

TMB Bank Plc.

To be the most advocated bank in Thailand

**Investor Presentation
2Q19 Performance**

2Q19 Performance

Asset Quality

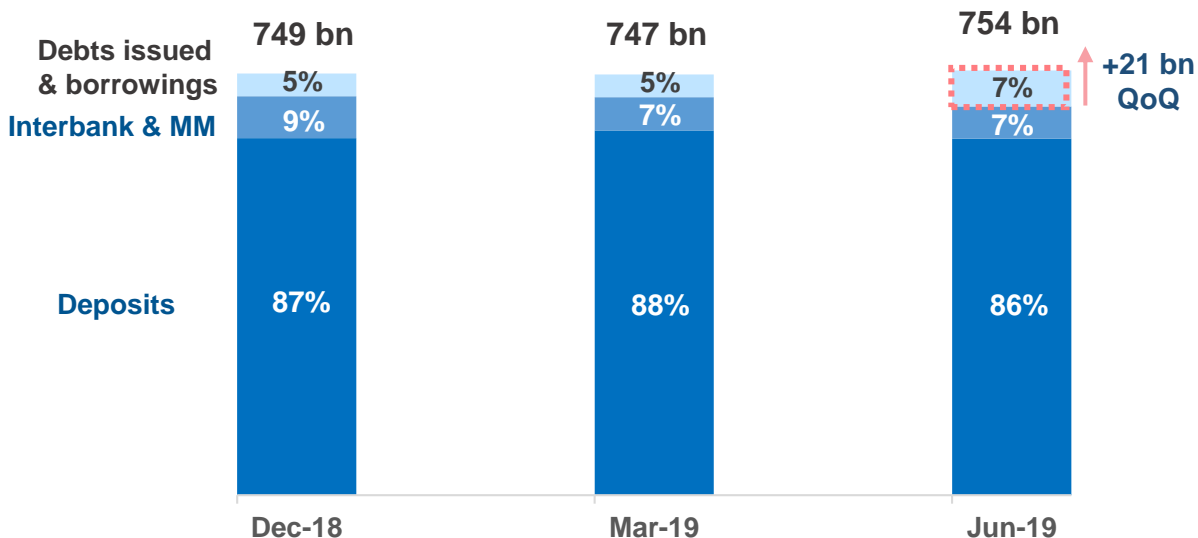
2019 Targets

TMB ensures a quality growth of financial position to support potential merger transaction

Funding Structure

% to Interest bearing liabilities

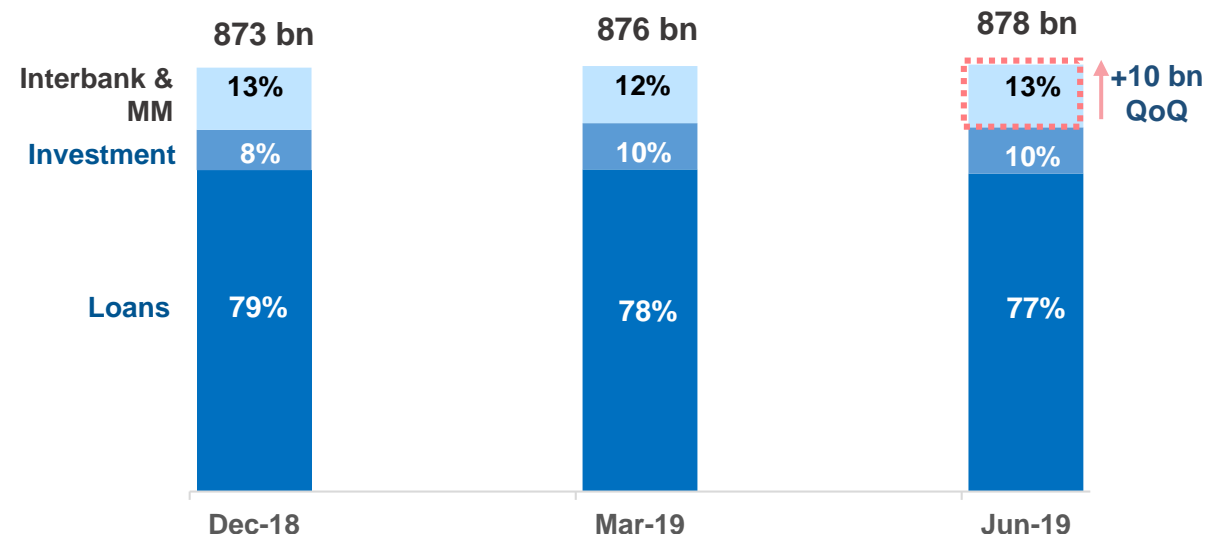
+0.6% YTD
+0.8% QoQ



Earnings Assets Structure

% to Earnings assets (excluded cash and derivative assets)

+0.7% YTD
+0.3% QoQ

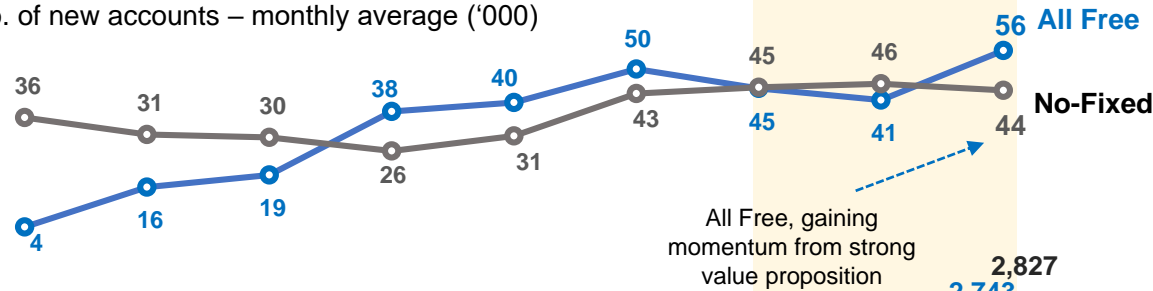


- To support the Bank's merger transaction, TMB has issued long-term subordinated debenture which is qualified as Tier II. As the result, the funding base expanded by 0.6% YTD to THB753 billion with deposit remaining the largest funding source.
- On the asset side, TMB has selectively grown new loans as well as continued to de-risk the current portfolio. The Bank has also unwound its positions in low-risk adjusted return loans and temporarily placed them in interbank loans before redeploying to high-yielding assets. Therefore, interbank and money market items portion rose to 13% from Mar-18.

