

TMB Bank PCL.

Building the Best Transactional Bank

Investor Presentation

May 2014

Make THE Difference

- **Progress of TMB's Key Strategy: Deposit-led Strategy**
- 1Q14 Performance Update
- 2014 Outlook

TMB aspirations: to be the Leading Thai Bank, Make THE Difference to the market



To be the Leading Thai Bank with World Class Financial Solutions

Market leadership

Competitive scale (10% deposit market share)

Strong funding structure (40% transactional deposit contribution)

Main bank status (~ 20% customer market share in wholesale/SME/retail segments)

Sustained profitability

Top quartile shareholders' return (ROE > 14%)

Sustainable revenue mix:

40% contribution from consumer banking

40% contribution from SME

and ≥30% contribution from non-interest income

Customers

Top tier satisfaction/
Engagement level

Regulators

'Good' Rating

Employees

Employer of Choice
For Financial Service and
Top tier engagement level

Deposit-led strategy: 5 Strategic intents to achieve our aspirations

Has anchored on Deposit-Led Strategy, TMB developed five elements to achieve the target...

... while managing cost of deposits to be in line with leading peers

... in every part of the organisation through Lean Organisation and Lean Six Sigma to support strong growth of sales and servicing transaction



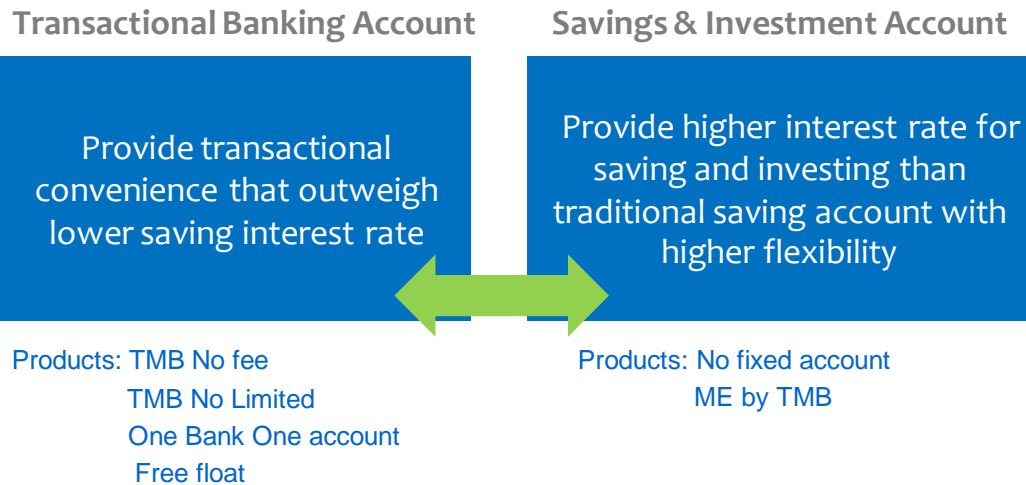
... at individual level and community level that enable the Bank to develop innovative products and services that match with customer's needs

... while managing servicing expenses down to enable the Bank to have better liquidity management, better risk management and lower cost of deposit

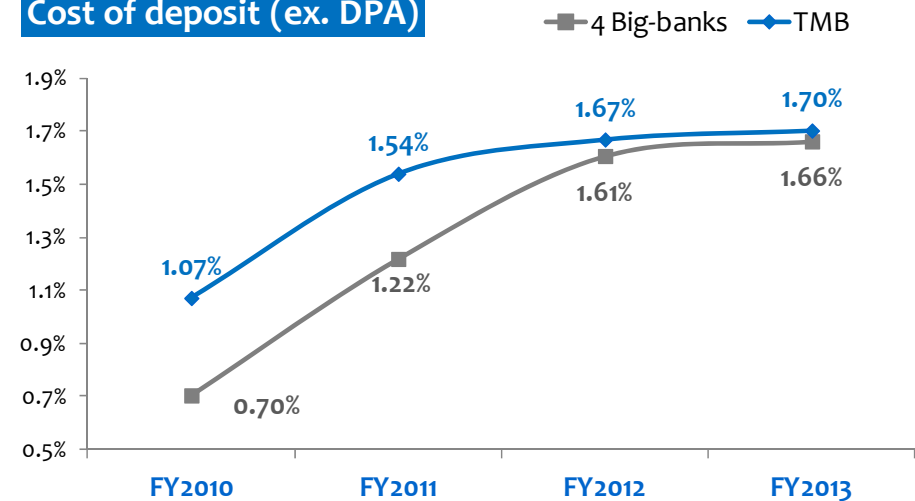


... by focusing more on better risk adjusted return segments as well as achieve level of profit expected by investors

Deposit-led strategy: Crystallized to transactional excellence and resulted in lower funding cost with more stability



Cost of deposit (ex. DPA)



- TMB has maintained our stand to have clear deposit product positioning:
 - Best-in-class transactional accounts
 - Attractive return for saving purpose deposits

