



# **Management Discussion and Analysis**

**For the 2<sup>nd</sup> quarter and 6-month period ended 30 June 2018  
(Unaudited financial statements)**

## **TMB Bank Public Company Limited**

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# Management Discussion and Analysis

## Executive summary: Economic review & outlook

**Thai economy in 2Q18:** Thai economy continued to show positive signs from merchandise export boost, which were driven by global trade recovery and oil price escalation. Consequently, the export value grew substantially by 11.6% in the first five months of this year. Likewise, domestic demand, both private consumption and investment, expanded persistently, in tandem with continually improving consumer and business sentiment, accompanied by growth in public investment which resembled the growth rate from the previous quarter. However, tourism sector decelerated slightly due to seasonal factors, which were partly contributed by the Ramadan month of Muslim tourists as well as travelling slowdown ahead of World Cup. As a result, Thai economy is forecasted to expand by 4.3%, reduced from 4.8% growth rate in the first quarter.

**Financial market & banking industry:** The policy rate was held at 1.50% to accommodate continually strong economic expansion, albeit the gradual build-up of inflationary pressure. Thai baht was averaged at 31.96 THB/USD, depreciated by 1.3% from 31.54 THB/USD in the first quarter of 2018, which caused by strong dollar appreciation due to the concerns about tightening monetary policy by the Federal Reserve accompanied by trade war tension between the US and its trading partners. Consequently, foreign capital flew out of Thai equity market in the second quarter of this year. At the end of May 2018, total loan growth from commercial banks accelerated to 5.3% compared to the same period last year (YoY) and increased by 1.7% from the end of year 2017 (YTD). Speeding up of loan growth was contributed by auto loan and SMEs loan, which reflected continual recovery of private demand. Deposits expanded at 5.5% YoY or 2.1% YTD. This was due to high growth of saving deposit.

**Economic outlook for 2H18:** TMB Analytics expects Thai economy to grow robustly from every economic engine especially the promising outlook for exports in several product types and almost every market. Accordingly, 2018 Thai merchandise exports is anticipated to grow by 8.6%, while number of international tourist arrivals is forecasted to be 8% higher from last year or reach 38.5 million people. Other economic growth contributors are also expected to perform better especially private investment as reflected from higher capital utilization rate in many industries as well as robust growth of capital goods imports, assisted by more concrete infrastructure investment projects to support Eastern Economic Corridor (EEC) which will elevate business confidence and improve investment environment. Similarly, private consumption shows a more vigorous expansion trajectory due to rising durable consumption. Regarding financial market, Thai policy rate is expected to increase to 1.75% at the end of year 2018, consistent with overall economic conditions and gradual rise in inflation. Thai baht volatility will increase as a result of foreign fund outflows from the region, which stem from concerns over the effect of US trade protectionism on global trade outlook. Thai baht is forecasted to move in the range of 32.0-33.5 baht per US dollar. Moreover, better commercial bank performance will be backed by growth in retail and SMEs loans, benefitting from upward trend of private consumption as well as overall economic expansion. Outlook of credit quality also improves.

Research by **TMB Analytics**  
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## Summary of TMB's operating performance

**TMB has continued to acquire quality deposit and loan through its flagship products. Retail segment remained a key driver for deposit and loan growth amid a slow recovery of small SMEs. Due to Non-NII and well-managed operating cost, PPOP was recorded at THB9,980 million, +1.0% YoY. Asset quality has showed stabilized trend. The Bank, however, increased its provision to maintain its coverage ratio and to accommodate proactive NPL Write-off. As a result, coverage ratio was maintained at 140% while NPL ratio reduced to 2.37%. This reflected TMB's prudent management.**

**3.4% growth of deposit was driven by retail flagship products:** Deposit expanded by 3.4% YTD or THB20.7 billion to THB632 billion as of June 2018. The growth was led by retail flagship products. No-Fixed and ME, non-transactional deposit, grew by 11.6% and 8.9% YTD, respectively. All Free, retail transactional product, continued to grow and registered a growth of 3.2% YTD. The Bank also aims to expand transactional deposit from small SMEs through SME One Bank product and saw a positive trend of new acquisition.

