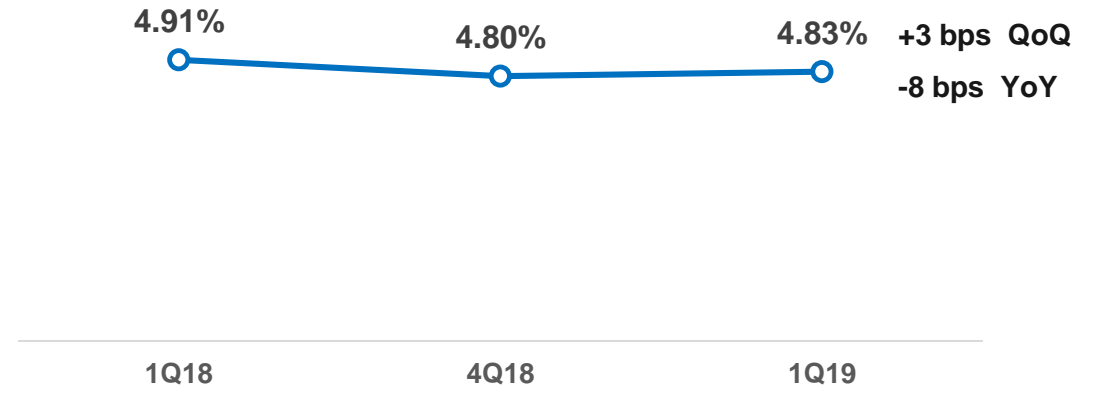
- Even though MPC hiked the repo rate 25 bps to 1.75% in Dec-18, **cost of deposit maintained QoQ** due mainly to higher volume in low cost of deposits and decreasing in term-deposit
- The YoY increase was due mainly to substantial inflow of No-Fixed & ME volume, in line with the Bank’s strategy “**Get MORE with TMB**”

Despite strong growth in retail lending, loan was flat due to a slowdown in commercial lending

Loan Structure



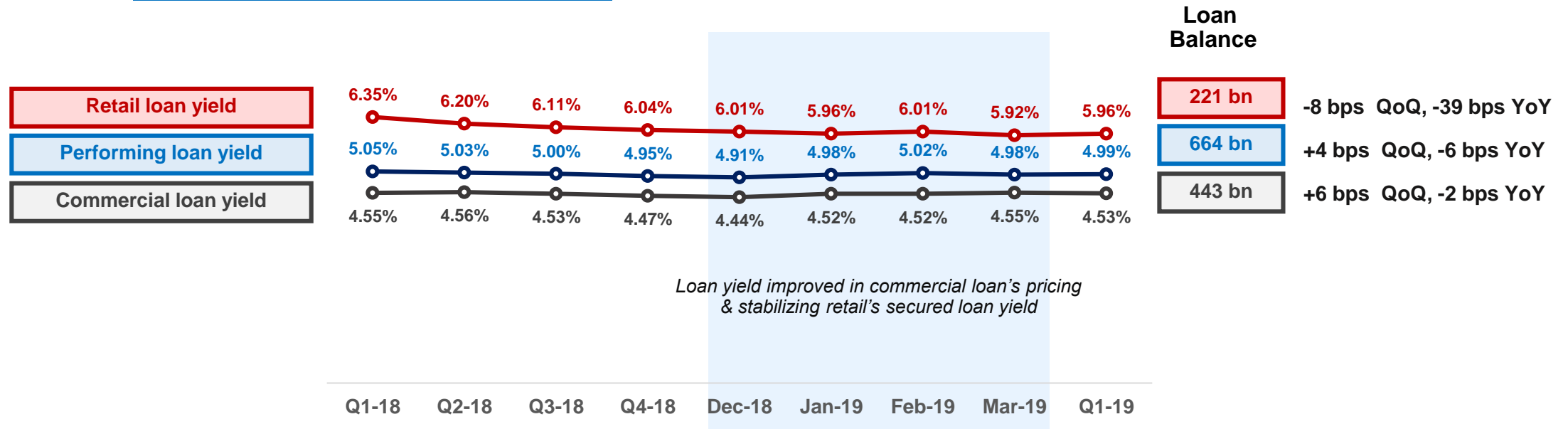
Loan Yield



- Total loans (consolidated) rose slightly by 0.2% YTD, driven mainly by retail loans while commercial loans slowed down YTD
- **Retail loan growth of 4% was boosted by 6% growth in secured loan**
- Commercial loans slowed down by 2% from loan repayment and proactive loan portfolio de-risking
 - Large corporate loans declined 2% YTD, mainly from trade finance
 - **Small SME loan limit setup continued on recovery path with better quality customers' profile** while Medium SME dropped as TMB continued to de-risk its portfolio
- **Total loan yield slightly increased by 3 bps QoQ due to stabilizing loan yield in retail secured portfolio and better yield in commercial loans**