- The bank's success reflects in our enlarged active customer base over the past 3 years, especially in retail (+over 50%) and small enterprise (+ around 45%) segments which significantly strengthens stability of TMB deposit base and enhances cross-selling opportunity

- Importantly, development of TMB transactional accounts led to strategic interest rate reduction of CASA in 2012 which has allowed TMB to match deposit cost with the largest peers

AGENDA

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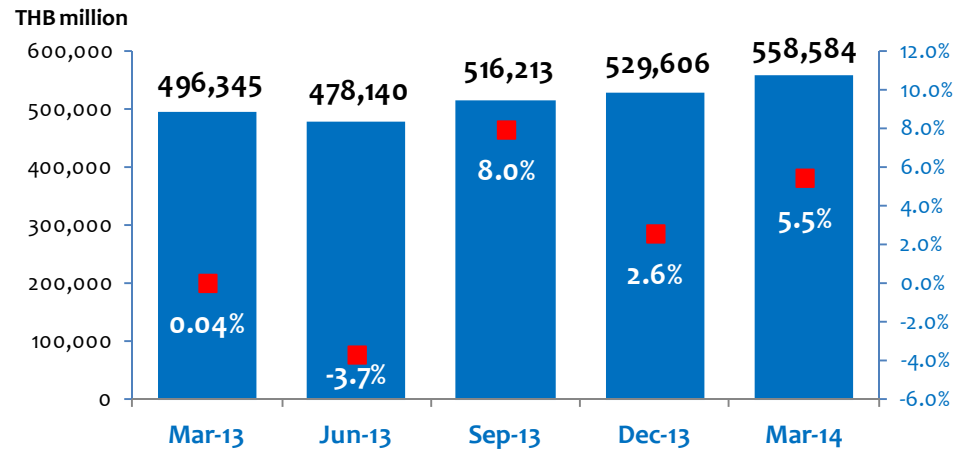
Deposits up 5.5% from retail deposit base



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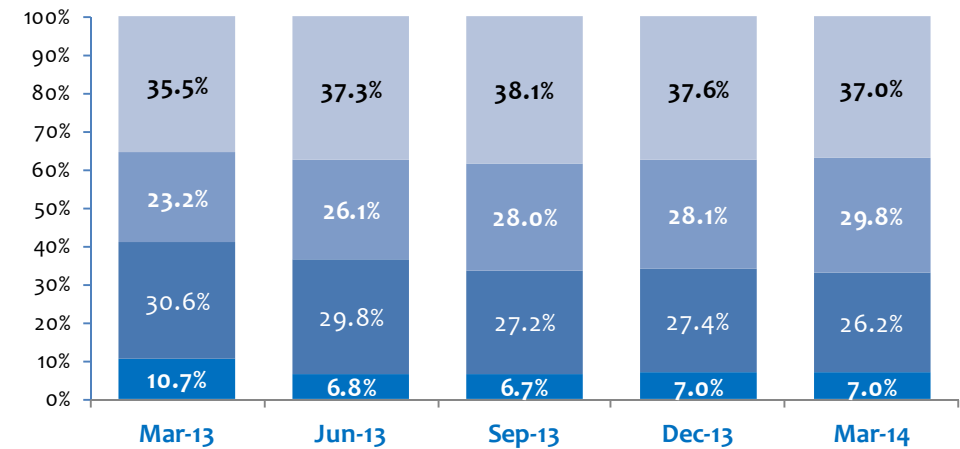
Deposit and deposit growth

■ Total deposit (LHS) ■ Deposit growth (RHS)



Deposit mix

■ Current ■ Saving ■ No Fixed & ME ■ Fixed



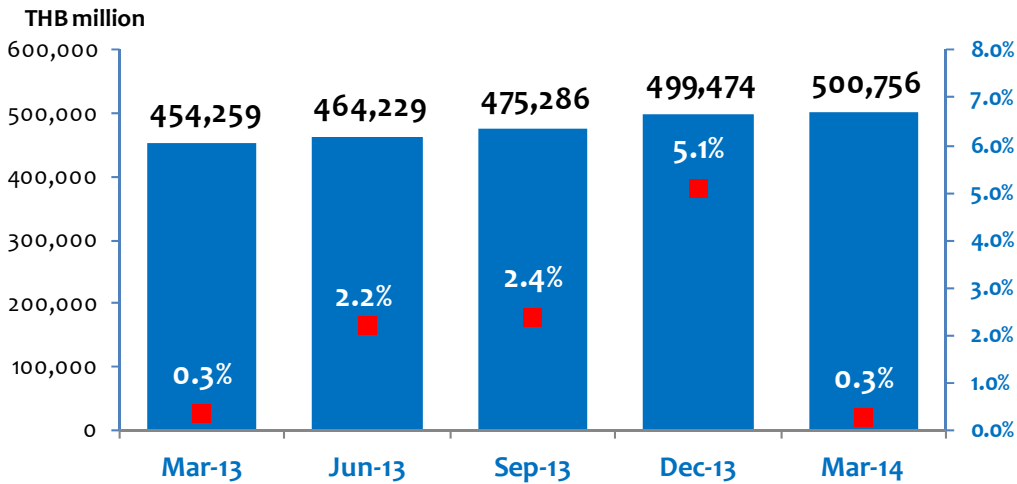
- Gross deposit of THB559 bn represented 5.5% growth from Dec 13, driven mainly by retail accounts especially NO-FIXED, and ME
- This quarter, the decline in CASA ratio was largely from volume growth of No-fixed and ME. Nevertheless, transactional accounts remained on track with 142.8%YoY and 22.2%QoQ growth of One Bank One Account, (launched in Jun-12) and Free Flow Daily Account, (launched in Sep-12)
- TMB continues to place our focus on deposit base, especially transactional accounts, in order to ensure deposit stability, and ultimately increase active customer base