**Loan expanded 1.6% led by retail mortgage:** Performing loan increased by 1.6% YTD or THB10.0 billion to THB636 billion. Key driver was a 7.1% growth from retail segment as mortgage loan maintained on positive momentum (+8.9% YTD). Large corporate segment also contributed its growth by +3.1% YTD. SMEs, on the other hand, dropped by 5.4% YTD, dragged down by medium-sized SMEs. Small SMEs was slowly recovering (+0.2% YTD) as the Bank selectively resumed growth to ensure quality of lending.

**6.6% growth of Non-NII helped boost total income:** NII declined 1.8% YoY to THB12,130 million as NIM dropped 19bps to 3.01% in 1H18. The reduction in NIM was due mainly to a lower loan yield as loan mix has shifted toward mortgage and large corporate loan. Meanwhile, Non-NII expanded by 6.6% YoY to THB6,447 million. A 7.0% growth in net fee and service income essentially came from a growth of retail fees and commercial fees. Total operating income, therefore, rose slightly by 0.9% YoY to THB18,576 million in 1H18.

**With Non-NII growth and operating efficiency, PPOP rose to THB9,980 million:** Operating expenses was well-managed and in line with business expansion, reflected by a stable cost-to-income ratio of 46%. As a result, TMB recorded pre-provision operating profit or PPOP of THB9,980 million, +1.0% YoY.

**Increase in provision was for prudent NPL management:** TMB has emphasized on prudent NPL management. The Bank aims to maintain high coverage ratio and ensure quality of balance sheet. The Bank, therefore, has continued to proactively resolve NPLs through write-off as natural resolution remained slow. In 1H18, the Bank set aside THB4,685 million of provision (+3.6% YoY) and further wrote off NPLs by THB4.6 billion. As result, coverage ratio stayed relatively stable at 140% while NPL ratio was at 2.37%.

After provision, TMB reported THB4,306 million of net profit. The figure declined by 2.7% YoY and represented a return on equity (ROE) of 9.5%

## Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income (Consolidated)

(THB million)	2Q18	1Q18	% QoQ	2Q17	% YoY	1H18	1H17	% YoY
Interest income	8,700	8,545	1.8%	8,687	0.1%	17,245	17,247	0.0%
Interest expenses	2,600	2,515	3.4%	2,489	4.5%	5,115	4,890	4.6%
<b>Net interest income</b>	<b>6,100</b>	<b>6,030</b>	<b>1.2%</b>	<b>6,198</b>	<b>-1.6%</b>	<b>12,130</b>	<b>12,357</b>	<b>-1.8%</b>
Fees and service income	3,341	3,614	-7.6%	3,506	-4.7%	6,956	6,169	12.7%
Fees and service expenses	881	874	0.8%	679	29.8%	1,755	1,309	34.1%
<b>Net fees and service income</b>	<b>2,460</b>	<b>2,741</b>	<b>-10.2%</b>	<b>2,827</b>	<b>-13.0%</b>	<b>5,201</b>	<b>4,861</b>	<b>7.0%</b>
Other operating income	634	612	3.5%	482	31.5%	1,246	1,187	5.0%
<b>Non-interest income</b>	<b>3,094</b>	<b>3,353</b>	<b>-7.7%</b>	<b>3,309</b>	<b>-6.5%</b>	<b>6,447</b>	<b>6,048</b>	<b>6.6%</b>
<b>Total operating income</b>	<b>9,194</b>	<b>9,383</b>	<b>-2.0%</b>	<b>9,507</b>	<b>-3.3%</b>	<b>18,576</b>	<b>18,405</b>	<b>0.9%</b>
<b>Total other operating expenses</b>	<b>4,294</b>	<b>4,265</b>	<b>0.7%</b>	<b>4,365</b>	<b>-1.6%</b>	<b>8,559</b>	<b>8,469</b>	<b>1.1%</b>
Impairment loss on loans and debt securities	2,380	2,305	3.3%	2,282	4.3%	4,685	4,523	3.6%
<b>Profit before income tax expense</b>	<b>2,519</b>	<b>2,813</b>	<b>-10.5%</b>	<b>2,860</b>	<b>-11.9%</b>	<b>5,333</b>	<b>5,413</b>	<b>-1.5%</b>
Income tax expense	493	534	-7.6%	518	-4.8%	1,027	965	6.4%
<b>Profit for the period</b>	<b>2,026</b>	<b>2,280</b>	<b>-11.1%</b>	<b>2,343</b>	<b>-13.5%</b>	<b>4,306</b>	<b>4,448</b>	<b>-3.2%</b>
<b>Profit to non-controlling interest of subsidiaries</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>13</b>	<b>-100.0%</b>	<b>0</b>	<b>22</b>	<b>-100.0%</b>
<b>Profit to equity holders of the Bank</b>	<b>2,026</b>	<b>2,280</b>	<b>-11.1%</b>	<b>2,330</b>	<b>-13.0%</b>	<b>4,306</b>	<b>4,426</b>	<b>-2.7%</b>
Other comprehensive income	(22)	(11)	N/A	103	-121.5%	(33)	212	-115.6%
<b>Total comprehensive income</b>	<b>2,004</b>	<b>2,269</b>	<b>-11.7%</b>	<b>2,446</b>	<b>-18.1%</b>	<b>4,273</b>	<b>4,660</b>	<b>-8.3%</b>
<b>Basic earnings per share (THB/share)</b>	<b>0.0462</b>	<b>0.0520</b>	<b>-11.2%</b>	<b>0.0531</b>	<b>-13.0%</b>	<b>0.0982</b>	<b>0.1010</b>	<b>-2.8%</b>

