

**TMB Bank Plc.**

**To be the most advocated bank in Thailand**

**Investor Presentation**

**Opportunity Day**

**3Q19 and 9M19 Performance**

## 2019 Targets

9M19 Performance

Asset Quality

	2019 Targets	9M19 Actual		
Operating performance	<b>Deposit Growth</b>	<b>3% - 5%</b>	<b>+3.7% YTD</b>	<ul style="list-style-type: none"> <li>• Deposit showed moderate growth YTD from both retail and commercial deposits. Meanwhile, the Bank has increased long-term funding through the issuance of debt instrument to support the merger transaction and also to optimize the Bank's funding structure</li> </ul>
	<b>Loan Growth</b>	<b>2% - 4%</b>	<b>+1.1% YTD</b>	<ul style="list-style-type: none"> <li>• TMB has selectively grown loans to ensure quality growth and at the same time has continued to improve portfolio quality. As a result, loans expanded by 1.1% YTD, led by retail segment.</li> </ul>
	<b>NIM</b>	<b>2.86% - 2.93%</b>	<b>2.87%</b>	<ul style="list-style-type: none"> <li>• NIM declined 10 bps QoQ as expected due to higher cost of fund, driven mainly by interest expenses of Tier II subordinated debenture, issued at the end of June. Cost of deposit on the other hand was well-managed, while yield of loan and investment in debt securities declined mostly from change in loan mix &amp; rate cut.</li> </ul>
	<b>Non-NII Growth</b> (excl. gain from TMBAM deal)	<b>4% - 8%</b>	<b>2.4% YoY</b>	<ul style="list-style-type: none"> <li>• Non-NII QoQ growth was supported by a recovery in retail fees and gain from investment. Key engines for retail fees were BA and MF. Meanwhile, there was gain from investment portfolio in this quarter as the Bank started to readjust its earning asset mix in response to interest rate environment.</li> </ul>
	<b>C/I Ratio</b>	<b>47% - 49%</b>	<b>48%</b>	<ul style="list-style-type: none"> <li>• Higher OPEX was from NPL resolution activities together with expense related to M&amp;A transaction. However, C/I ratio remained within the guidance</li> </ul>
Asset quality	<b>NPL Ratio</b>	<b>&lt;2.9%</b>	<b>2.52%</b>	<ul style="list-style-type: none"> <li>• In 3Q19, TMB speeded and cleaned up balance sheet with prudent approach by reducing special mention loan and NPL portfolio to strengthen overall financial position and to prepare for the approaching IFRS9 standard.</li> </ul>
	<b>Coverage Ratio</b>	<b>&gt;140%</b>	<b>140%</b>	<ul style="list-style-type: none"> <li>• The Bank created cushion to maintains prudence coverage ratio level at 140%.</li> </ul>
	<b>Credit Cost</b>	<b>125 - 130 bps</b>	<b>141 bps</b>	<ul style="list-style-type: none"> <li>• As a result, risk cost registered at 141 bps for 9-month period</li> </ul>

2019 Targets

**9M19 Performance**

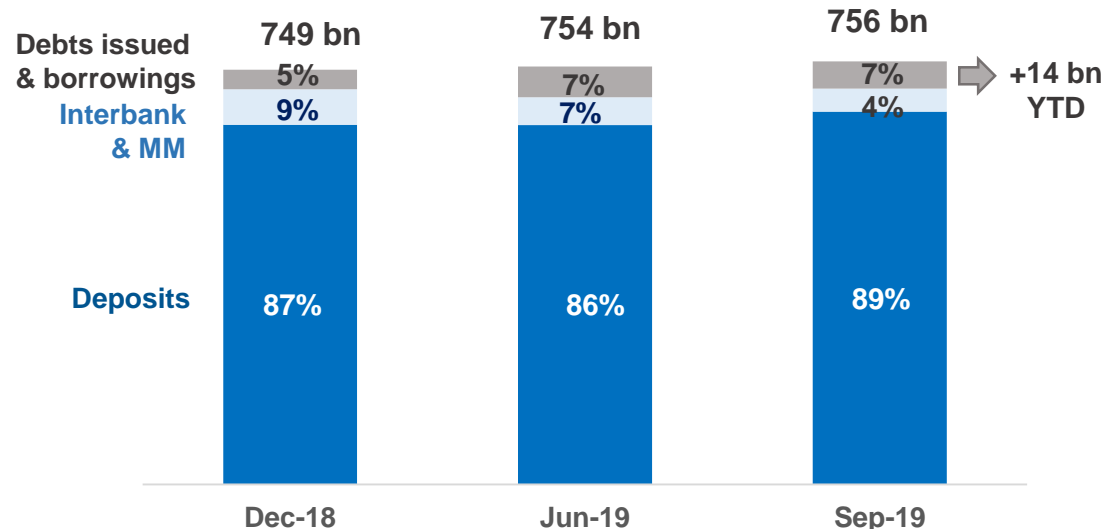
Asset Quality

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

## Funding Structure

% to Interest bearing liabilities

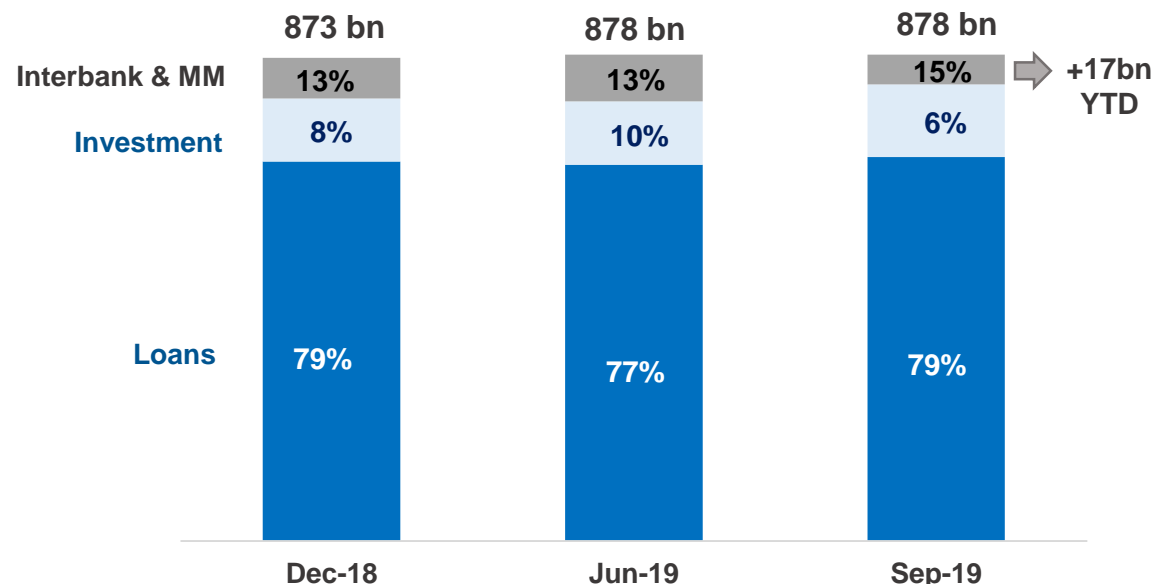
+0.9% YTD  
+0.3% QoQ



## Earnings Assets Structure

% to Earnings assets (excluded cash and derivative assets)