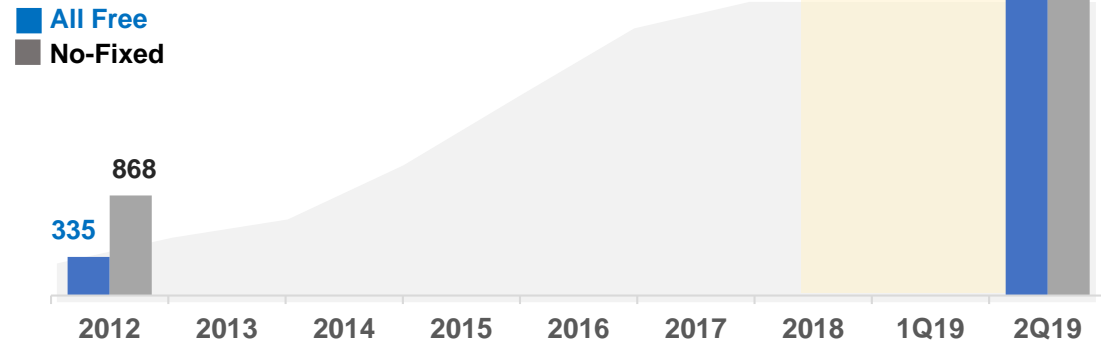
TMB continues to focus on deposit-led strategy and to extend value proposition to deliver better customer experience, resulting in successful customer acquisition

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

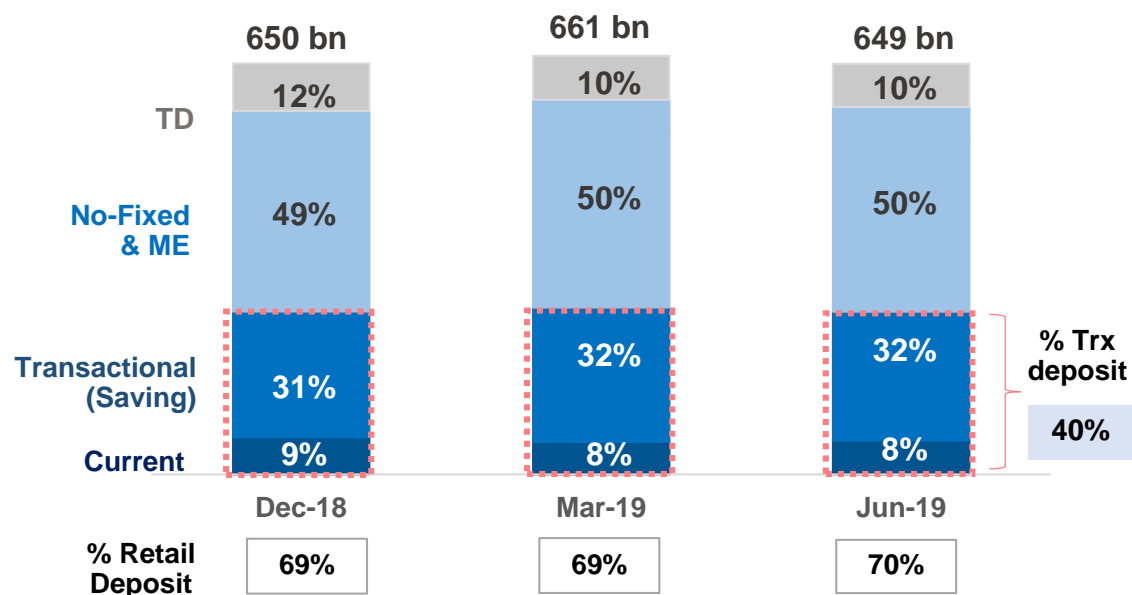
- 1Q19** Free 20 times coverage from accident protection of the remaining balance in All Free deposit
- 4Q18** TMB All Free Debit Card with competitive rates and secured solution worldwide
- 2018** “The Best Transactional Account” Loyalty program with WoW point to earn & burn
- 2012** Free domestic transactions – free ATM nation-wide withdrawal, top up, bill payment, transfer