Rising economic concerns affected loan growth

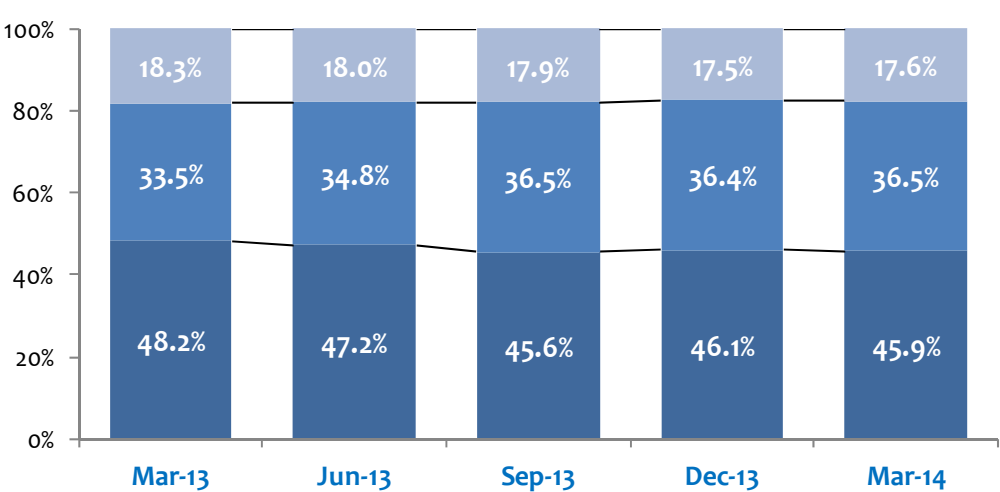


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Total loans and loan growth



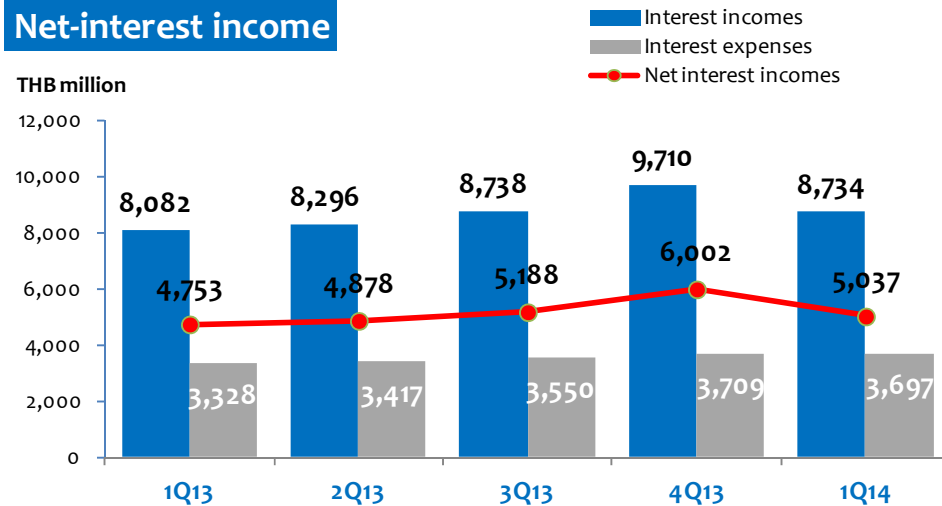
Performing Loan Breakdown



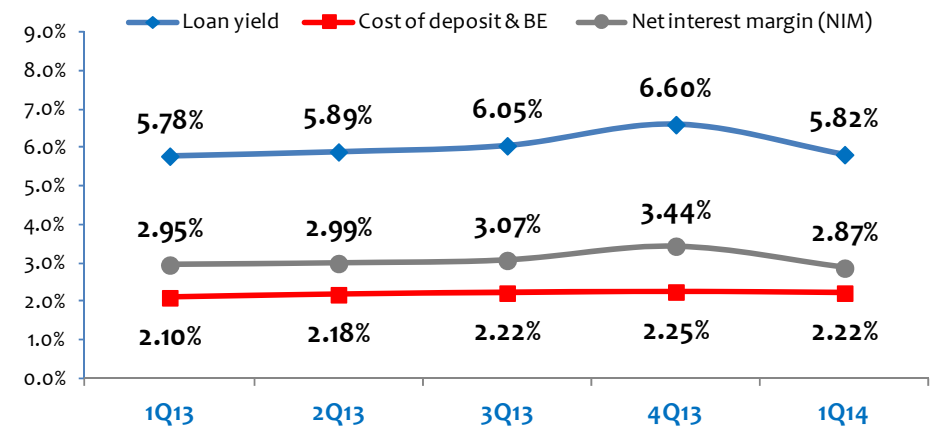
- Political uncertainties raised concerns over economic conditions, hence, TMB has taken a cautious step in growing loan
- Consolidated gross loan and performing loan grew 0.3% YTD (10.3% YoY) and recorded at THB501 bn as of Mar-14
- Driver of loan growth this year has shifted slightly to medium size SME and mid size corporate. Small Enterprise loan (SE) will be growing from existing customers

Flat loan growth put pressure on NII and NIM