Note: Consolidated financial statement

### Net interest income (NII) and Net interest margin (NIM)

For the 2<sup>nd</sup> quarter of 2018: TMB recorded THB6,100 million of net interest income (NII) in 2Q18, an increase of 1.2% compared to previous quarter (QoQ) but a 1.6% decrease from the same period last year (YoY). Details are as follows:

- Interest income grew by 1.8% QoQ and was flat YoY to THB8,700 million. The increase in QoQ was from higher yield on earning asset together with higher loan volume.
- Interest expenses rose by 3.4% QoQ and 4.5% YoY to THB2,600 million, resulted from higher funding cost and higher deposit volume.

For the first half of 2018: TMB reported NII of THB12,130 million, a decrease of 1.8% from the same period last year, a result of higher interest expense as non-transactional deposit expanded well. Details are as follows:

- Interest income of THB17,245 million was relatively stable when compared with THB17,247 million in 1H17.
- Interest expenses rose by 4.6% YoY to THB5,115 million, resulting from higher funding cost and deposit expansion. The increase in funding cost was essentially come from higher growth in non-transactional deposit volume.

NIM stood at 3.01% both 2Q18 and 1H18

NIM stayed flat 3.01% QoQ in 2Q18. For 1H18, NIM dropped 19 bps YoY to 3.01% from 3.19% in 1H17 from strong growth in mortgage and large corporate loans which resulted in lower yield on earning asset while funding cost was higher from deposit expansion in non-transactional deposit.