- 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**

New customer acquisition boosted retail deposits

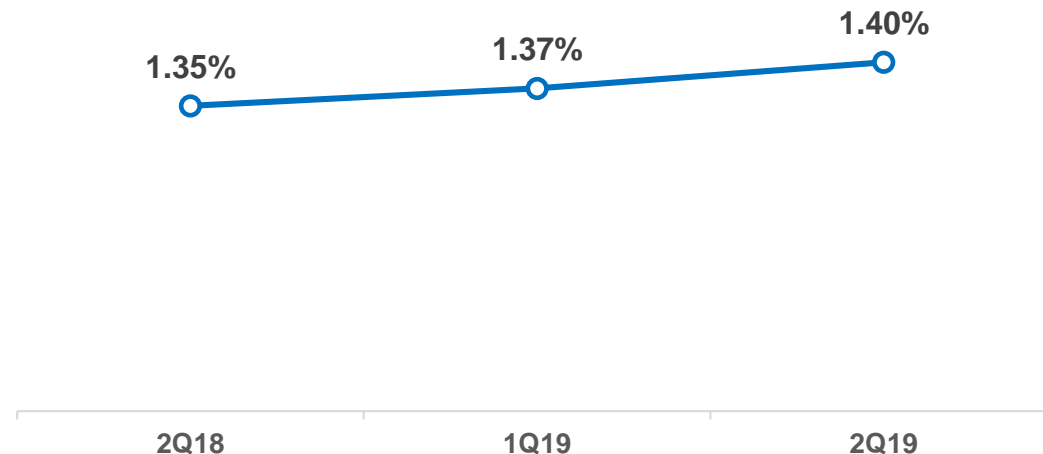
Deposit Structure

-0.1% YTD
-1.9% QoQ



Cost of Deposit

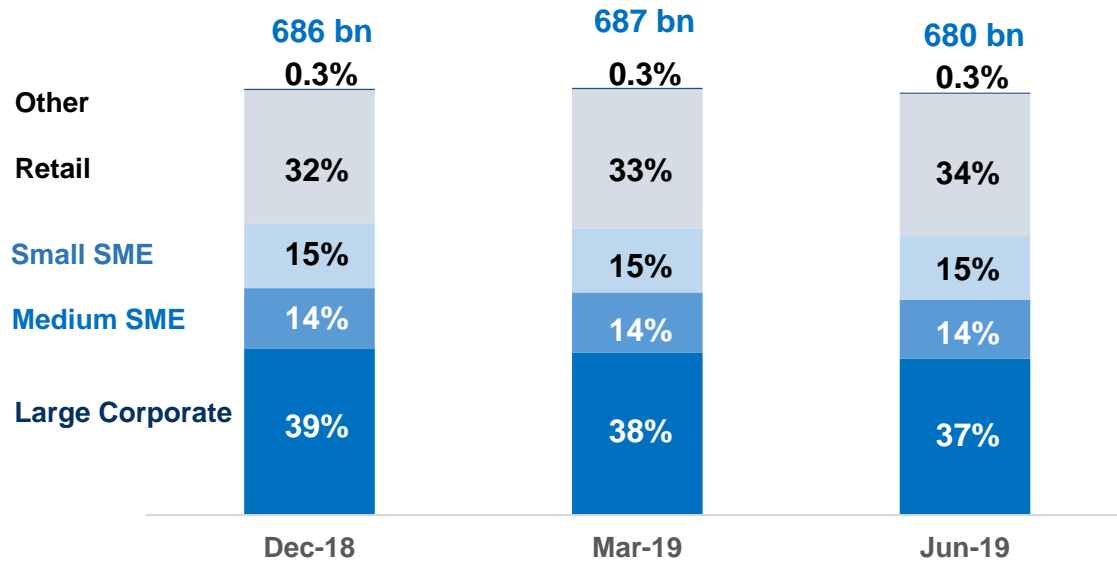
+3 bps QoQ
+5 bps YoY



- **Deposit was relatively flat YTD** due to an outflow from commercial customers (-2.1% YTD), offsetting a growth in retail deposit (+0.8% YTD)
- With growing customer base, **retail flagship deposit continued to expand**, with All Free +3.3%, No-Fixed +1.7% and ME +4.8% YTD
- Nonetheless, deposit dropped 1.9% QoQ from both commercial (-3.9%) and retail customers (-1.0%). The Bank also saw deposit competition from some commercial banks and state-owned banks during 2Q19 which caused an outflow from No-Fixed deposit (-1.3%). TD also dropped -3.3% QoQ.
- **Deposit cost was at 1.40%, +3 bps QoQ and +5 bps YoY**
 - The QoQ increase was due mainly to higher deposit volume during the quarter, caused higher interest expense QoQ

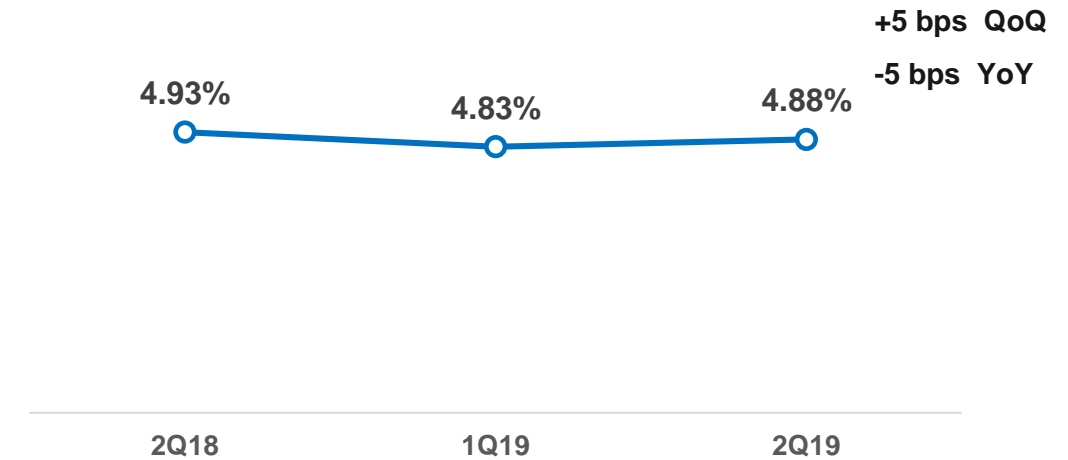
Despite strong growth in retail lending, loan was flat due to repayment in large corporate