Net-interest income



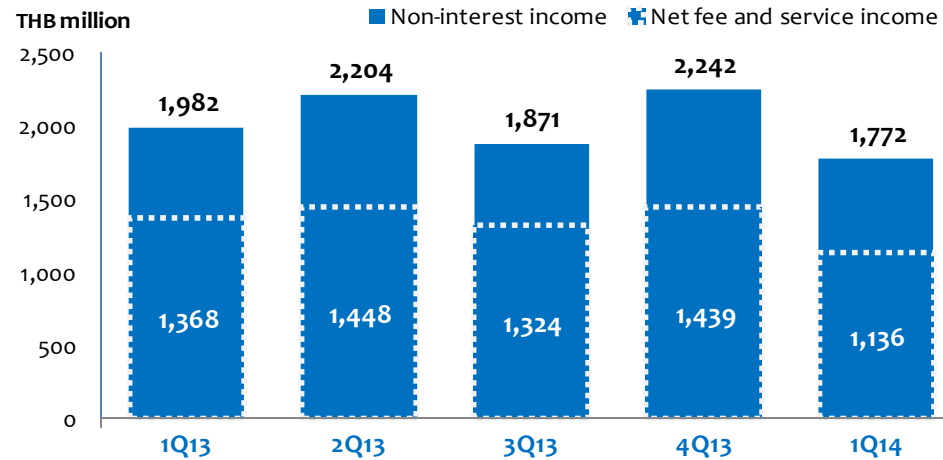
NIM, Deposit&BE cost and Loan yield



- NII grew by 6.0%YoY, thanks to performing loan growth and higher average loan yield YoY. NIM was slightly down
- On QoQ basis, reduction of NII and NIM was due mainly the following reasons:
 - A significant amount of interest from debt restructure booked in 4Q13
 - A faster growth in deposit than loan
 - Market rate cut which partly impact loan yield
- If excluding THB552 of interest income from loan restructure, NIM would be at 3.12% in 4Q13, compared to 2.87% in 1Q14.

Non-NII softened from lower fee & service income

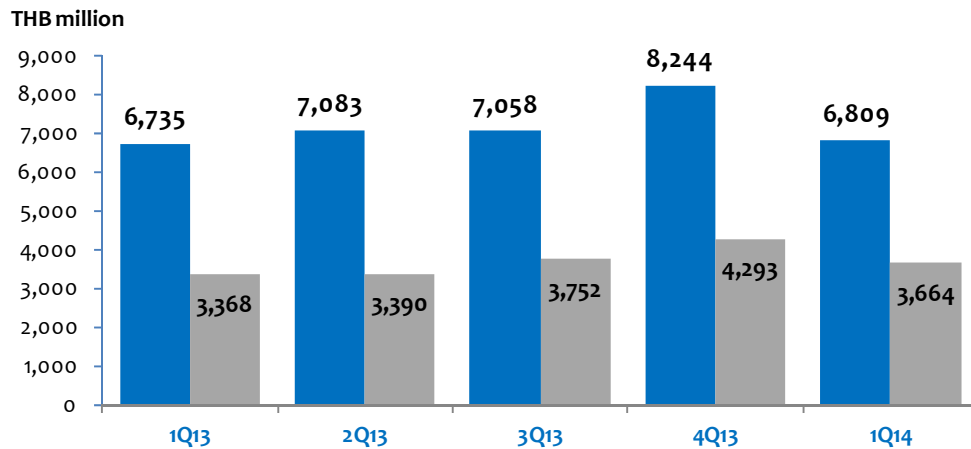
Non-interest income (ex. gain on sale of assets)