**Figure 2: Net interest income (NII)**

(THB million)	2Q18	1Q18	% QoQ	2Q17	% YoY	1H18	1H17	% YoY
<b>Interest income</b>	<b>8,700</b>	<b>8,545</b>	<b>1.8%</b>	<b>8,687</b>	<b>0.1%</b>	<b>17,245</b>	<b>17,247</b>	<b>0.0%</b>
Interest on interbank and money market items	440	443	-0.9%	421	4.5%	883	842	4.8%
Investments and trading transactions	12	4	183.3%	32	57.7%	16	47	66.7%
Investments in debt securities	258	288	-10.2%	326	-20.8%	546	635	-14.0%
Interest on loans	7,989	7,806	2.3%	7,899	1.1%	15,795	15,697	0.6%
Others	2	3	-45.3%	10	-80.8%	5	26	-81.0%
<b>Interest expenses</b>	<b>2,600</b>	<b>2,515</b>	<b>3.4%</b>	<b>2,489</b>	<b>4.5%</b>	<b>5,115</b>	<b>4,890</b>	<b>4.6%</b>
Interest on deposits	1,384	1,306	6.0%	1,241	11.4%	2,689	2,392	12.4%
Interest on interbank and money market items	139	181	-22.9%	175	-20.4%	320	336	-4.8%
Contributions to the Deposit Protection Agency	742	721	2.9%	712	4.3%	1,463	1,408	4.0%
Interest on debt issued and borrowings	308	297	3.8%	356	-13.5%	605	743	-18.6%
Borrowing fee	4	5	-22.1%	5	-29.0%	8	10	-18.9%
Others	24	6	313.4%	0	N/A	30	1	N/A
<b>Net interest income (NII)</b>	<b>6,100</b>	<b>6,030</b>	<b>1.2%</b>	<b>6,198</b>	<b>-1.6%</b>	<b>12,130</b>	<b>12,357</b>	<b>-1.8%</b>

Note: Consolidated financial statements

Net fees and service income slowdown QoQ but rose 6.6% in 1H18

### Non-interest income (Non-NII)

**For the 2<sup>nd</sup> quarter of 2018:** The Bank posted THB3,094 million of non-interest income in 2Q18, a decrease of 7.7% QoQ and 6.5% YoY respectively. Details were as follows;

- Net fees and service income was reported at THB2,460 million which declined by 10.2% QoQ and 13.0% YoY. The QoQ decrease was due to lower fee in mutual fund, resulted from global market volatility. While YoY reduction was primarily due to retroactive recognition of access fee in bancassurance fee and a drop in mutual fund fee.
- Gain on trading and FX transaction was THB352 million, dropped by 22.7% QoQ but grew by 80.0% YoY. Key driver was a rise in trading and FX transactions which related to trade finance business.

**For the first half of 2018:** Non-interest income grew by 6.6%YoY to THB6,447 million from THB6,048 million in the same period last year, largely supported by an increase in net fees and service income and gain on trading and FX transactions. Key items were as follows;

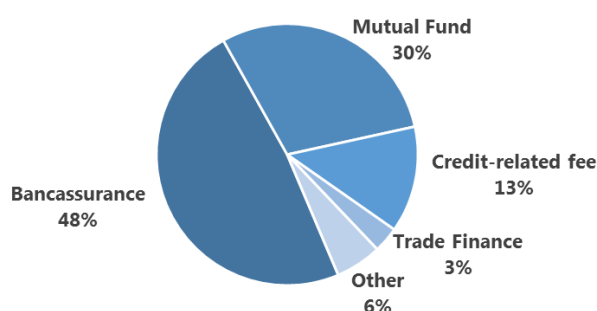
- Net fees and service income was THB5,201 million, rose by 7.0% YoY, mainly attributed to growth in retail fees from bancassurance and mutual fund sales. Commercial fee showed a recovery sign when compared with the same period last year.
- Gain on trading and foreign exchange transactions was THB807 million, increased by 38.4% YoY.