+0.7% YTD  
Flat QoQ

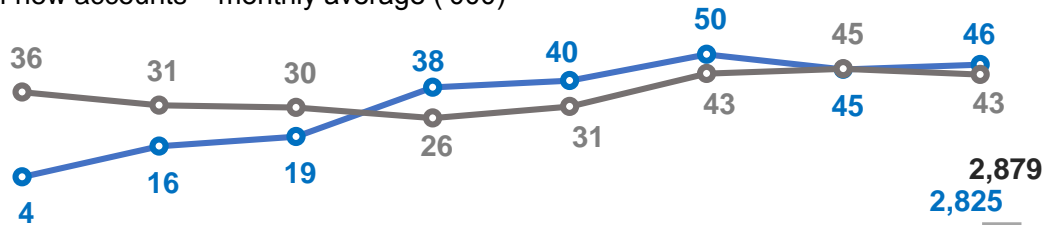


- To support the Bank's merger transaction, TMB has issued long-term subordinated debenture which is qualified as Tier II in late Jun-19. As a result, % of debts issued and borrowing increased to 7% compared to 5% as of Dec-18. Deposit remaining the largest funding source and represented 89% of total funding.
- 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 15% from 13% as of Dec-18.
- With downward interest rate trend going forward, the Bank intends to readjust its funding and earning asset structure to optimize balance sheet utilization

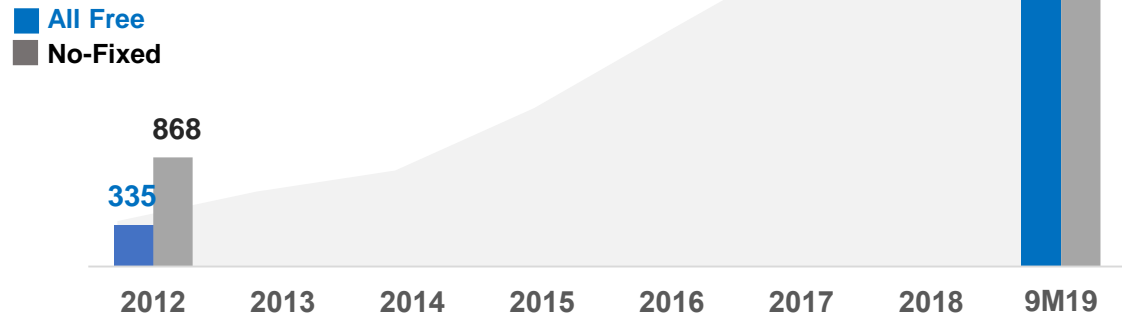
# TMB continues to focus on deposit-led strategy and to extend value proposition to deliver better customer experience, resulting in successful customer acquisition

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

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



Total accounts ('000)



**3Q19**  
Pay with WoW, each time you spend your debit card, wow will be converted into your TMB account (👉 = 1 Baht)

**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

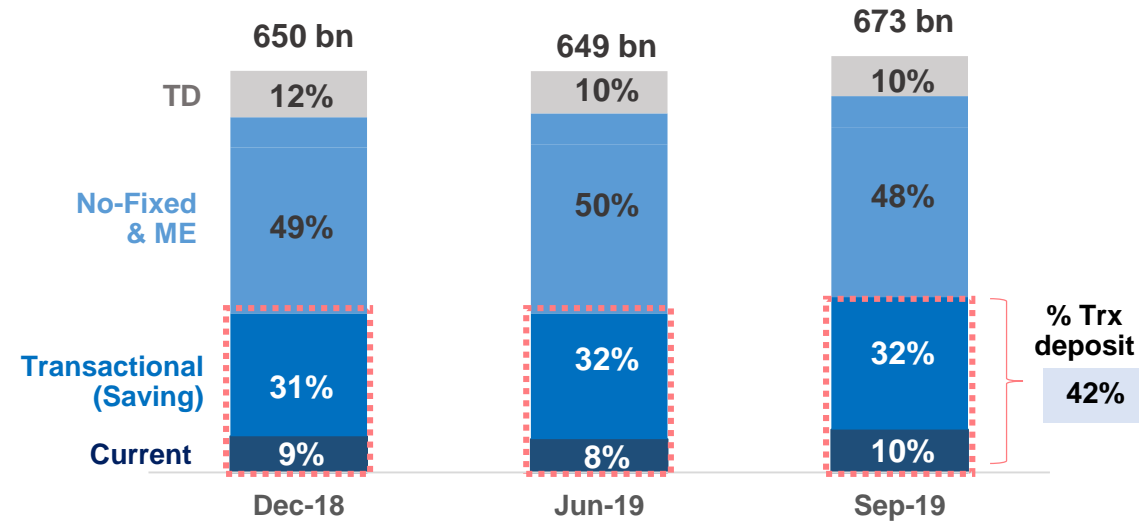
**“The Best Transactional Account”**

- **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**
  - In this quarter, we offered a new feature for TMB loyalty program, namely, “PAY WITH WOW”. Your wow is now worth like money for every spending with TMB All Free Debit card at any stores worldwide. This add-on TMB All Free’s feature affirms the Bank’s focus as a market leader in transactional banking

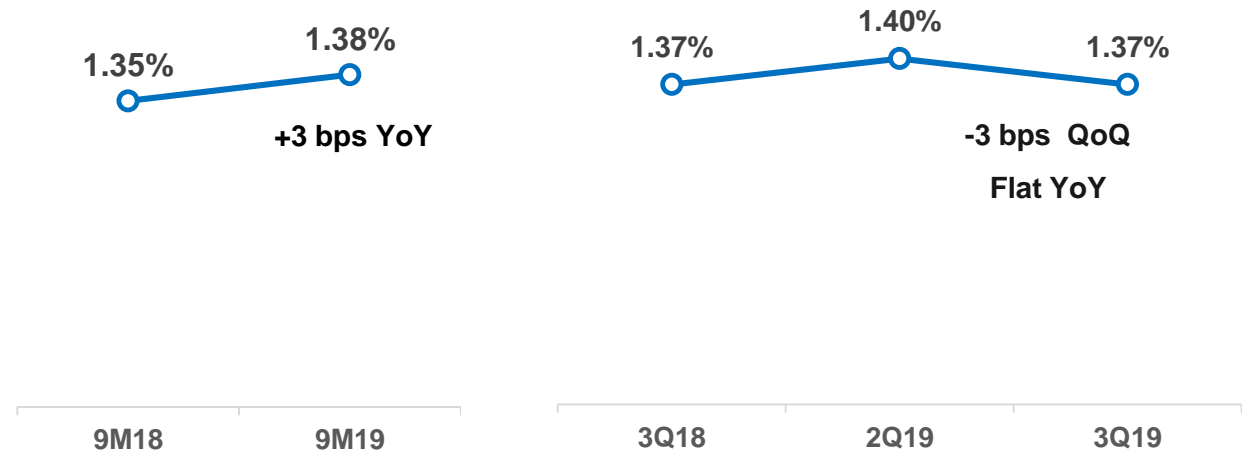
# Deposits expanded from large corporate CASA and retail flagship products