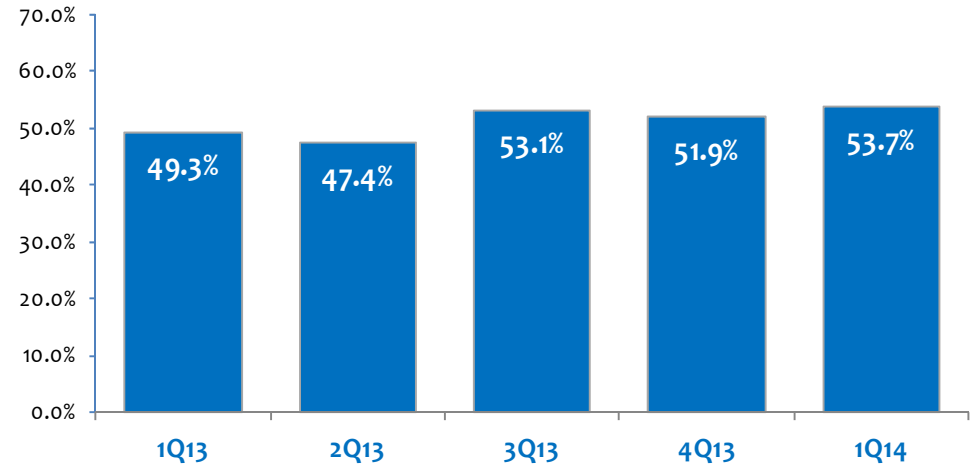
- In 1Q14, non-interest income (ex. gain on sale of asset) decreased 10.6%YoY and 20.9%QoQ
- The YoY drop was mainly due to a decline in mutual fund fee from unfavorable market and loan-related fee from less new limit set up. The QoQ drop was due largely to a slowdown in loan-related fee, bancassurance and the absence of fee from debt restructure booked in 4Q13
- In the remaining quarters, non-NII will be the focus to improve from systematic cross selling

Maintain the target to improve cost to income

Operating income and expenses ■ Operating income ■ Operating expenses



Operating cost to income ratio



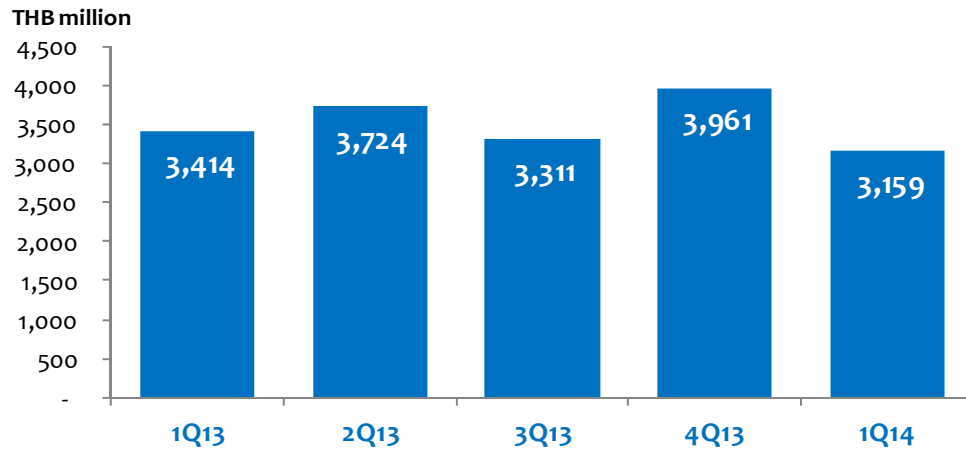
- As revenue was affected by lower business activities in the first quarter, cost to income rose to 53.7% in 1Q14
- TMB is targeting to improve cost to income to 50%
- The improvement of C/I will be from revenue enhancement together with efficiency enhancement

Note: *Operating income excludes gain on sale of assets

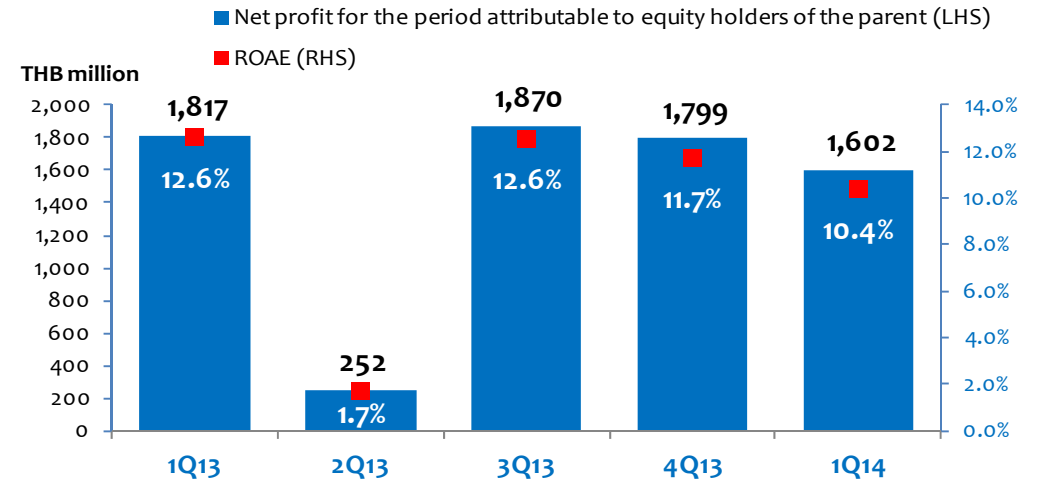
**Operating costs exclude loss on impairment of properties foreclosed, provisions of obligation on transfers of NPA and provisions for other liabilities