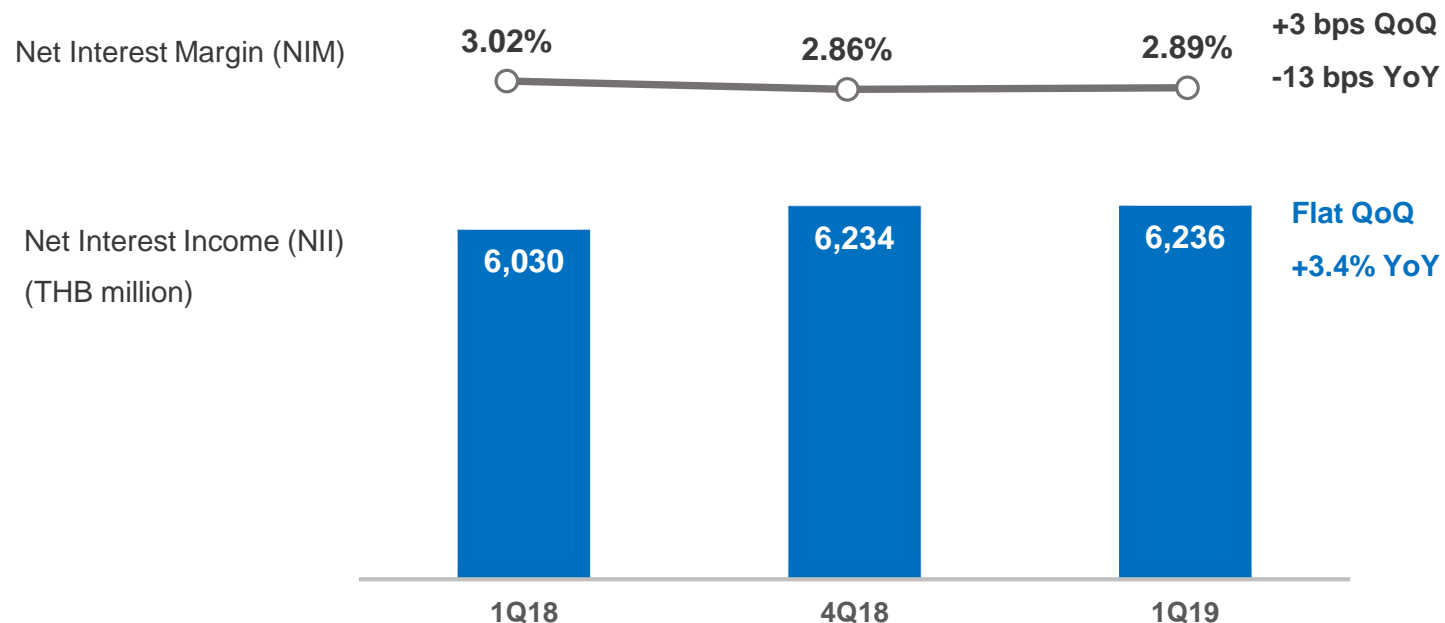
Improving in performing loan yield was from stabilizing in secured loan yield and better loan pricing in commercial loan

Performing Loan Yield by Segment



- **Performing loan yield QoQ was recovery from 4Q18 by +4 bps due mainly to;**
 - The shift in retail portfolio toward higher-yielding unsecured loan and also **stabilizing loan yield in secured loan** which was established the trend during monthly basis in 1st quarter
 - Commercial loan, in large corporate's loan yields in first quarter on monthly basis were better, compared to previous quarter as well as Small SME 's credit volume was stable which helped improving total commercial loan's yield

Net Interest Income (NII) and Net Interest Margin (NIM)



- On quarterly basis, NIM slightly improved by +3 bps to 2.89% in 1Q19. Key contributions were from a **stable cost of deposit**, whereby the Bank also gained volume from high quality deposit in No-Fixed and ME Save, and improving in loan yield
- As the result, **NII maintained a positive trend** for 4 consecutive quarters