## Deposit Structure

+3.7% YTD  
+3.8% QoQ



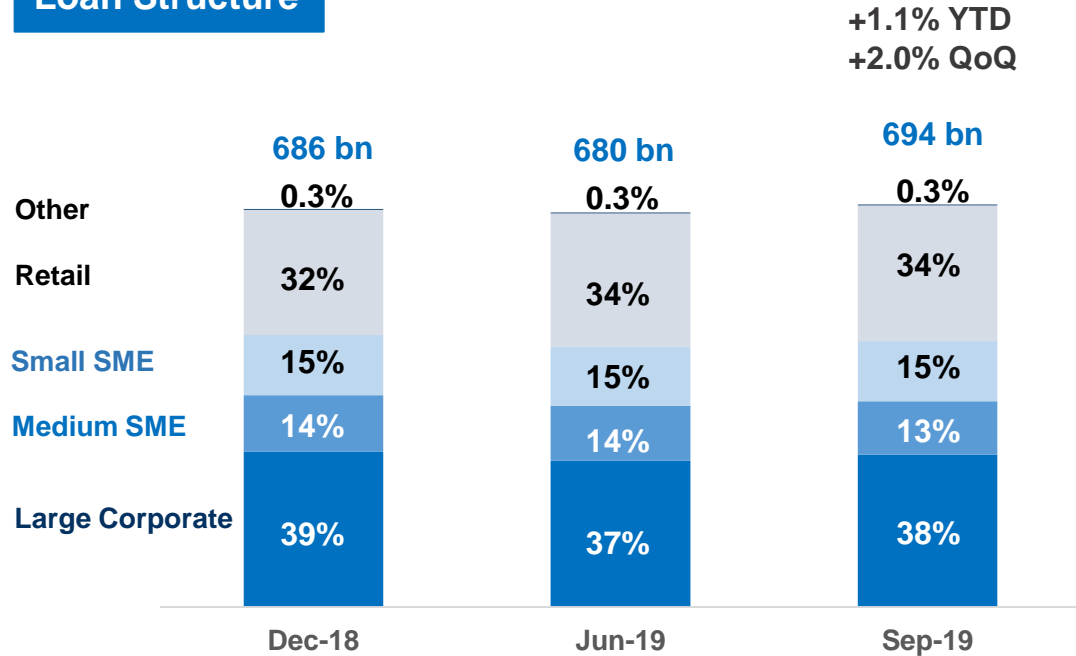
## Cost of Deposit



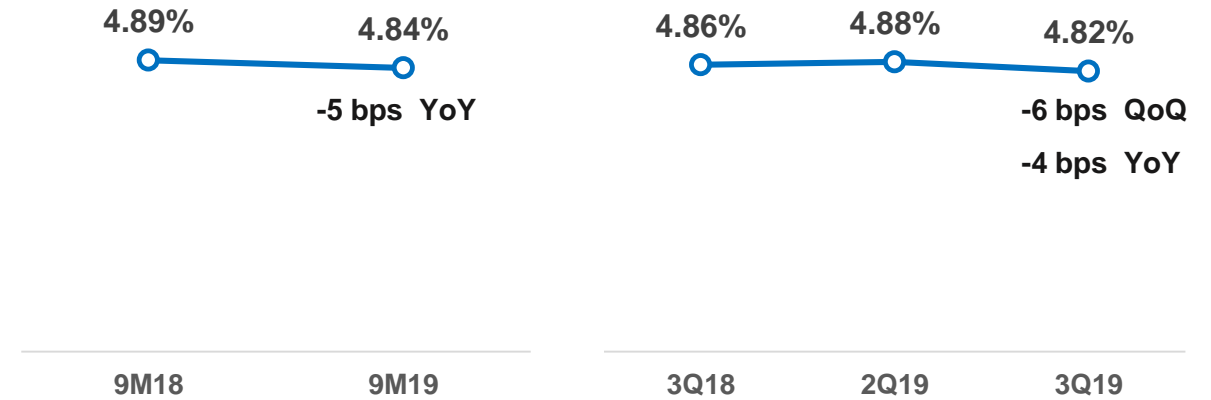
- Deposit rose 3.7% YTD, driven mainly by inflows from both commercial and retail deposit
  - Commercial deposit grew +10.2% YTD driven mainly by CASA from large corporate
  - Retail deposit rose +0.8% YTD; retail flagship deposit continued to expand, with All Free +5.1%, No-Fixed +2.6% and ME +3.0% YTD
- 9M19 cost of deposit increased +3 bps YoY from the higher balance of No-Fixed and ME while 3Q19 cost of deposit declined -3 bps QoQ and flat YoY due to CASA inflows during the quarter