Profit slowed down

Pre-Provision Operating Profit



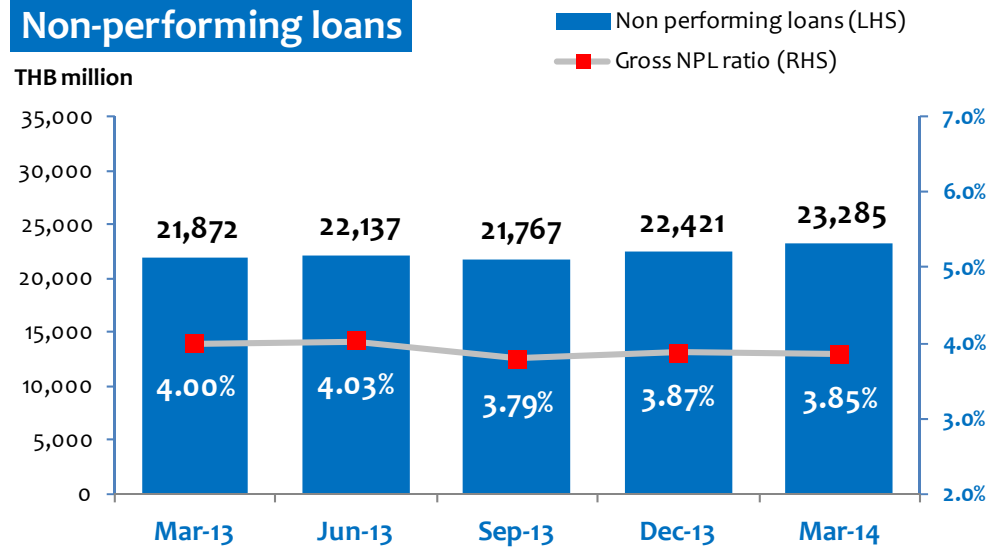
Consolidated net profit and ROAE



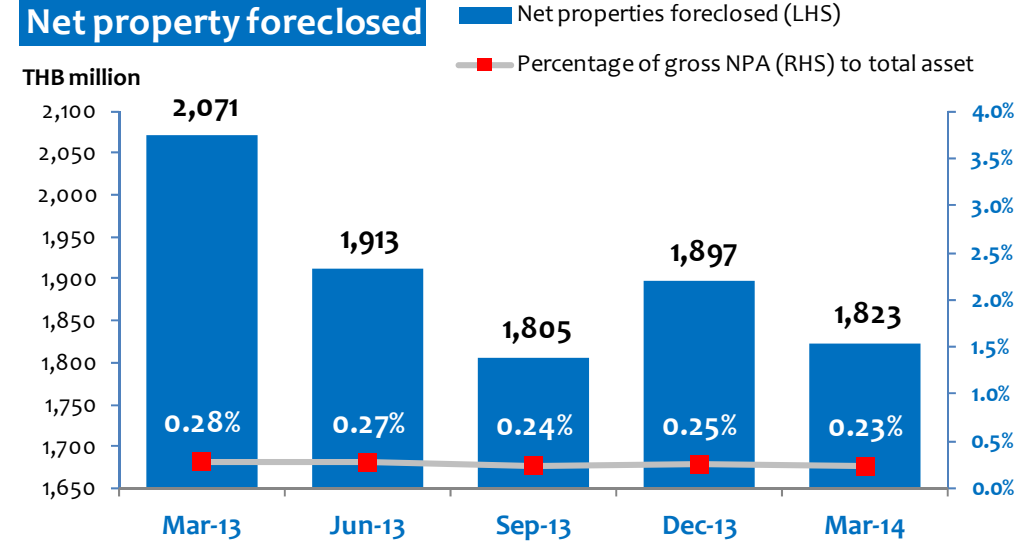
- TMB recorded THB3,159 mn of PPOP in 1Q14
- Apart from unfavorable economic circumstances, a decline QoQ was mainly because of the recognition of THB675 million of interest and fee from a successful restructured debt in 4Q13
- With the provision of THB1,161 mn, 1Q14 net profit booked at THB1,602 mn and represented the ROE of 10.4%