Loan Structure



-0.9% YTD
-1.1% QoQ

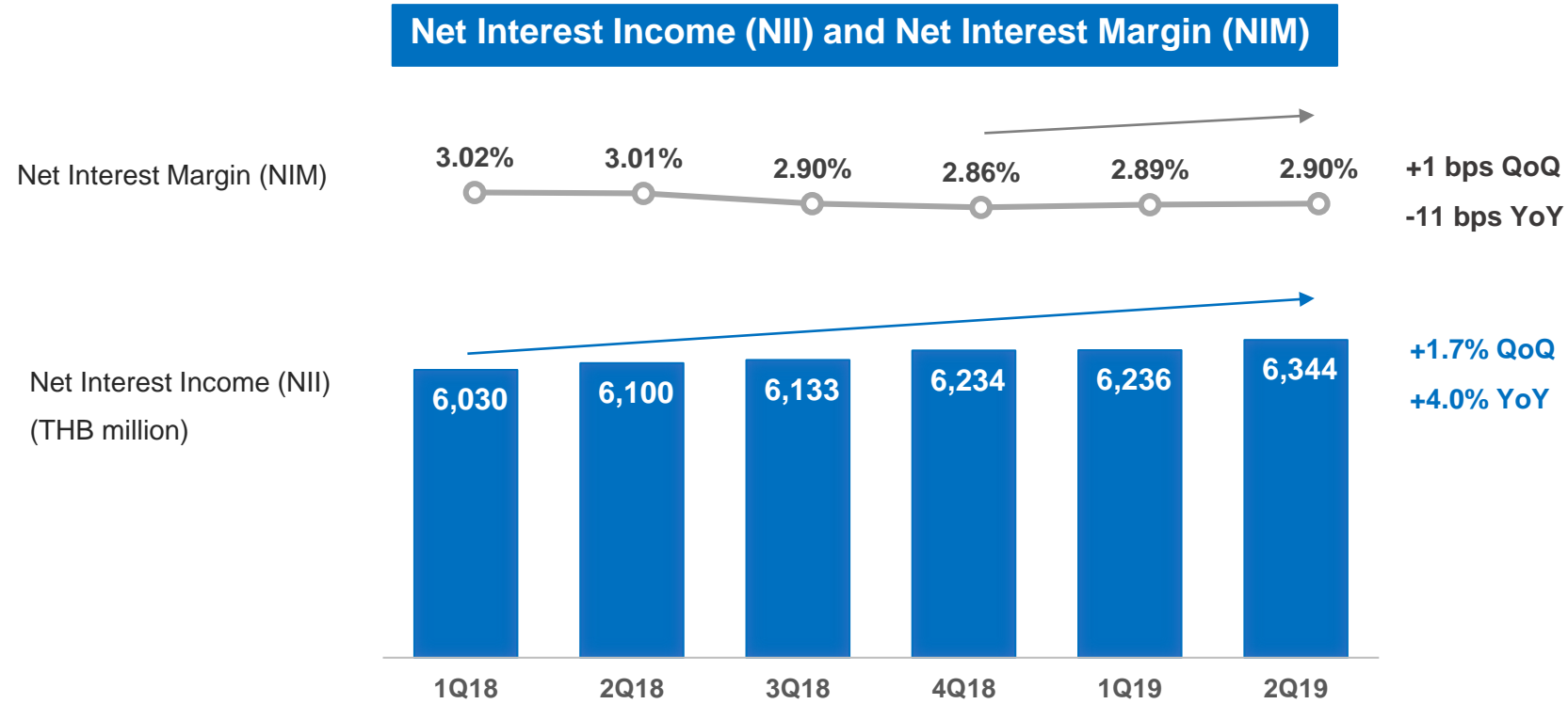
Total Loan Yield



+5 bps QoQ
-5 bps YoY

- Total loans (consolidated) declined by -0.9% YTD, from both performing loan portfolio (-0.8% YTD) and NPL portfolio (-1.3% YTD).
- Performing loans dropped due to commercial loan outflows (-4.2% YTD) while **retail loans maintained its a positive momentum (+6.4%)**
 - The decline in commercial loans was due mainly to loan repayment from large corporate customers and proactive SME loan portfolio de-risking
 - Growth in retail loan was led by secured loan as it grew further by +2.0% QoQ and +7.7% in total for the first 6 months
- Total loan yield increased by 5 bps QoQ due to shifting in loan mix

NIM and NII showed sign of improvement

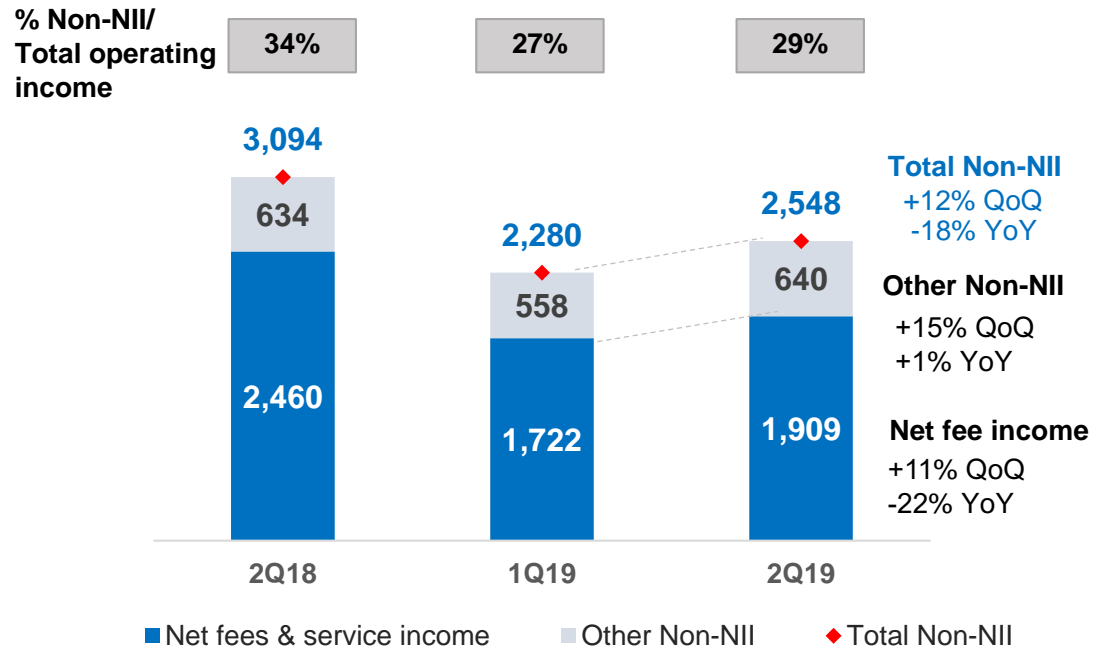


- On quarterly basis, NIM slightly improved by +1 bps to 2.90% in 2Q19. Key contribution was from improving in loan yield.
- As the result, **NII maintained a positive trend** for 5 consecutive quarters

Non-NII increased from both core-fees income from the growing mutual fund fee and other Non-NII

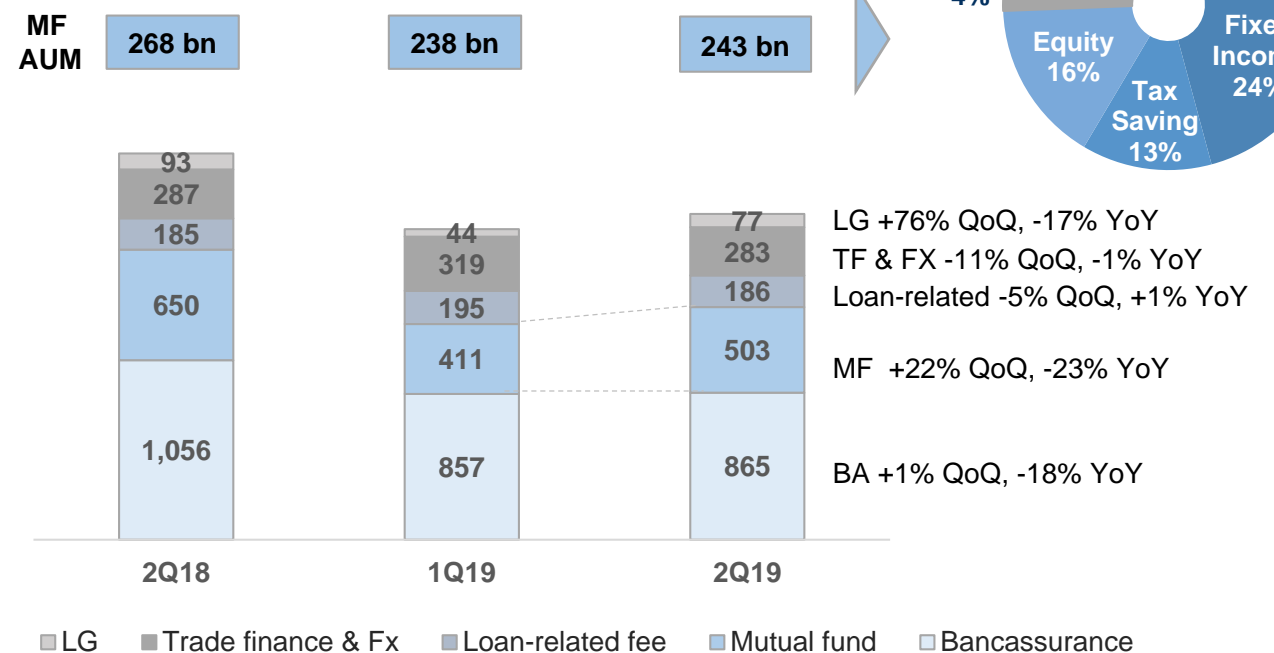
Non-Interest Income (Non-NII)