# Loan growth YTD was driven mainly by retail segment

## Loan Structure



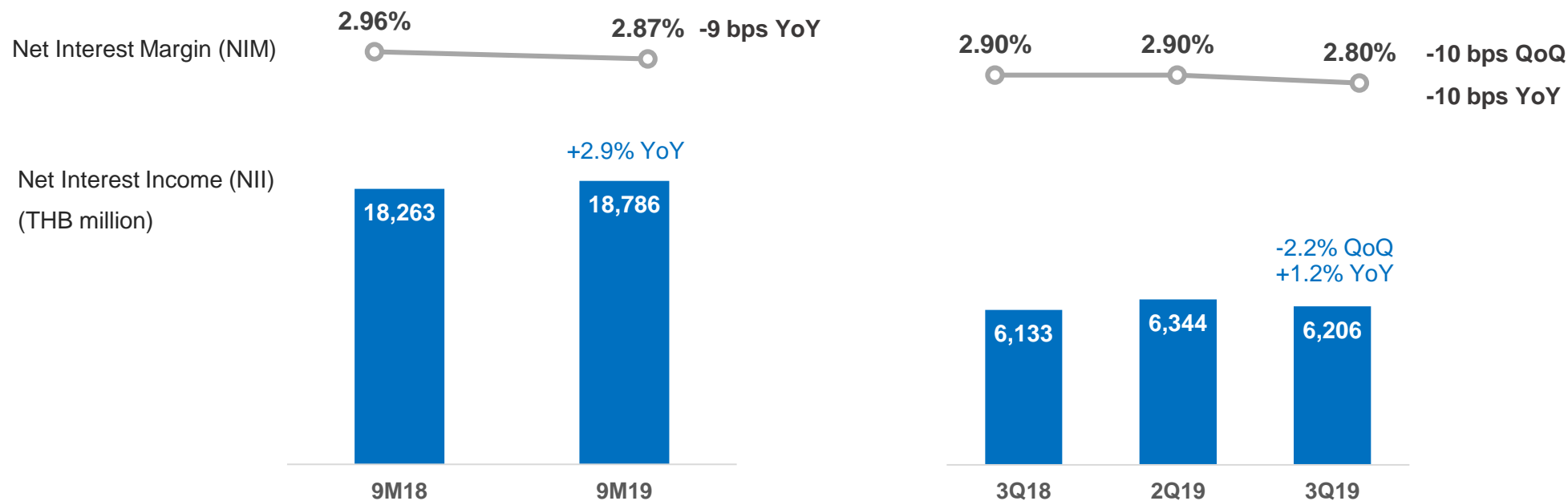
## Total Loan Yield



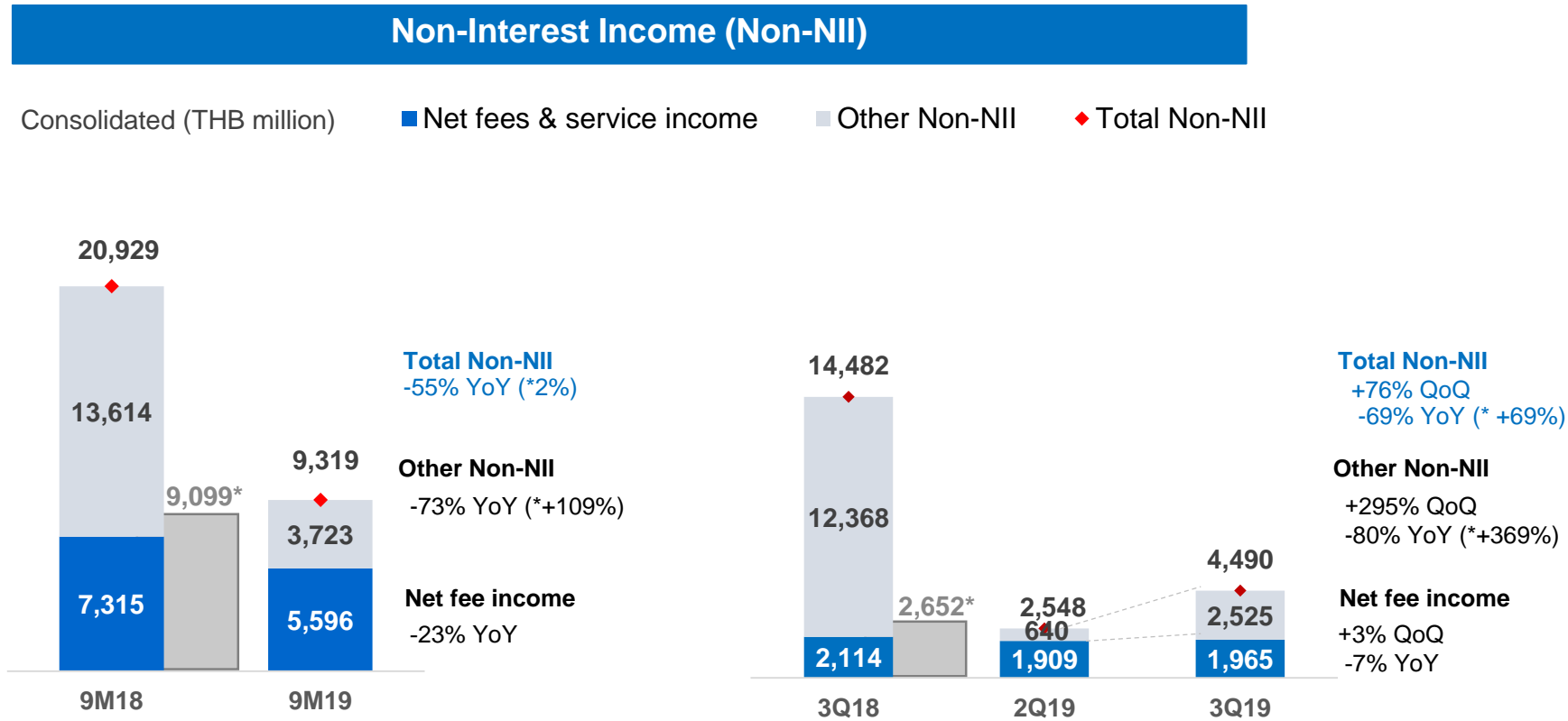
- Total loans (consolidated) rose by +1.1% YTD, a result of 1.4% growth in performing loans and -6.5% drop in NPLs from Dec-18.
- Performing loan growth was driven mainly **retail segment** (+8.2% YTD) while commercial loans dropped by -1.7% YTD.
  - The decline in commercial loans was due mainly to 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 +1.1% QoQ and +8.8% YTD
- 9M19 loan yield declined -5 bps YoY due mainly to the expansion of retail and large corp portfolio and lending rate cuts. Likewise 3Q19 drop of -4 bps YoY and -6 bps QoQ was due to large corporate inflows during the quarter and lending rate reduction (MRR and MOR), following the MPC rate cut.



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



- NIM was 2.87% in 9M19, remained within guidance
- Despite better yield on investment and trading transaction and lower deposit cost, NIM dropped QoQ, due to an increase in cost of fund from the issuance of THB30 billion subordinate debts in late June, coupled with lower loan yield following the rate cuts



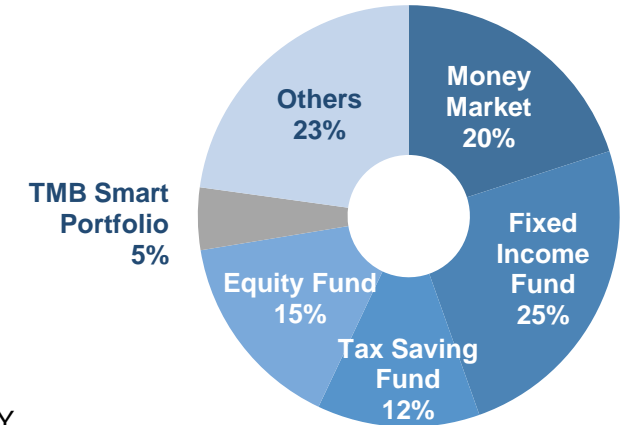
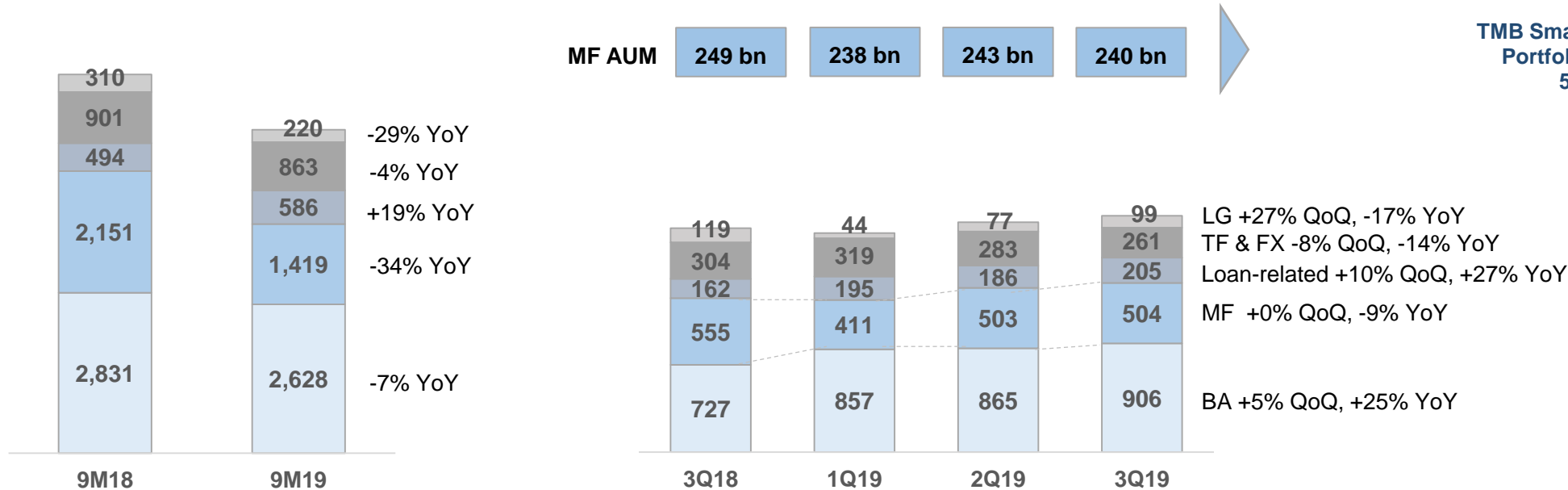
- For 9-month period, non-interest income (Non-NII) declined by 55% YoY due mainly to TMBAM's one-time profit of THB11.8 billion
- For 3-month period, Non-NII was up QoQ due to;
  - Investment gain as the Bank started to readjust its earning asset mix in response to the market condition
  - Improvement in both retail and commercial fees