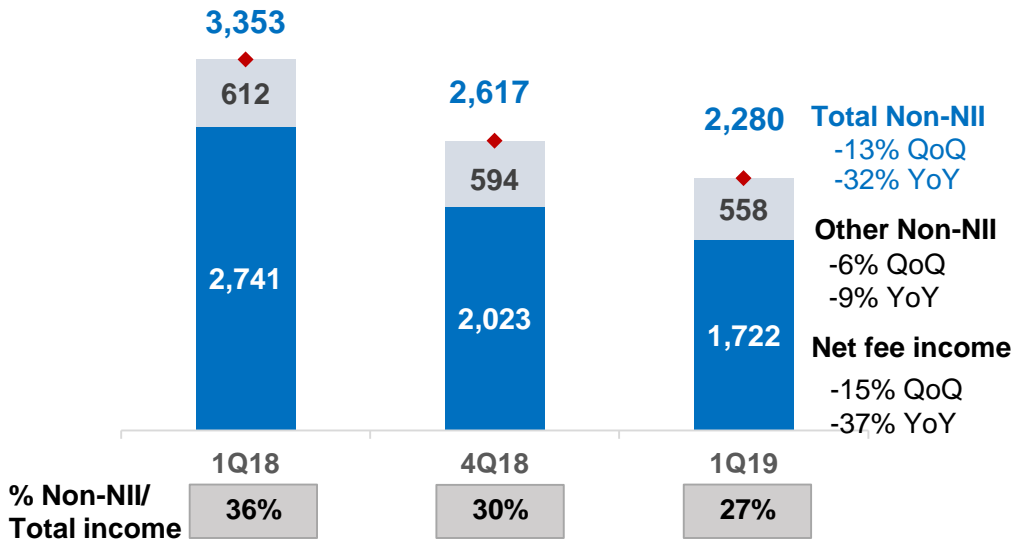
Weak Non-NII was mainly due to slowdown in net fee, largely from bancassurance and LG from changing in accounting treatment

Non-Interest Income (Non-NII)

THB million

Note: Consolidated financial statement

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

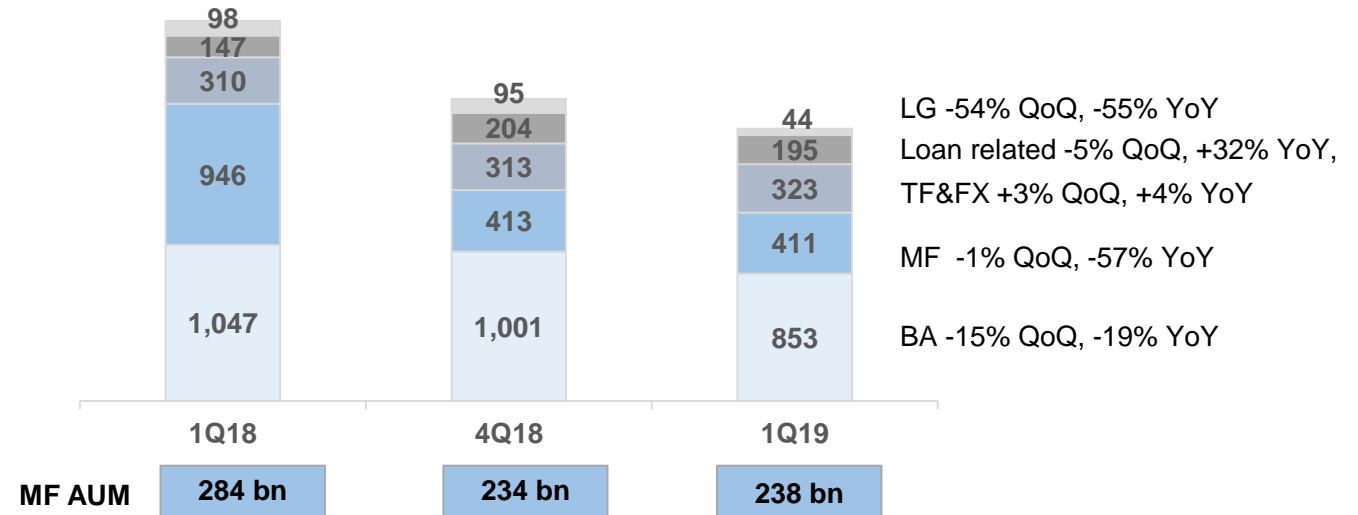


Strategic Fee Products

THB million

Note: Bank-only financial statement

- LG
- TF & FX
- Bancassurance
- Loan related fee
- Mutual fund



➤ For 1Q19, non-interest income (Non-NII) declined by 13% QoQ (-32% YoY), primarily as a result of lower in retail fee income