Consolidated (THB million)



Strategic Fee Products

Bank-Only (THB million)



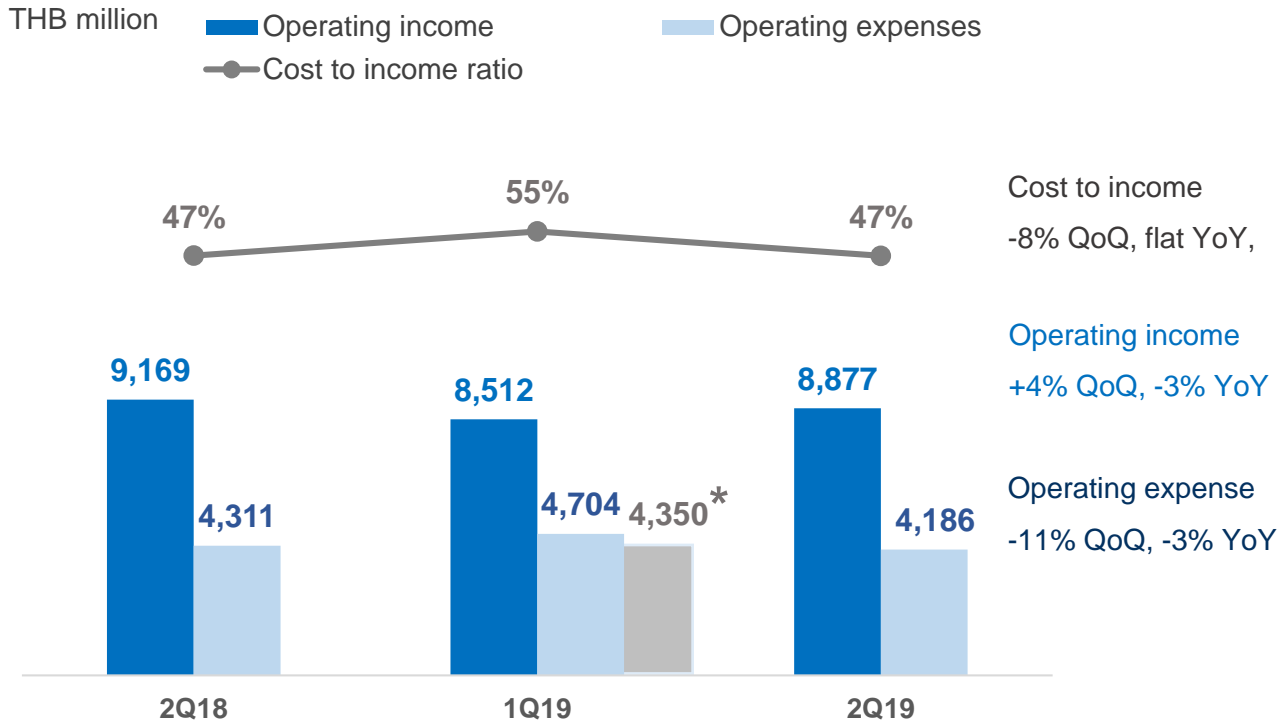
➤ For 2Q19, non-interest income (Non-NII) increased by 12% QoQ from both net fee income and other Non-NII

➤ Net fee income increased 11% QoQ due to;

- **Retail fee income rose 10% QoQ** driven mainly by mutual fund fee. Key boosters during a downward interest rate trend were fixed-income and property funds. This reiterated the advantage of open architecture model which has a wide range of best-in-class products that suit with customers' changing appetite. Newly launched TMB Smart Port was also well-accepted by target customers, reflected by growing AUM since its official launch in Mar-19.
- **Commercial fee** increased by 12% QoQ mainly from LG fee and other commercial fees, offsetting by lower gain on trading and FX

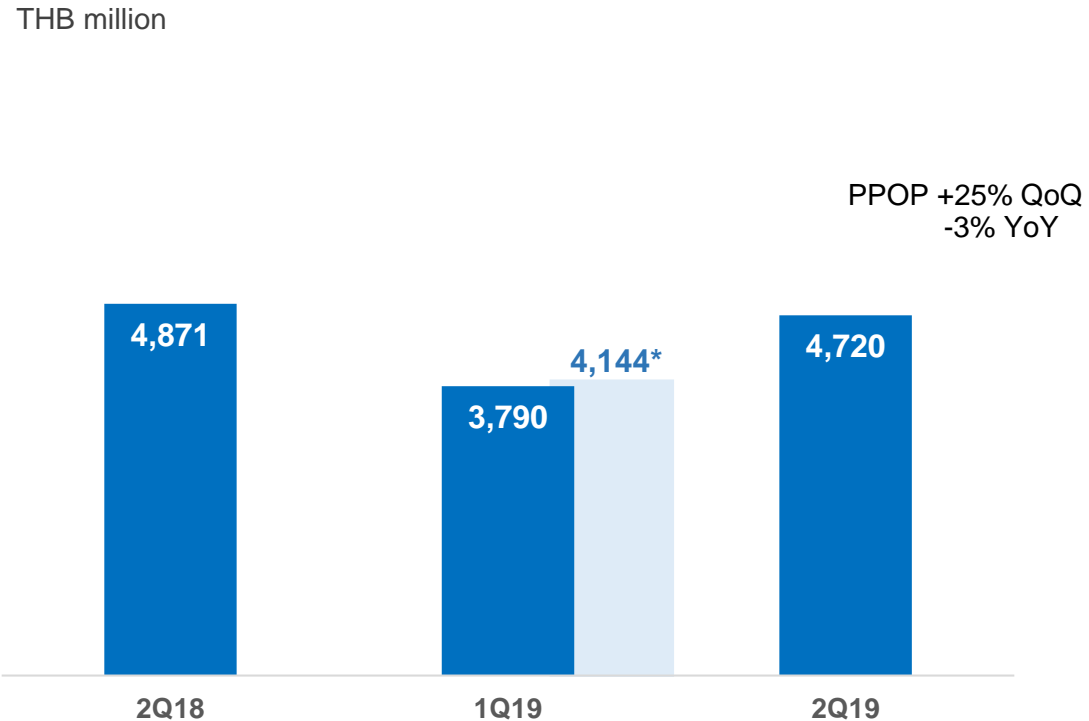
Operating efficiency improved from discipline in expenses

Operating Income & Operating Expenses



- 2Q19 operating income recorded at THB8,877 mn, +4% QoQ (-3% YoY), while operating expense decreased by -11% QoQ (-3% YoY). Note that in 1Q19 there was a one-time expense (Employee Retirement Benefit from new Labor Protection Act)
- Cost-to-income ratio was at 47% in 2Q19