\*/ Non-NII excluded gain from a 65% sale of TMBAM shares of THB11.8 bn

# In 3Q19, retail fees recovered as a result of improved BA fee from once again a market leader in new innovative product

## Strategic Fee Products

Bank-Only (THB million)    ■ LG   ■ Trade finance & Fx   ■ Loan-related fee   ■ Mutual fund   ■ Bancassurance



LG +27% QoQ, -17% YoY  
 TF & FX -8% QoQ, -14% YoY  
 Loan-related +10% QoQ, +27% YoY  
 MF +0% QoQ, -9% YoY  
 BA +5% QoQ, +25% YoY

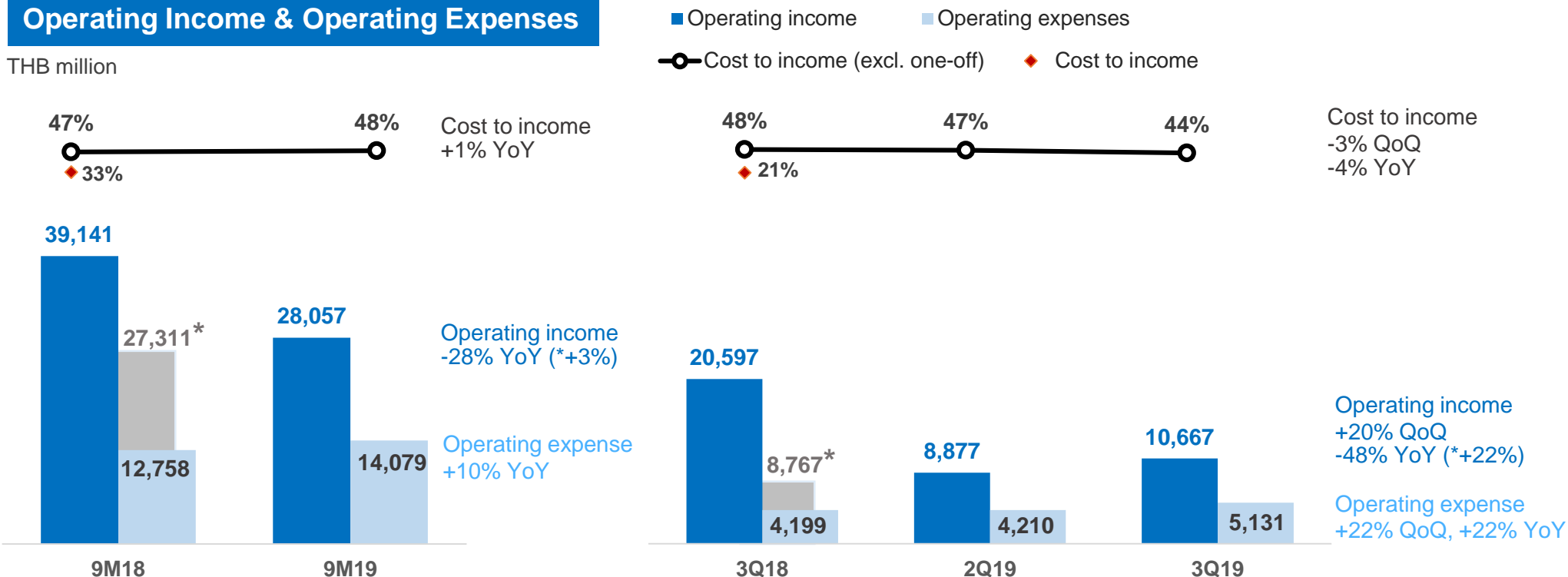
In 9M19, net fee decreased by 23% YoY due to significant decrease in mutual fund fee and lower fee income from bancassurance. However, those retail fees showed improving trend on a quarterly basis.

- Retail fee income rose 5% QoQ driven mainly by bancassurance fee. In 3Q19, we launched new annuity insurance product, namely, TMB Wealthy 3 Gens, aiming to answer customer's need that never been offered in the market before as TMB took away typical insurance limitation. While MF fee was relatively stable, compared with overall market.
- For commercial fee, QoQ increased due mainly to growth in credit related fee