**Figure 3: Non-interest income (Non-NII)**

(THB million)	2Q18	1Q18	% QoQ	2Q17	% YoY	1H18	1H17	% YoY
<b>Fees and service income</b>	<b>3,341</b>	<b>3,614</b>	<b>-7.6%</b>	<b>3,506</b>	<b>-4.7%</b>	<b>6,956</b>	<b>6,169</b>	<b>12.7%</b>
Acceptances, aval and guarantees	112	114	-1.9%	131	-14.5%	225	260	-13.3%
Other fee and service income	3,229	3,501	-7.8%	3,375	-4.3%	6,730	5,910	13.9%
<b>Fees and service expenses</b>	<b>881</b>	<b>874</b>	<b>0.8%</b>	<b>679</b>	<b>29.8%</b>	<b>1,755</b>	<b>1,309</b>	<b>34.1%</b>
<b>Net fees and service income</b>	<b>2,460</b>	<b>2,741</b>	<b>-10.2%</b>	<b>2,827</b>	<b>-13.0%</b>	<b>5,201</b>	<b>4,861</b>	<b>7.0%</b>
Gains (losses) on tradings and foreign exchange transactions	352	455	-22.7%	195	80.0%	807	583	38.4%
Gains (losses) on financial instrument designated at fair value	(0)	(3)	N/A	(9)	N/A	(3)	(16)	N/A
Gains (losses) on investments	97	9	942.9%	47	104.7%	106	49	118.1%
Gains on sale of assets	25	7	248.2%	98	-74.7%	32	166	-80.8%
Dividend income	15	1	1102.7%	23	-32.7%	16	26	-36.5%
Others	145	142	2.1%	128	13.8%	288	379	-24.1%
<b>Non-interest income</b>	<b>3,094</b>	<b>3,353</b>	<b>-7.7%</b>	<b>3,309</b>	<b>-6.5%</b>	<b>6,447</b>	<b>6,048</b>	<b>6.6%</b>

Note: Consolidated financial statements

**Figure 4: Net fees and service income breakdown**



Note: Bank-only financial statements

### Non-interest expenses

**For the 2<sup>nd</sup> quarter of 2018:** The Bank recorded THB4,294 million of total non-interest expenses, an increase of 0.7% QoQ but a decrease of 1.6% YoY. Key items are as follows;

- Personnel expenses were relatively stable QoQ and declined by 5.5% YoY to THB2,065 million.
- Premises and equipment expenses rose by 4.2% QoQ and 4.9% YoY to THB867 million due primarily to higher rental and maintenance expense.
- Other expenses decreased by 1.2% QoQ but increased by 3.6% YoY to THB1,044 million. The YoY increase was mainly due to higher collection expense.

**For the first half of 2018:** Total non-interest expenses increased by 1.1% YoY to THB8,559 million due partly to well-managed funding cost. Key factors are;

- Personnel expenses dropped by 2.2% YoY to THB4,134 million.
- Premises and equipment expenses increased by 3.5% YoY to THB1,699 million, mainly from maintenance expense.
- Other expenses increased by 6.0% YoY to THB2,101 million which largely came from higher IT outsource from growing business volume and computer software expenses.

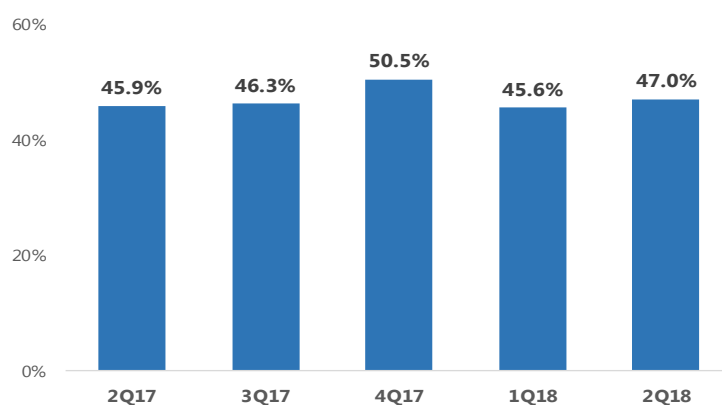
**Figure 5: Non-interest expenses**

(THB million)	2Q18	1Q18	% QoQ	2Q17	% YoY	1H18	1H17	% YoY
Employee expenses	2,065	2,069	-0.2%	2,186	-5.5%	4,134	4,226	-2.2%
Directors' remuneration	21	8	173.4%	21	-1.4%	29	29	-0.9%
Premises and equipment expenses	867	832	4.2%	826	4.9%	1,699	1,641	3.5%
Taxes and duties	314	305	2.9%	326	-3.6%	619	624	-0.8%
Loss on impairment of properties foreclosed	2	5	-51.5%	(9)	N/A	7	5	38.1%
Loss on diminution in value of other assets	25	25	1.3%	40	-37.2%	50	51	-2.5%
Provisions for other liabilities (reversal)	(44)	(36)	N/A	(33)	N/A	(80)	(88)	N/A
Other expenses	1,044	1,057	-1.2%	1,008	3.6%	2,101	1,981	6.0%
<b>Non-interest expenses</b>	<b>4,294</b>	<b>4,265</b>	<b>0.7%</b>	<b>4,365</b>	<b>-1.6%</b>	<b>8,559</b>	<b>8,469</b>	<b>1.1%</b>