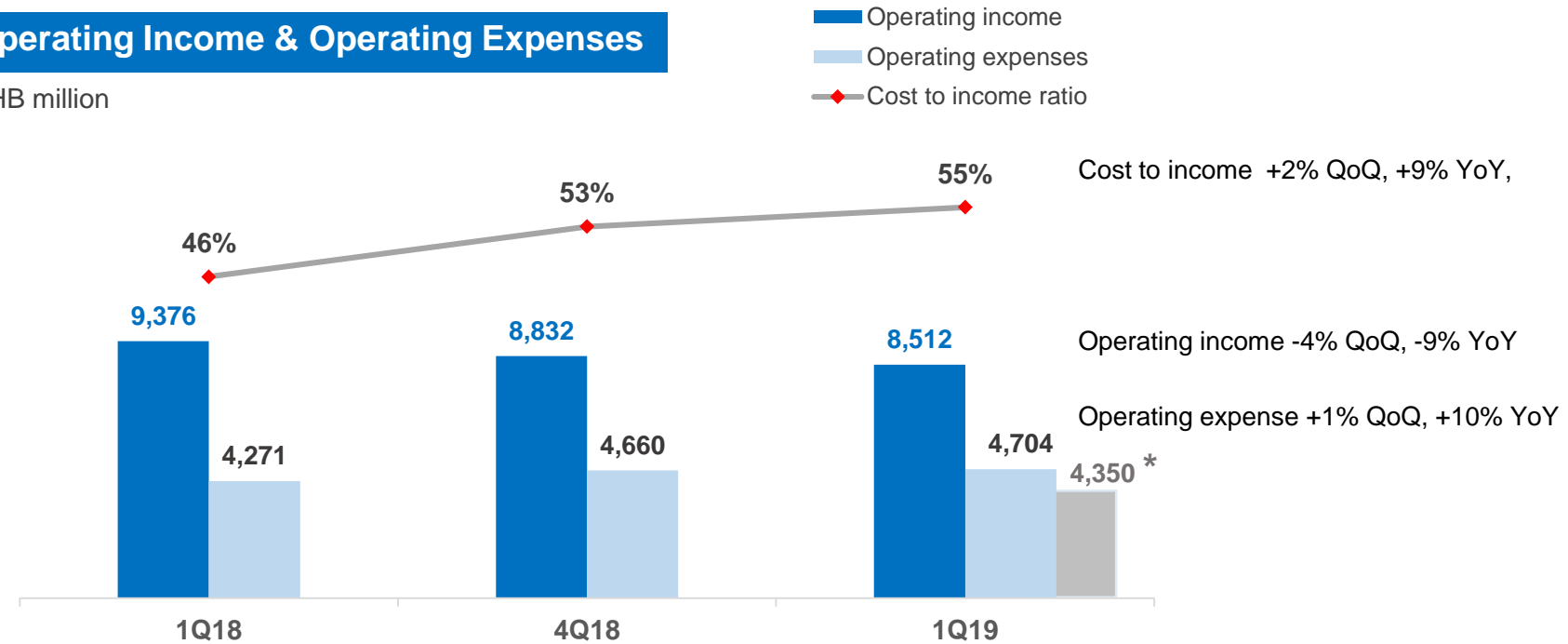
➤ Net fee income declined QoQ due to;

- **Retail fee income** dropped by -11% QoQ mainly due to BA fee. This was partly due to implementation of new BA model to provide sustainable growth. While MF fee was stable QoQ with a stable AUM trend, which partly came from TMB smart port's official launch in Mar-19
 - TMB smart port's take up was well-accepted. **AUM increased in March by THB 7 bn with customer penetration approx. 2K persons in one month**
 - As of April-19, Thailand's Office of Insurance Commission (the OIC) has announced to enable Thai banks' insurance sales outside bank branches. This will create an opportunity to reapproach target customer
- **Commercial fee decreased mainly from LG fee as a result of changing accounting treatment for revenue recognition from cash basis to amortization basis**
 - LG business volume QoQ dropped from seasonal effect, while LG business volume YoY remained strong (+29% YoY)

Operating expense increased, largely from one-off expense for employee retirement benefit on legal severance pay