# Operating efficiency improved from topline growth

## Operating Income & Operating Expenses

THB million

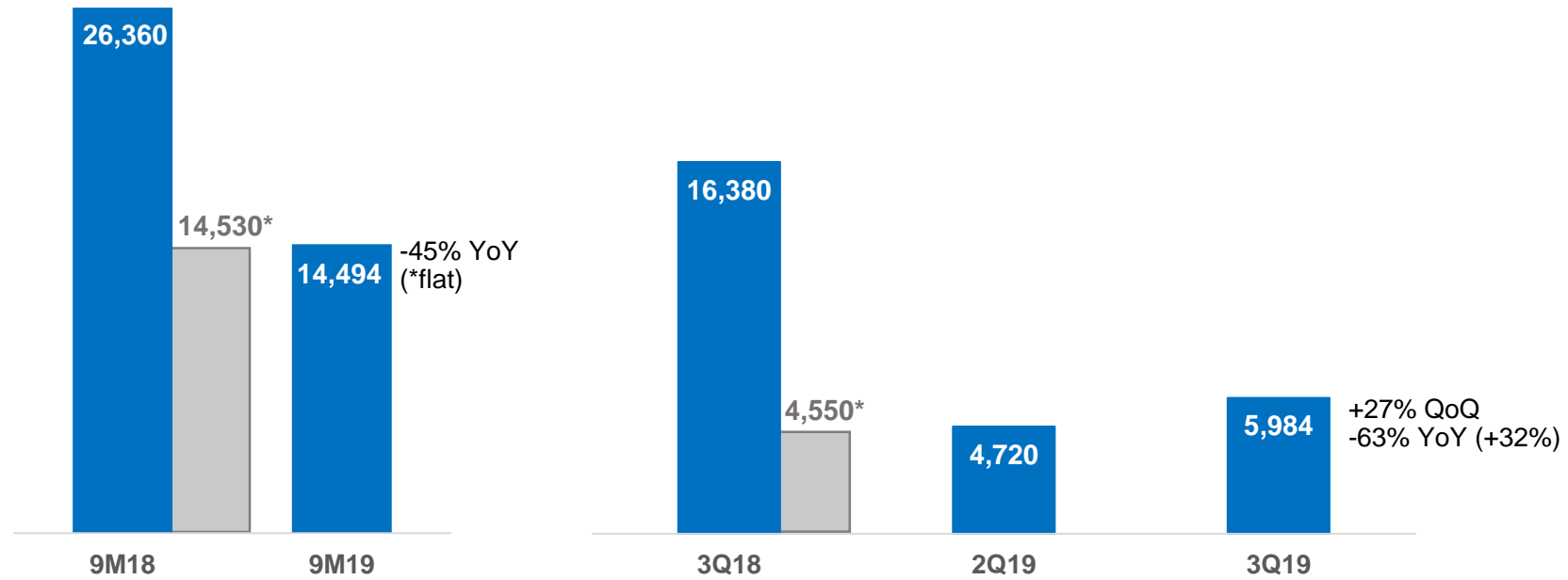


- TMB maintained its discipline in operating expenses. Cost-to-income ratio was at 48% in 9M19, remained within the Bank’s guidance
- The increase in operating expense in 3Q19 was due mainly to one-time expense and variable costs while normal operating expenses has been well managed.
- The increase QoQ in operating expenses was due to;
  - M&A advisory and related merger transaction fee
  - Higher expense from accelerating litigation process, in line with the Bank’s direction
  - Higher staff variable cost & marketing expense related to sale volume
  - Higher premise & equipment expenses

\* / excluded THB11.8 bn gain from a 65% sale of TMBAM shares

## Pre-Provision Operating Profit (PPOP)

THB million



➤ If exclude one-time gain from selling TMBAM, core earnings improved QoQ & YoY with PPOP of THB5,984 billion in 3Q19

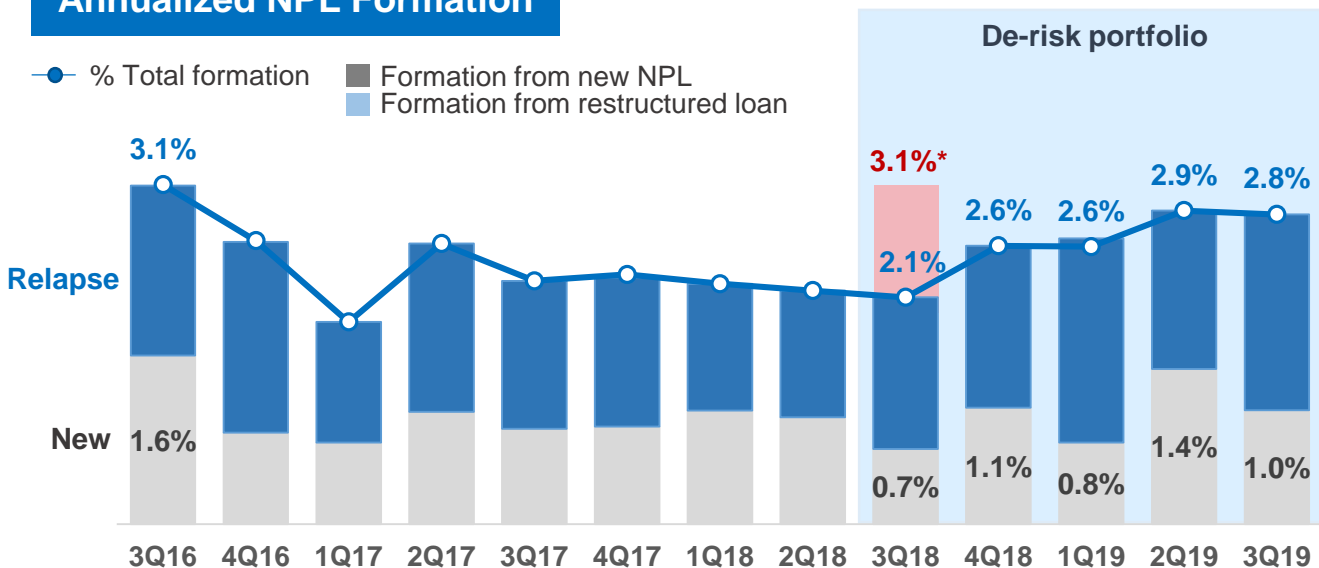
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2019 Targets