Asset quality was well maintained

Non-performing loans



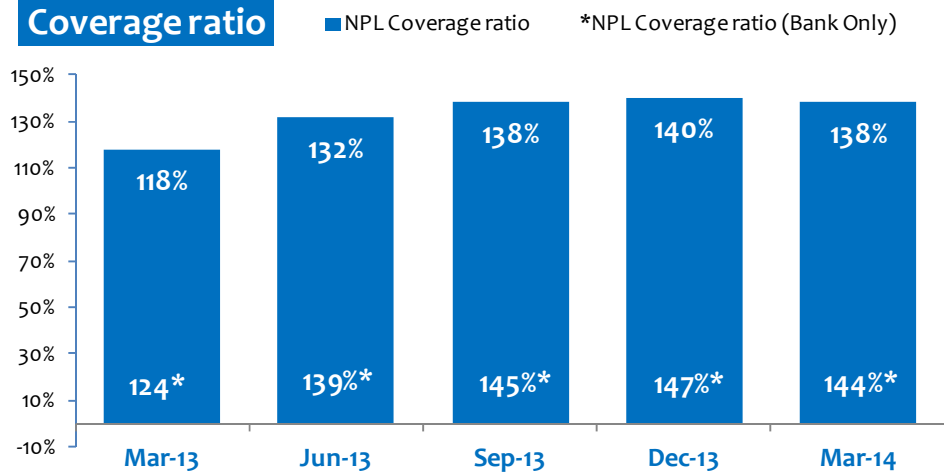
Net property foreclosed



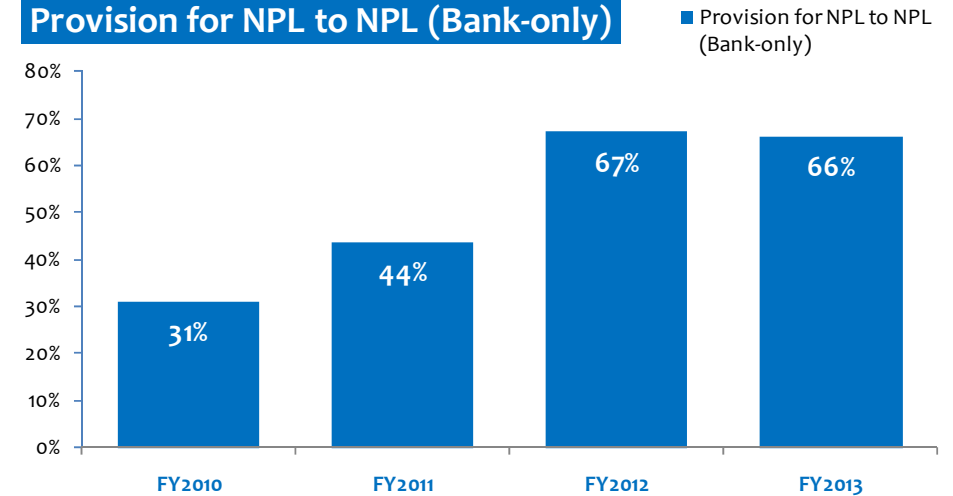
- Consolidated NPL amount rose by 3.8% from Dec-13, which lower than industry average
- NPL ratio dropped slightly to 3.85% from 3.87%
- Several action plans have been implemented to control NPLs;
 - Underwriting Criteria Adjustments
 - Improvement of Collection Process as well as setting up preventive NPL management team
 - Modification of Early Warning Process and Criteria
- NPA was on a downward trend as planned, at 0.23% of total assets as of Mar-14

Downside risk has been limited

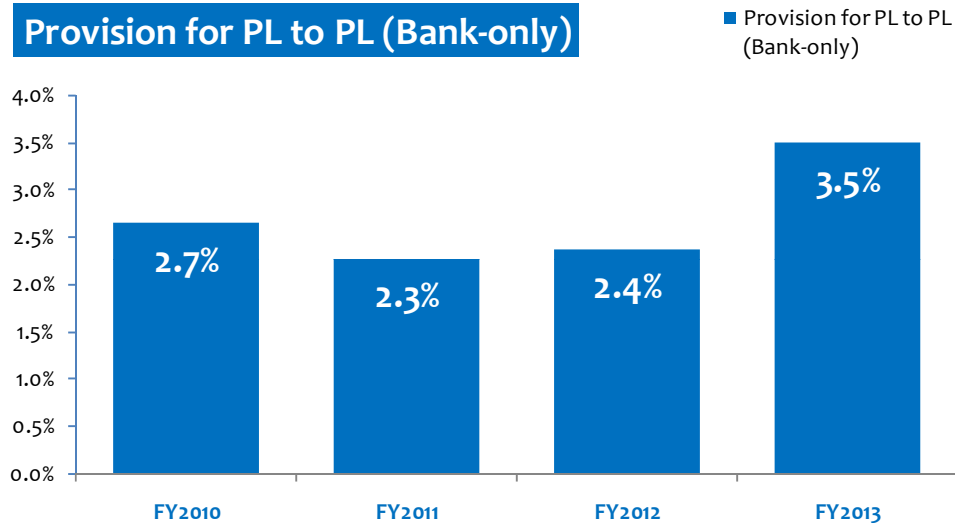
Coverage ratio



Provision for NPL to NPL (Bank-only)