Operating Income & Operating Expenses

THB million

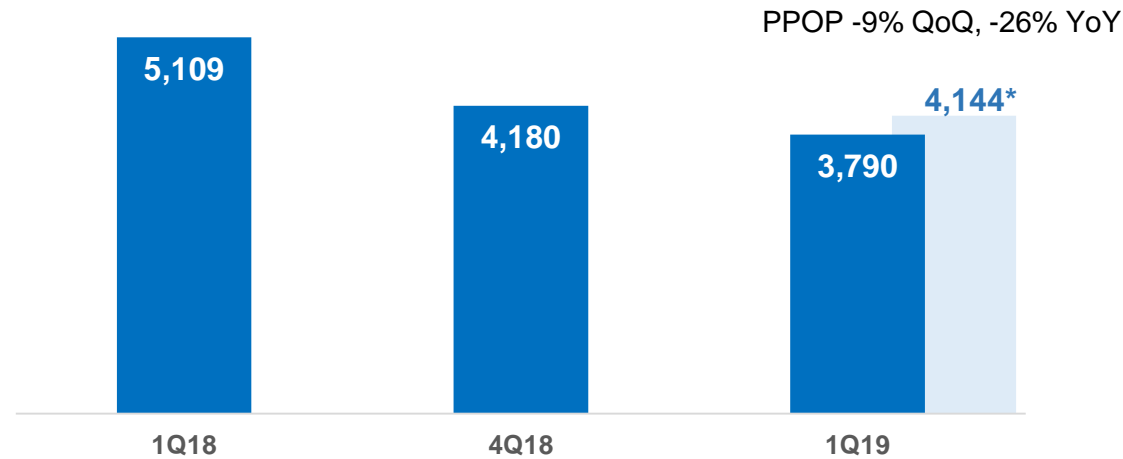


- 1Q19 operating income recorded at THB8,512 mn, declined by -4% QoQ (-9% YoY), while operating expense increased by +1% QoQ (+10% YoY)
 - **Elevated operating expense mostly came from one-time set up employee retirement benefit from new Labor Protection Act on legal severance pay 400 days and annual salary adjustments**
 - If excluding one-time expense, OPEX would drop QoQ by -7% (+2% YoY)
- Cost-to-income ratio was at 55% in 1Q19

Remark: *Excluded one-time expense

Pre-Provision Operating Profit (PPOP)

THB million



- PPOP declined QoQ due to pressure from fee income and the one-time recognition of employee retirement benefit
- If excluded the one-time expense, PPOP would be recorded at THB4,144 million, relatively stable from 4Q18

Overview of 1Q19 Results

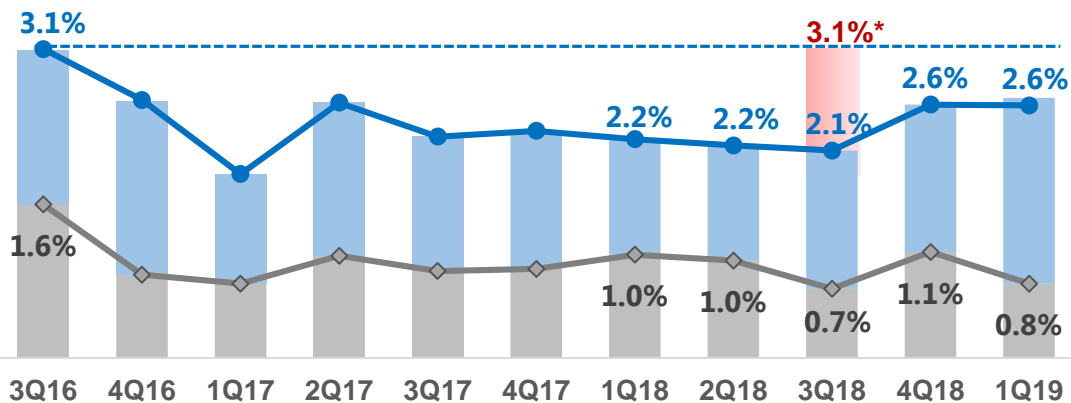
1Q19 Performance

Asset Quality

Current NPL formation and resolution reflected portfolio de-risking attempt

NPL Formation

● % Total formation ■ Formation from restructured loan
◆ % New NPL formation ■ Formation from new NPL