9M19 Performance

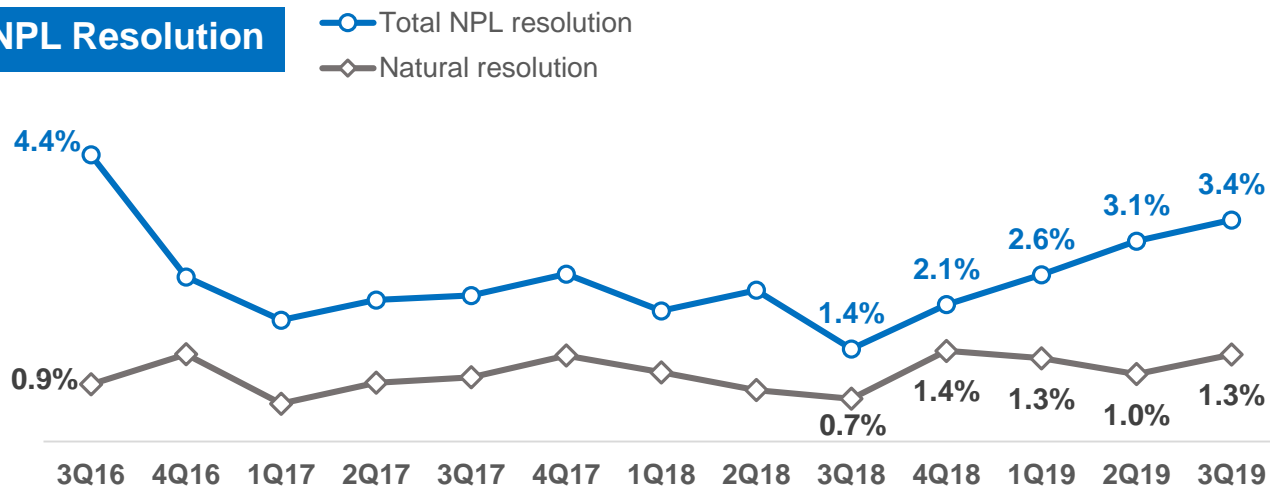
**Asset Quality**

## Annualized NPL Formation



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

## NPL Resolution

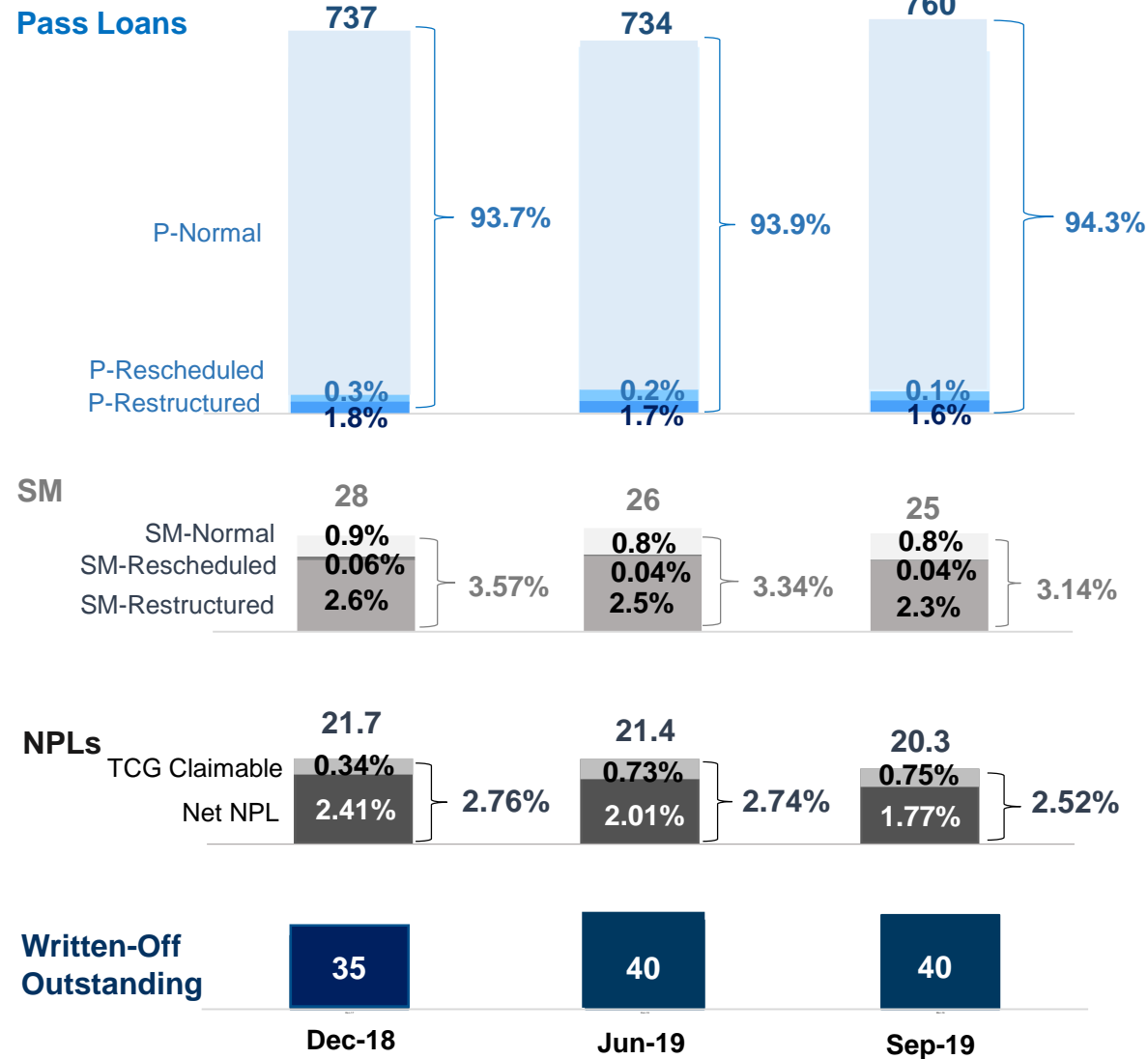


- TMB has continued to de-risk its portfolio in preparation for IFRS9 and also to strengthen its financial position for the M&A deal by;
  - reducing the size of SM and was a result NPL formation has remained relatively high
  - proactively resolving NPL to limit downside risk to financial position
- As a result NPL Formation and NPL resolution remained relatively high
- In 3Q19, NPL formation was at 2.8% (annualized rate), mainly from formation from restructure loans which was in line with the Bank's direction
- NPL resolution rate rose further to 3.4% in 3Q19, mainly from write-off and sales activities
- As a result NPLs and NPL ratio declined QoQ and YTD and in line target

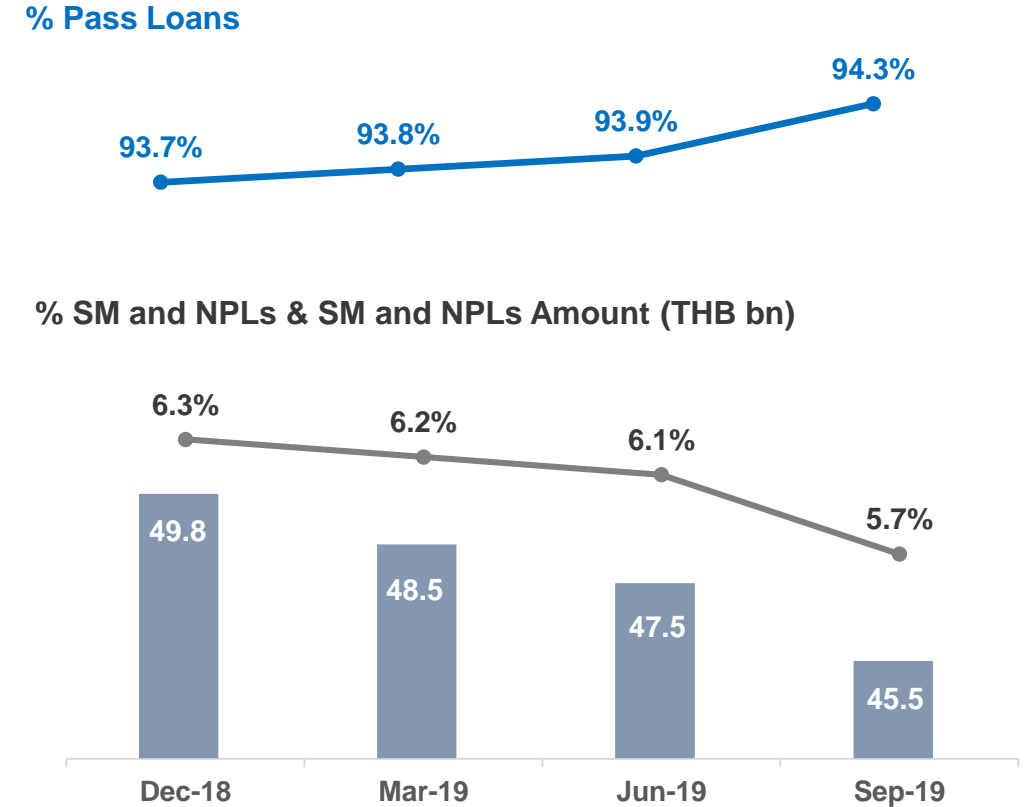
Consolidated	4Q18	1Q19	2Q19	3Q19
Gross NPLs (THB million)	21,720	21,832	21,432	20,302
Gross NPL ratio	2.76%	2.81%	2.74%	2.52%

# 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 further to 5.7%
- Of total NPL amount THB20.3 billion, 30% was covered by TCG and therefore, Net NPL ratio was at 1.73%
- TMB has proactively written off NPLs to limit future downside risks to the Bank's financial position