Provision for PL to PL (Bank-only)



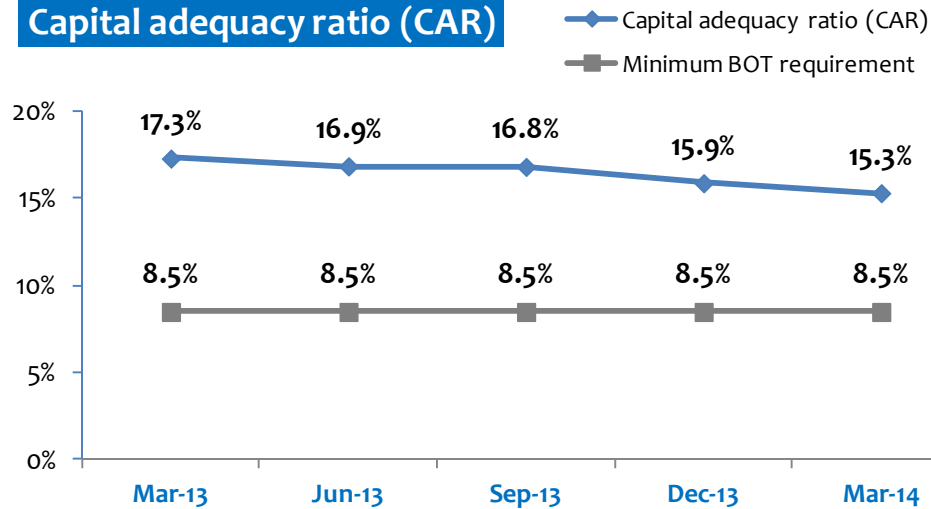
- Coverage ratio was largely stable at 138%, which remained higher than industry average level
- TMB will continue to maintain coverage ratio at strong level

Maintaining strong capital base under BASEL III

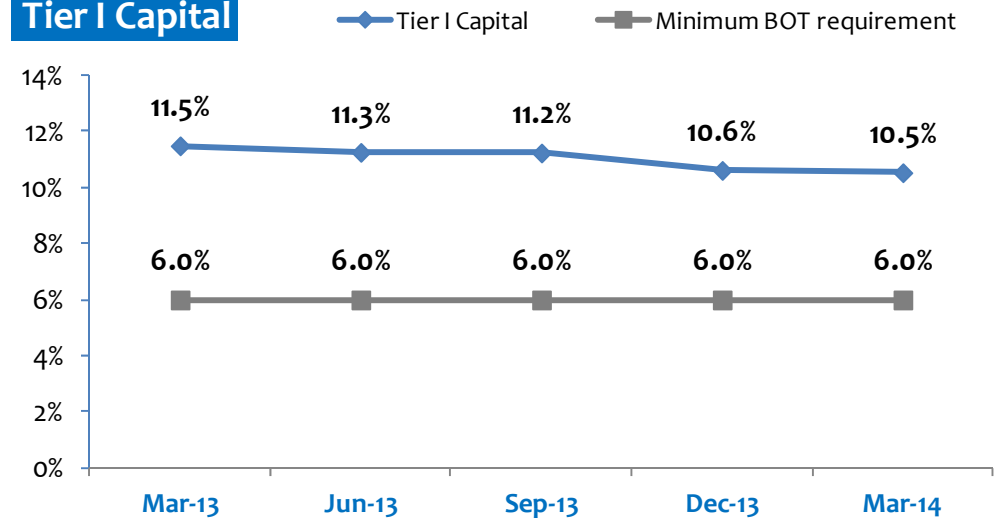


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Capital adequacy ratio (CAR)



Tier I Capital



- TMB continued to maintain capital base at high level under Basel III requirement
- As of Mar-14, the Capital Adequacy Ratio (CAR) and Tier I Capital were reported at 15.3% and 10.5%, respectively
- TMB aims to maintain coverage ratio and capital base at strong level

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Acquisition of quality deposit customer

- Continue to grow transactional deposits

Deepening share of wallet

- Increase cross selling from customers acquired during the past years

Risk Management

- Control NPL formation and reduce legacy NPL

Lean Six Sigma

- Further improve CI ratio



Amid turbulence, TMB has shaped up and focus for long term profit, rather than short term



Make THE Difference

Acquisition of quality deposit customer

- Build transactional banking excellence
- Continue to develop products and service that Make THE Difference
- Customers are offered products and service that add real value to their life style and behaviour

Deepening share of wallet

- Continue implementation of propensity to buy model
- Focus on cross selling through multiple channels on the deposit customer we have acquired
- Strengthen branded customer experience at all touch points

Risk Management

- Tightening underwriting criteria
- Continue to improve early warning process and criteria
- Focus more on regular customer visits
- Stepped up NPL preventive activities and improve collection process

Lean Six Sigma

- Continue lean initiatives and build in as part of bonus determination
- Continue to improve bank-wide process and efficiency
- Release and redeploy employees to reduce cost from new hiring

Thank You.

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