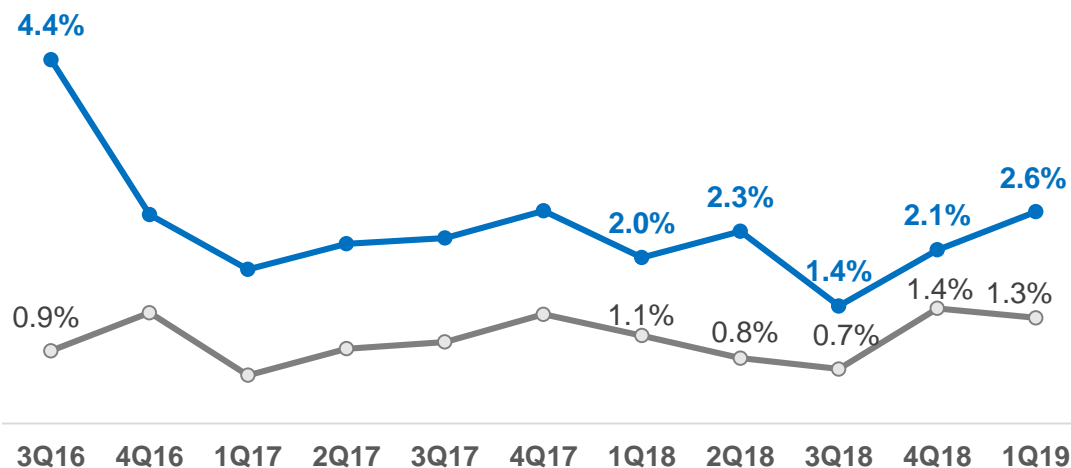


- New NPL formation has shown a stabilized / slightly improving trend from 1.1% in 4Q18 to 0.8% in 1Q19
- However, additional setup of provision in preparation for IFRS9 in 3Q18 allowed TMB to continue to de-risk loan portfolio and proactively manage down SM at an expense of higher NPL.
- As a result, formation from restructured loans picked up and total NPL formation stayed flat at 2.6%

Note: * In 3Q18, the Bank qualitatively downgraded weak loans in preparation for IFRS 9 and to de-risk loan portfolio. NPL formation therefore temporarily went up.

NPL Resolution

● Resolution with write off ○ Natural resolution

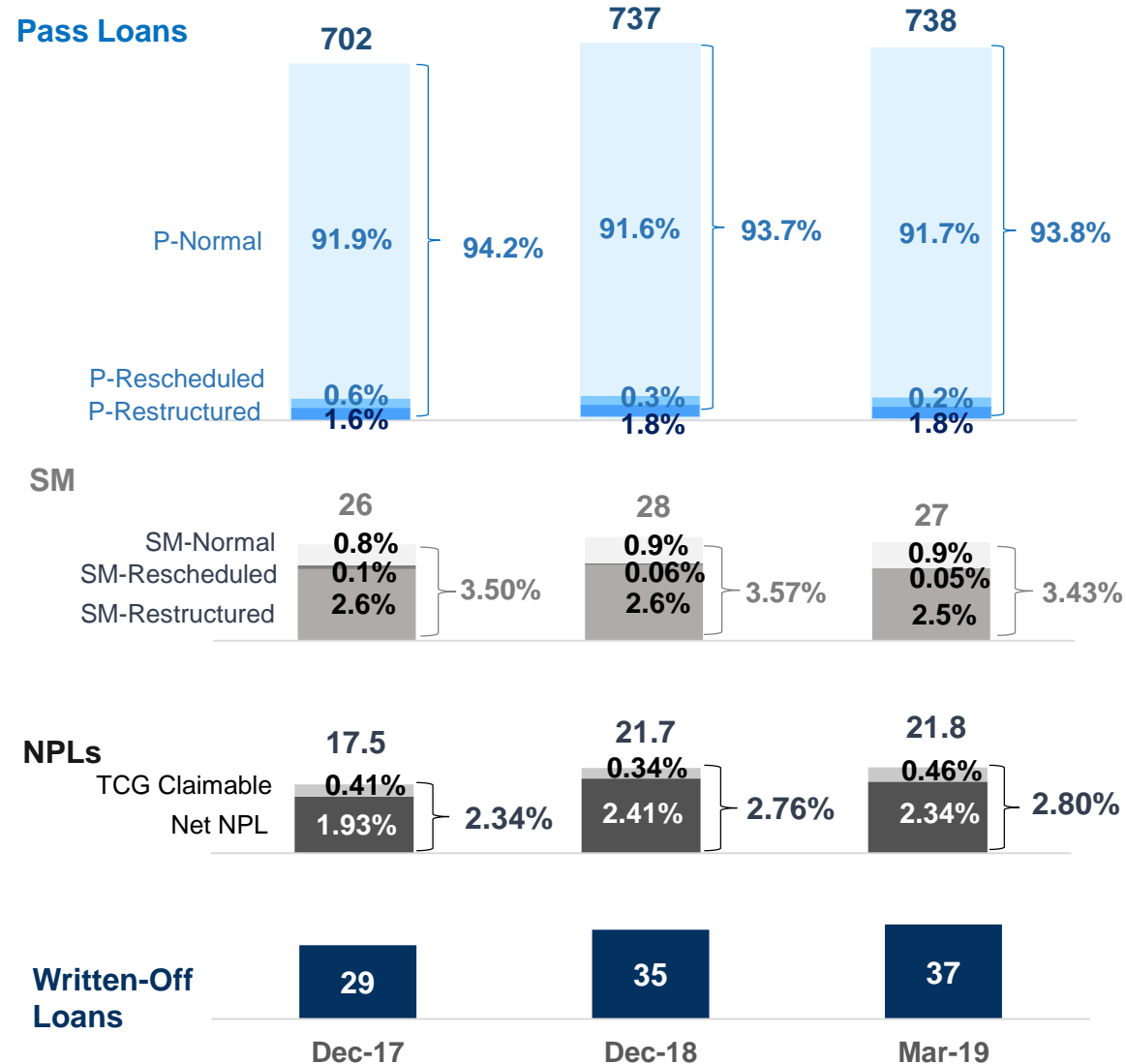


- Total NPL resolution rate rose to 2.6% in 1Q19, due mainly to an increase in NPL write-off (THB2.5 bn)
- As a result of the formation and resolution, NPLs and NPL ratio rose slightly but remain within target