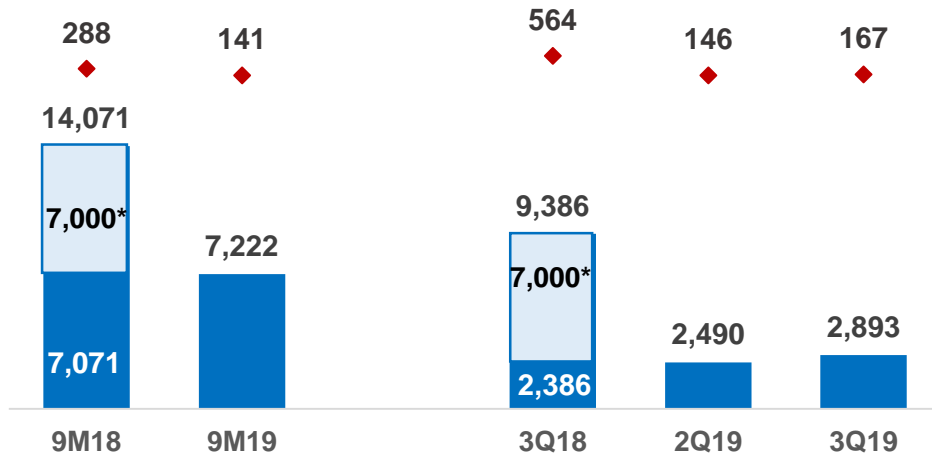


# Net profit showed positive dynamic from earning capability

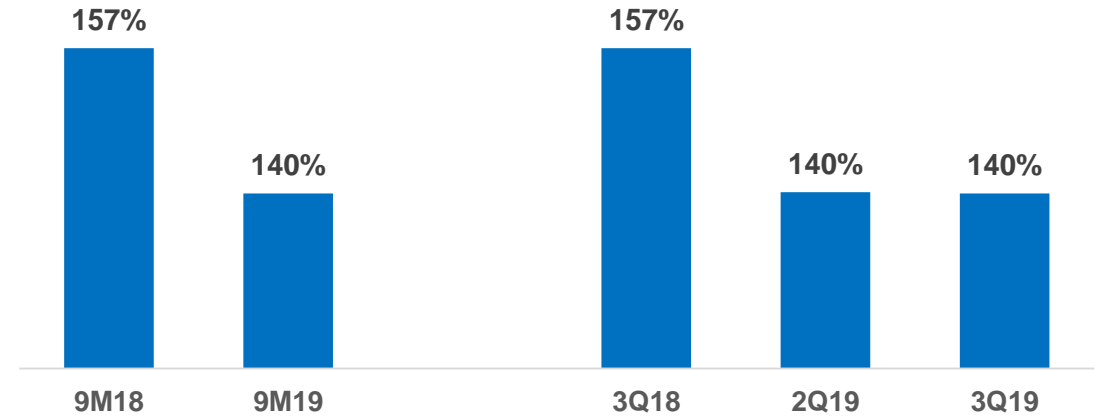
## Provision & Credit Cost

THB million

■ Provision expenses  
◆ Annualized credit cost

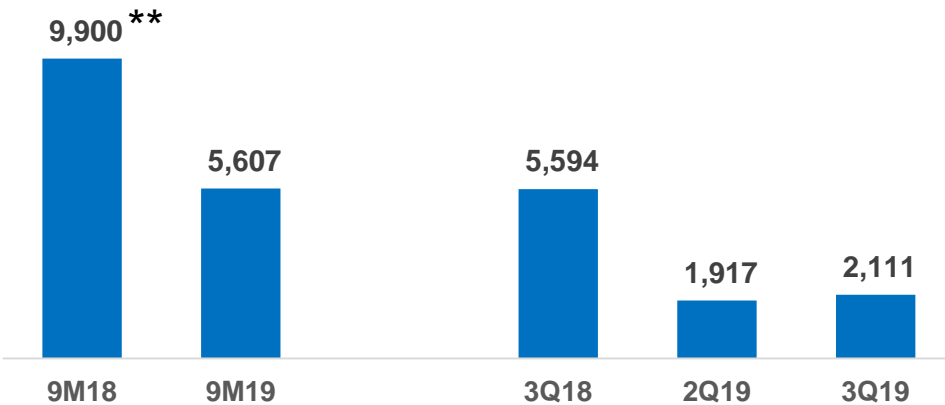


## NPL Coverage Ratio



## Net Profit to Equity Holder of the Bank

THB million



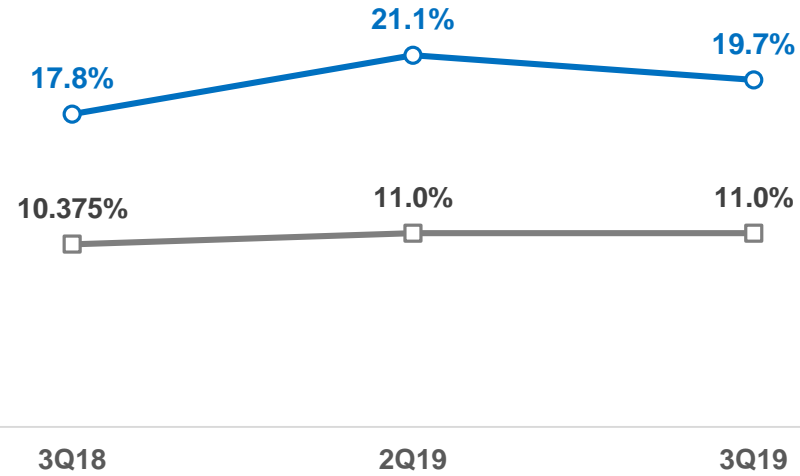
- As IFRS9 is approaching, TMB has continued to drive SM and NPL down which resulted in high provision set up
- In 9M19, TMB set aside THB7,222 million of provision, representing an annualized credit cost of 141 bps
- Coverage ratio was maintained at 140% as guidance
- Net profit was recorded at THB2,111 million, +10% QoQ

\*/ extra provisioning of THB7 bn in 3Q18    \*\*/ included one-time gain from selling TMBAM

# TMB maintained strong levels of CAR and Tier I

## Capital Adequacy Ratio (CAR)

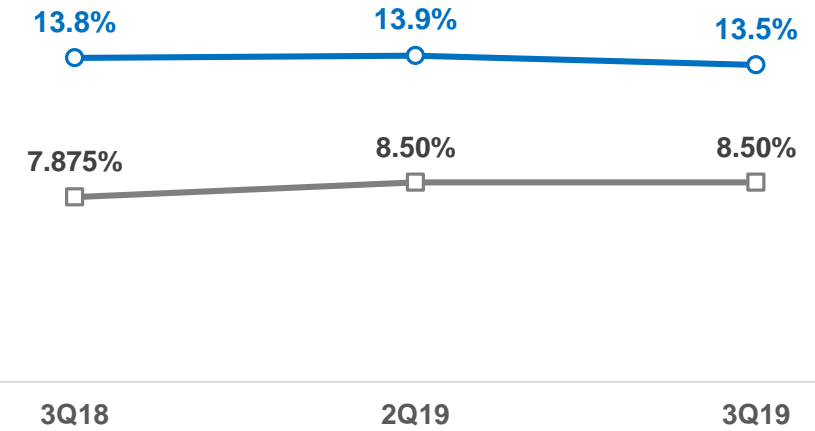
○ CAR    □ BoT's min. requirement



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 Sep-19, CAR was 19.7%
  - Tier I and Core Tier I were at 13.5%



Make **THE** Difference

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