Note: Consolidated financial statements

Cost to income ratio was still in line with the Bank's target

In 2Q18, cost to income ratio slightly rose to 47.0% from 45.6% in 1Q18. For 1H18, cost to income ratio stood at 46.3%, relatively stable compared with the same period last year. Overall, cost to income ratio remained in line with the Bank's target. TMB will continue to enhance operational efficiency to reduce cost to income ratio further.

**Figure 6: Cost to income ratio**

Note: Consolidated financial statements

### Operating profit and provision

**Pre-provision operating profit (PPOP):** PPOP amounted to THB4,871 million in 2Q18, which dropped by 4.7% QoQ and 5.1% YoY. PPOP for the first 6-month of 2018 was reported at THB9,980 million or grew by 0.8% YoY.

**Impairment loss on loans and debt securities:** TMB remained prudent in its operation and set aside THB2,380 million of provision in 2Q18 which rose by 3.3% QoQ and 4.3% YoY. Provision for the first 6-month of 2018, therefore, rose to THB4,685 million or increased by 3.6% YoY, compared to THB4,523 million in the same period last year. The higher provision was to maintain coverage ratio at target and to accommodate NPL write off. Coverage ratio, therefore, remained high at 140% as of 30 June 2018.

**Net profit:** After provision and tax, net profit in 2Q18 was THB2,026 million or decreased by 11.1% QoQ and 13.0% YoY. For the 6-month period, net profit was recorded at THB4,306 million which declined by 2.7% YoY when compared to the same period last year.

THB2,380 million was set for 2Q18 provision and THB4,685 million in total for 1H18

Coverage ratio remained high at 140%

## Discussion of financial position

Figure 7: Selected financial position

Unit: THB million	Jun-18	Mar-18	%QoQ	Dec-17	%YTD
Cash	12,496	13,967	-10.5%	17,872	-30.1%
Interbank and money market items, net	105,379	106,335	-0.9%	112,534	-6.4%
Derivative assets	12,866	12,005	7.2%	8,674	48.3%
Investments	62,202	51,053	21.8%	61,305	1.5%
Loans to customers (Less deferred revenue)	653,599	646,182	1.1%	643,373	1.6%
Accrued interest receivables	1,272	986	29.0%	969	31.2%
Less allowance for doubtful accounts & Revaluation allowance for debt restructuring	24,792	25,293	-2.0%	24,969	-0.7%
<b>Loans and Allowance - net</b>	<b>630,079</b>	<b>621,875</b>	<b>1.3%</b>	<b>619,373</b>	<b>1.7%</b>
Properties for sale, net	2,315	2,259	2.5%	2,214	4.6%
Premises and equipment, net	11,745	11,877	-1.1%	12,071	-2.7%
Goodwill and other intangible assets, net	2,328	2,140	8.8%	2,132	9.2%
Deferred tax assets	673	600	12.2%	683	-1.4%
Other receivables - net	1,102	1,539	-28.4%	1,690	-34.8%
Other assets	8,829	5,306	66.4%	5,325	65.8%
<b>Total Assets</b>	<b>850,015</b>	<b>828,956</b>	<b>2.5%</b>	<b>843,872</b>	<b>0.7%</b>
Deposits	632,133	623,307	1.4%	611,430	3.4%
Interbank and money market items	45,172	31,748	42.3%	60,349	-25.1%
Debts issued and borrowings, net	32,471	29,905	8.6%	33,352	-2.6%
Deferred revenue	18,250	18,618	-2.0%	18,908	-3.5%
Other liabilities	30,491	33,253	-8.3%	29,978	1.7%
<b>Total Liabilities</b>	<b>758,516</b>	<b>736,831</b>	<b>2.9%</b>	<b>754,016</b>	<b>0.6%</b>
Equity attributable to equity holders of the Bank	91,498	92,125	-0.7%	89,856	1.8%
Non-controlling interest	0	0	N/A	0	N/A
<b>Total equity</b>	<b>91,498</b>	<b>92,125</b>	<b>-0.7%</b>	<b>89,856</b>	<b>1.8%</b>
<b>Total liabilities and equity</b>	<b>850,015</b>	<b>828,956</b>	<b>2.5%</b>	<b>843,872</b>	<b>0.7%</b>
<b>Book value per share (Baht)</b>	<b>2.09</b>	<b>2.10</b>	<b>-0.7%</b>	<b>2.05</b>	<b>1.8%</b>