Consolidated	4Q18	1Q19
Gross NPLs (THB million)	21,720	21,832
Gross NPL ratio	2.76%	2.81%

TMB aims to manage SM and NPL portfolio further in preparation for IFRS 9

Total Loan Portfolio (including interbank)

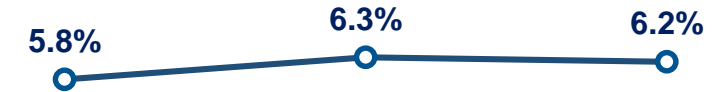


% Pass , SM and NPL to Total Loans

% Pass Loans



% SM and NPLs



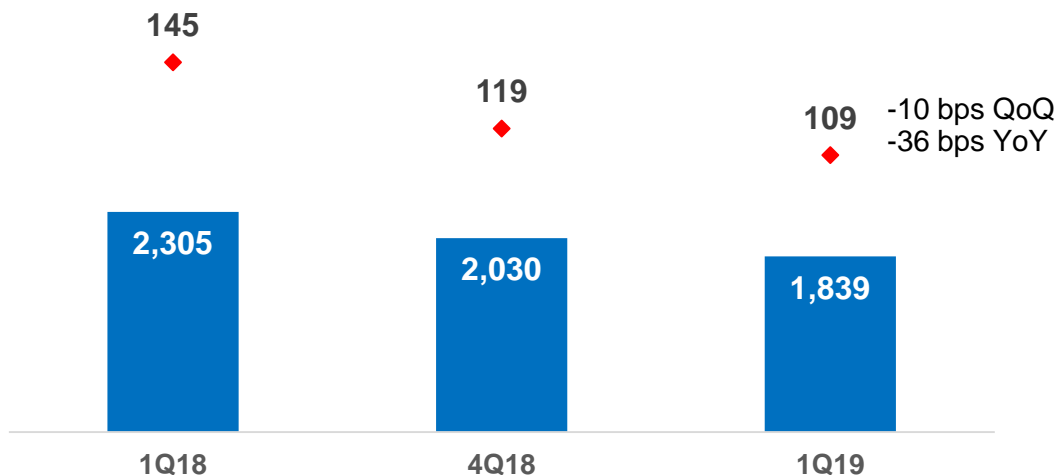
- SM and NPL portion was down 10 bps from 6.3% to 6.2%
- The Bank aims to manage SM and NPL portfolio further in preparation for IFRS 9 and de-risk the existing portfolio
- TMB has proactively written off NPLs to limit future downside risks to the Bank's financial position

Net profit declined from one-time expense, despite lower pressure from provision

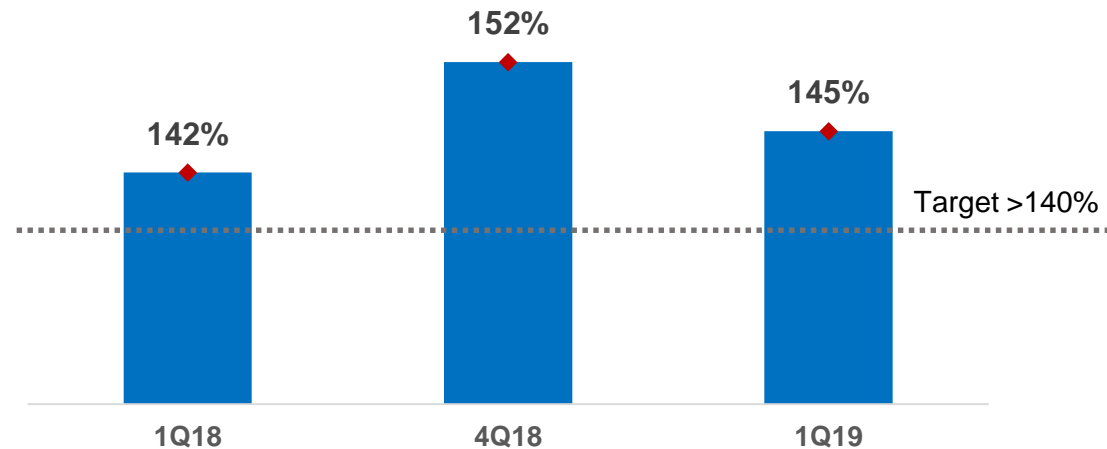
Provision & Credit Cost

THB million

■ Provision expenses
◆ Annualized credit cost (bps)