Pre-Provision Operating Profit (PPOP)



- Core earnings improved QoQ from both NII and Non-NII, resulting in PPOP growth by +25% QoQ

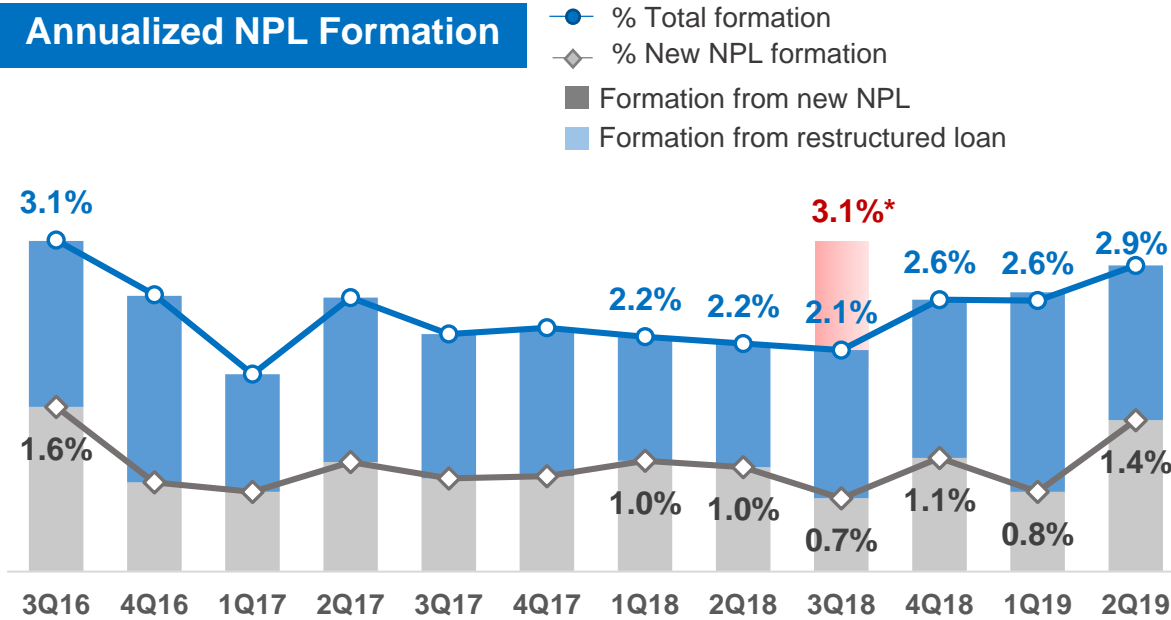
2Q19 Performance

Asset Quality

2019 Targets

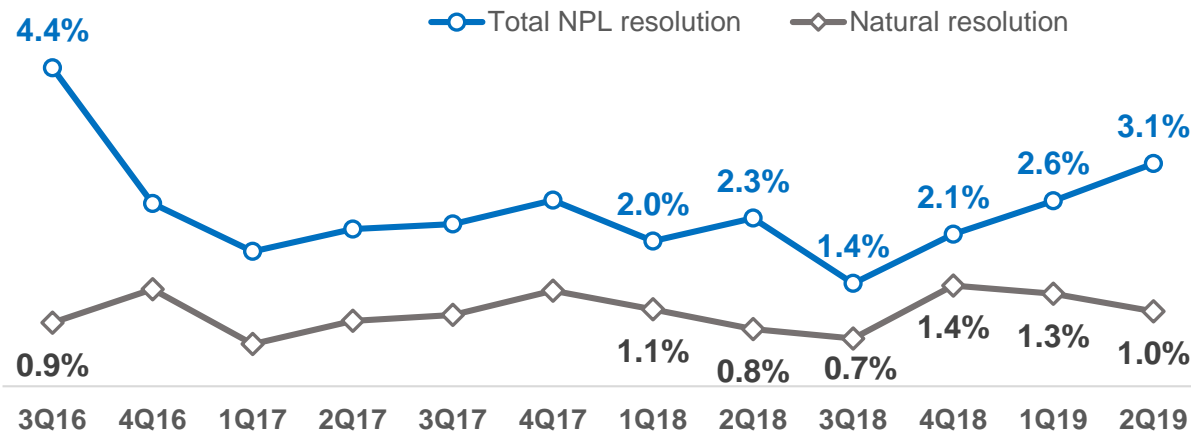
Current NPL formation and resolution reflected portfolio de-risking attempt

Annualized NPL Formation



Note: * In 3Q18, TMB qualitatively downgraded weak loans in preparation for IFRS9 and to de-risk loan portfolio.