Note: Consolidated financial statements

### Assets

As of 30 June 2018, total assets on consolidated basis amounted to THB850,015 million. The figure marginally increased by 0.7% from THB843,872 million as of December 2017 (YTD). Key items are as follows;

- Total loan to customers (less deferred revenue) rose further from the previous quarter by 1.1% to THB653,599 million which represented a 1.6% growth YTD. (Details in the following section)
- Net interbank and money market items declined by 0.9% QoQ and 6.4% YTD to THB105,379 million, resulting from liquidity management.
- Net investments were THB62,202 million, rose by 21.8% QoQ and 1.5% YTD.

- Net properties for sale was THB2,315 million which increased by 2.5% QoQ and 4.6% YTD. (Details in the following section)

### Total loans

Total loan registered 1.6% YTD growth

**On consolidated basis:** As of 30 June 2018, TMB recorded total loans to customers (less deferred revenue) on consolidated basis of THB653,599 million, an increase of 1.1% QoQ and 1.6% from December 2017.

**On bank-only basis:** Total loans amounted to THB653,553 million which also rose by 1.1% QoQ and 1.6% YTD.

Details of total loan (bank-only) composition are as followed;

- Performing loans was recorded at THB635,908 million which grew by 1.2% QoQ and 1.6% YTD, led by retail and large corporate lending.
- Non-performing loans (NPLs) slightly decreased 1.0% QoQ but increased by 1.0% YTD to THB17,645 million.

**Figure 8: Total loan breakdown by loan type**

(THB million)	Jun-18	Mar-18	Dec-17	%QoQ	% YTD
Performing loans	635,908	628,312	625,852	1.2%	1.6%
Non-performing loans	17,645	17,822	17,473	-1.0%	1.0%
<b>Total loans to customers</b>	<b>653,553</b>	646,134	643,325	1.1%	1.6%

Note: Exclude interbank, Bank-only financial statements

### Performing loan

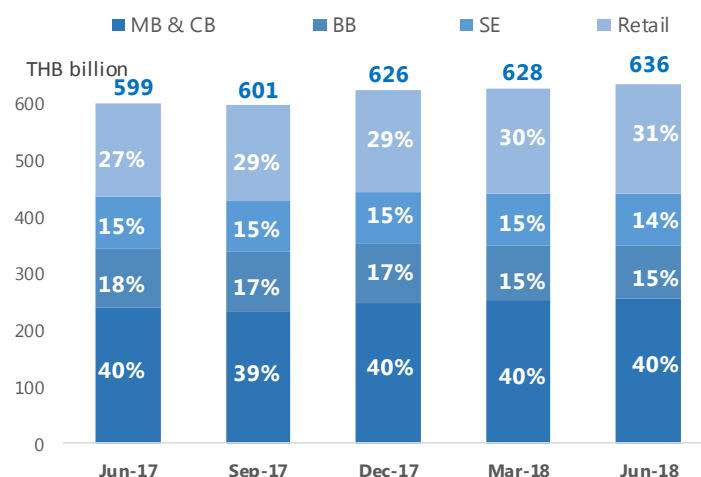
The 1.2% QoQ and 1.6% YTD growth in performing loan was mainly from retail segment especially from mortgage loan. Large corporate segment also contributed growth while small SME was slowly recovering. Details are as follows;

- Retail lending continued to grow further by 4.8% QoQ and 7.1% YTD, driven mainly by an 8.9% YTD growth in mortgage loans.
- In terms of commercial lending, Large corporate lending (MB and CB loans) rose by 1.1% QoQ and 3.1% YTD. SMEs, Medium size SME (BB) and Small SME (SE), declined by 2.1% QoQ and 5.4% YTD. Nonetheless, SE loan showed a marginal growth with 0.2% YTD.