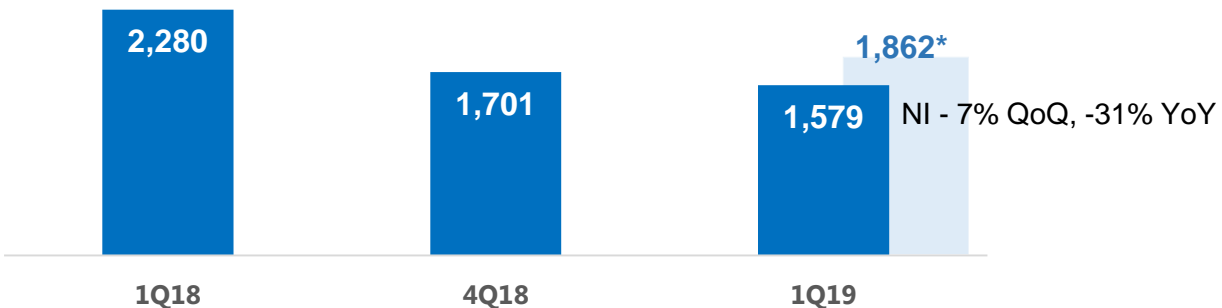
NPL Coverage Ratio



Net Profit to Equity Holder of the Bank

*excluded one-time expenses

THB million

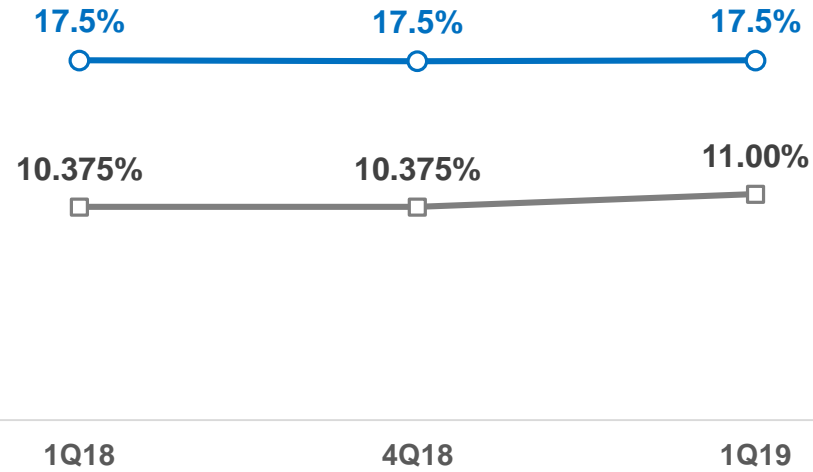


- Provision in 1Q19 was THB1,839 million or 109 bps, down from 4Q18
- As a result, coverage ratio was at 145%, in line with target
- Net profit was recorded at THB1,579 million. If stripping of one-time employee provision expenses, net profit would be reported at THB1,862 million, +9% QoQ

TMB maintained strong levels of CAR and Tier I

Capital Adequacy Ratio (CAR)

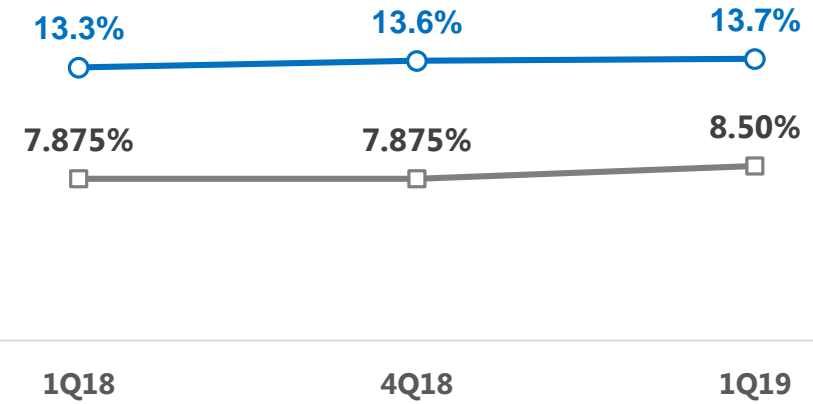
○ CAR □ BoT's min. requirement



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 Mar-19, CAR was at 17.5%
- Tier I and Core Tier I were at 13.7%



Make **THE** Difference

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