NPL Resolution

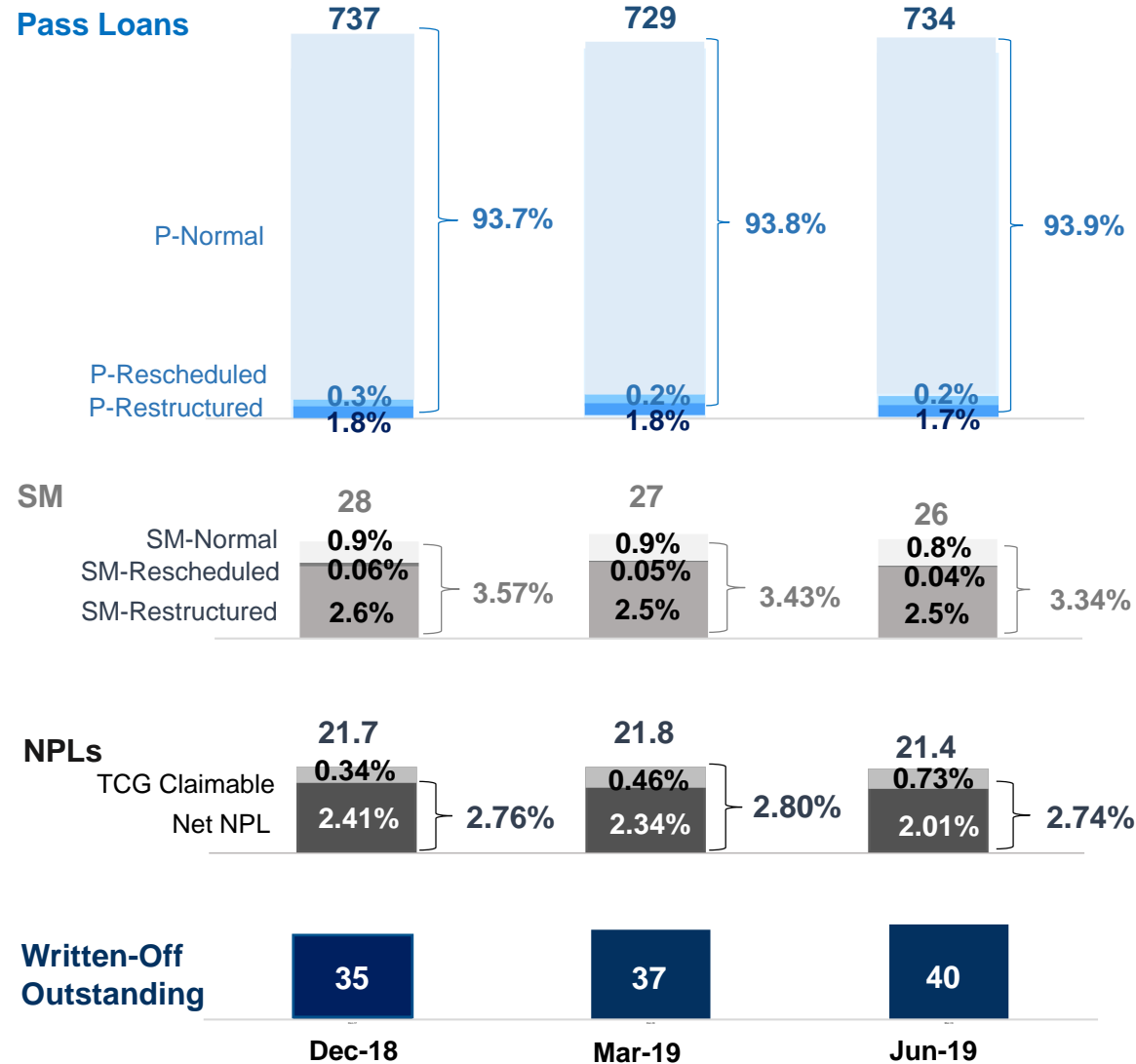


- As TMB has continued to de-risk its portfolio, NPL formation has remained relatively high
- Formation in 2Q19 was at 2.9% (annualized rate)
 - Formation from restructure loans was in line with the Bank's direction to reduce the size of SM loan portfolio
 - The pick-up in New NPL formation was from commercial customers while Small SME formation gradually improved. Retail has also been on its normal trend.
- Total NPL resolution rate rose further to 3.1% in 1Q19, mainly from write-off activities
- As a result of the formation and resolution, NPLs and NPL ratio declined QoQ and YTD and remain within target

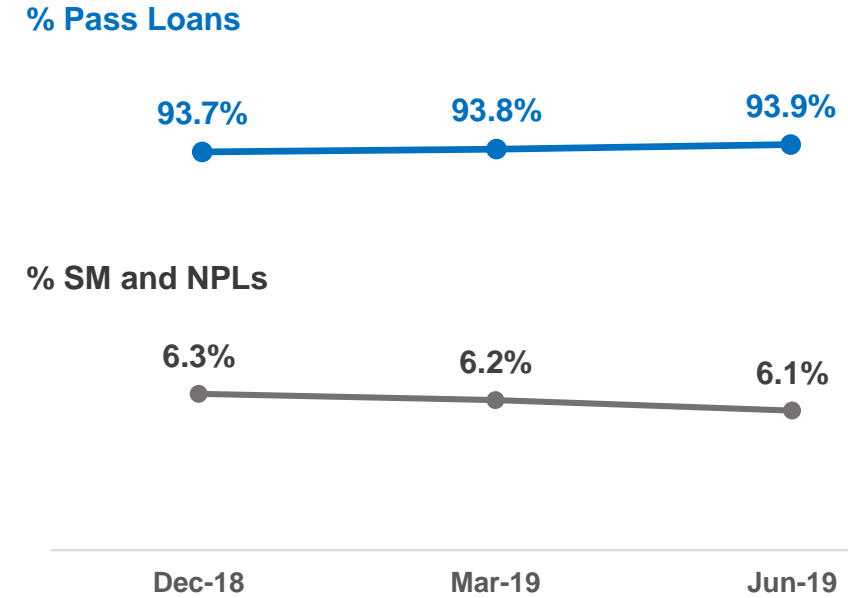
Consolidated	4Q18	1Q19	2Q19
Gross NPLs (THB million)	21,720	21,832	21,432
Gross NPL ratio	2.76%	2.81%	2.74%

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



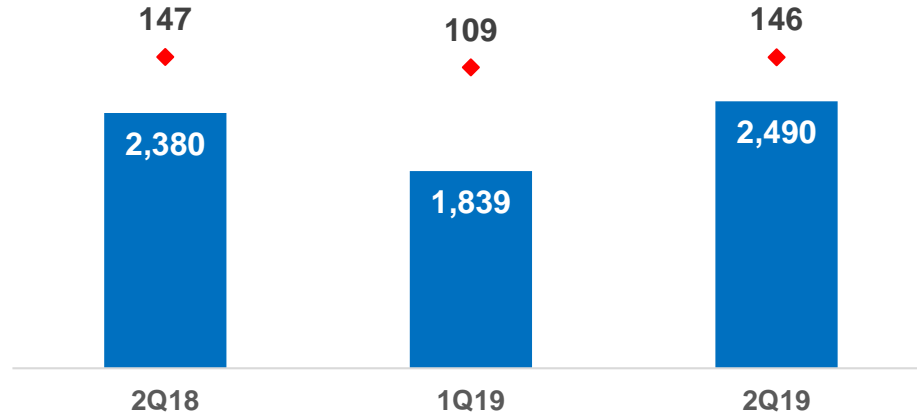
- SM and NPL portion was down 10 bps from 6.2% to 6.1%
- The Bank aims to manage SM and NPL portfolio further in preparation for IFRS 9 and de-risk the existing portfolio
- TMB has proactively written off NPLs to limit future downside risks to the Bank's financial position

Net profit showed positive dynamics from earning capability and improvement in efficiency

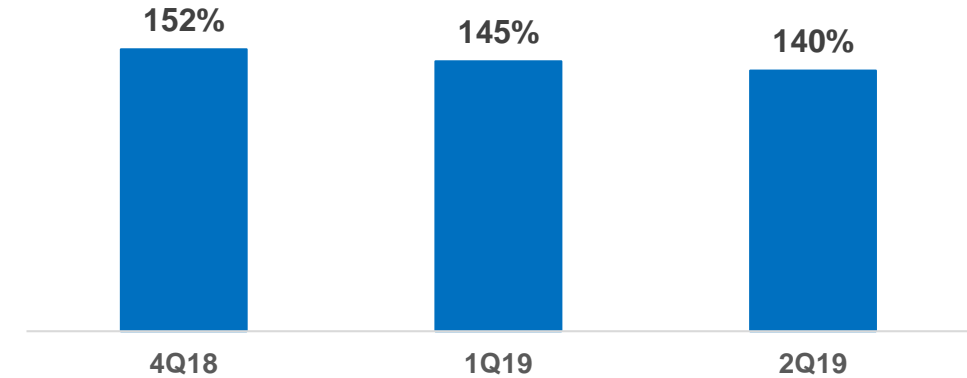
Provision & Credit Cost

THB million

■ Provision expenses
◆ Annualized credit cost (bps)



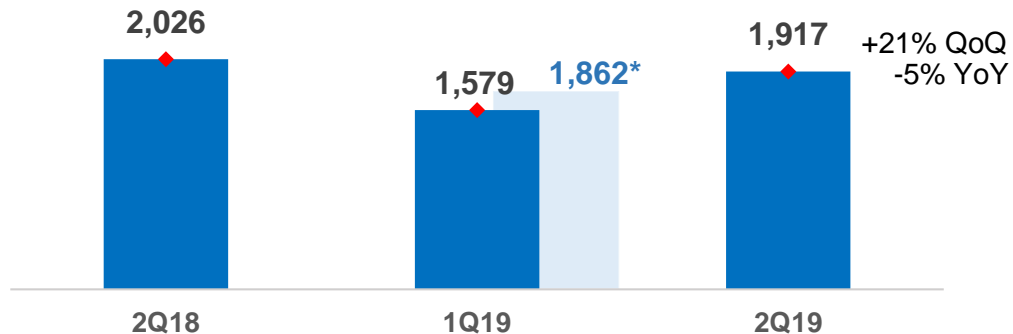
NPL Coverage Ratio



Net Profit to Equity Holder of the Bank

THB million

*excluded one-time expenses

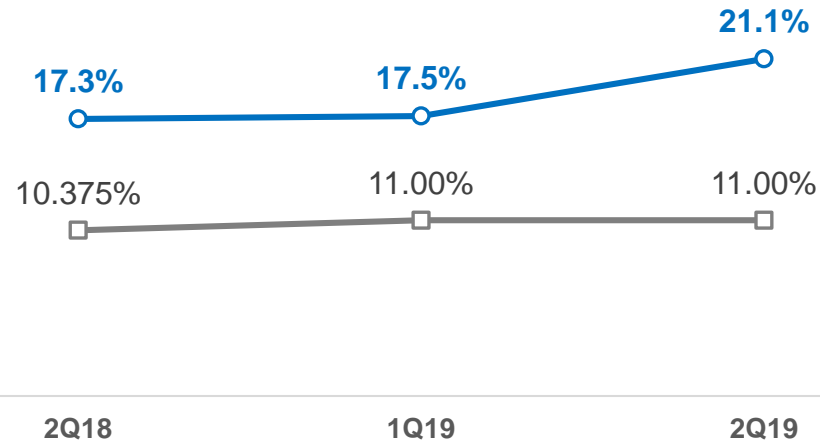


- Provision in 2Q19 was THB2,490 million, indicating a credit cost of 146 bps
- Provision for 1H19 was THB4,329 million or a **credit cost of 128 bps, still with in 2019 guidance of 125-135 bps**
- Coverage ratio was at 140% as of 2Q19 as the Bank continued to reduce weak loans
- Net profit was recorded at THB1,917 million, +21% QoQ and -5% YoY

TMB maintained strong levels of CAR and Tier I

Capital Adequacy Ratio (CAR)

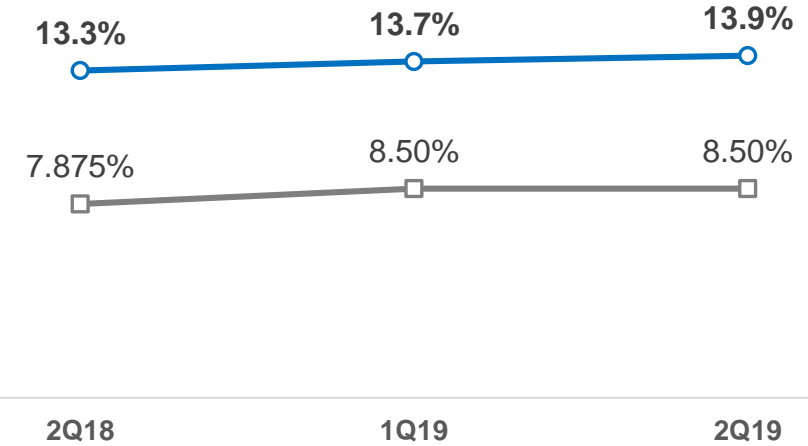
○ CAR □ BoT's min. requirement



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 Jun-19, CAR rose to 21.1% due to net increase in Tier-2 sub-debts of THB21 billion as the Bank issued Tier-2 Subordinated Debt of THB30 billion and bought back sub-debt no.1/2557 of THB9 billion
- Tier I and Core Tier I were at 13.9%, slightly up from 1Q19

2Q19 Performance

Asset Quality

2019 Targets

	2019 Targets	1H19 Actual		
Operating performance	Deposit Growth* (Revise*)	3% - 5%	Flat YTD	<ul style="list-style-type: none"> Although deposit growth was relatively flat YTD, funding expansion was from long-term funding to support “Merger Transaction” during 2Q19 (Subordinated debenture, qualified as Tier II has been raised THB30 bn). The subscribers were mainly from TMB & TBANK depositors.
	Loan Growth*	2% - 4%	-0.9% YTD	<ul style="list-style-type: none"> Loan dropped YTD due to large corporate repayment on long-term loan where yield is relatively low, while retail loan growth was on track.
	NIM	2.86% - 2.93%	2.90%	<ul style="list-style-type: none"> The Bank has strategy to optimize our balance sheet to maintain NIM target, resulting in NII expansion.
	Non-NII Growth* (excl. gain from TMBAM deal)	4% - 8%	-25% YoY	<ul style="list-style-type: none"> Fee has bottomed out in 1Q19 and started to see recovery in retail fees, especially in mutual fund fee with healthy AUM.
	C/I Ratio	47% - 49%	51%	<ul style="list-style-type: none"> Excluding retirement benefit, expenses were flat as TMB continued to focus on efficiency improvement
Asset quality	Credit Cost	125 - 130 bps	128 bps	<ul style="list-style-type: none"> TMB has proactively cleaned up special mention loan portfolio to strengthen overall financial position with key principle to maintain coverage ratio at above 140%.
	NPL Ratio	<2.9%	2.74%	<ul style="list-style-type: none"> Risk cost remained within guidance and the Bank expected the trend to improve, compared to the previous year both provision expenses and credit cost.
	Coverage Ratio	>140%	140%	



Make **THE** Difference

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