In terms of loan breakdown by customer segment, the mix slightly changed from December 2017. As of 30 June 2018, MB and CB loan accounted for 40% of total performing loan. This followed by Medium size SME (BB) and Small SME (SE) of 29% and retail lending of 31%.

In terms of key products, 32% of performing loan was working capital (OD); followed by term-loan & RPN 26%, mortgage of 24%, Trade Finance of 12% and unsecured & credit card of 6%.

**Figure 9: Performing loan breakdown by customer segment**



Note: Bank-only financial statements

**Definition of lending customer segments are as follows:**

**1) Commercial customers**

Multi-Corporate Banking (MB): customer with annual sales volume more than THB5 billion

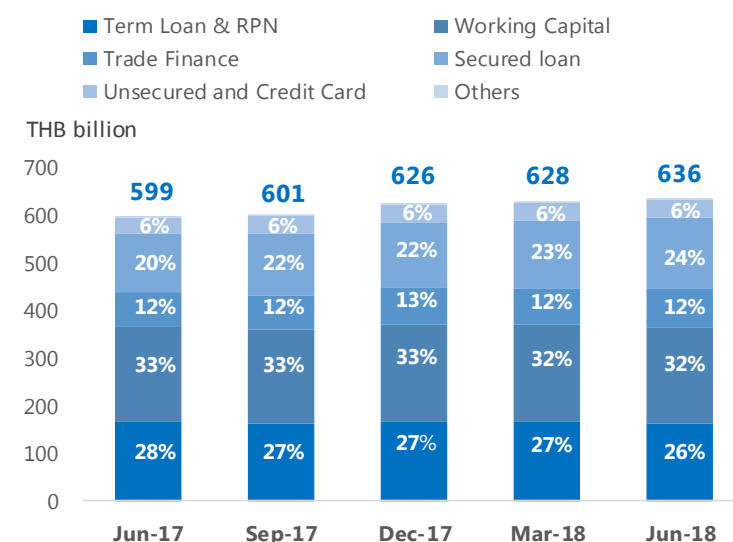
Corporate Banking (CB): customer with annual sales volume more than THB1 billion to THB5 billion

Business Banking (BB): customer with total annual sales volume more than THB100 million to 1 billion

Small Enterprise (SE): customer with annual sales volume up to THB100 million, including owner operators

**2) Retail: Individuals**

**Figure 10: Performing loan breakdown by product**



Note: Bank-only financial statements

**Asset Quality**

**Non-performing loan and NPL ratio**

Under current economic conditions, the Bank has put priority on asset quality monitoring and continued to manage NPLs with prudence.

As of 30 June 2018, non-performing loans (NPLs) on consolidated basis was reported at THB17,691 million which decreased from THB17,870 million as of March 2018 but increased from THB17,521 million as of December 2017. NPLs on bank-only basis amounted to THB17,645 million also dropped when compared with THB17,822 million as of March 2018 but rose from THB17,473 million at the end of 2017.

The Bank continued to proactively resolve NPLs through write-off as natural resolution remained slow. For the 6-month period, the Bank wrote off its NPLs by THB4.6 billion in total, with an objective to reduce future downside risks and keep balance sheet clean.

NPL ratios therefore remained relatively low. As of 30 June 2018, NPL ratio on consolidated basis was recorded at 2.37%, compared with 2.40% as of March 2018 and 2.35 at the end of 2017. Meanwhile, NPL ratio on bank-only basis stayed at 2.36%, compared with 2.39% as of 31 March 2018 and 2.34% as of 31 December 2017, respectively.

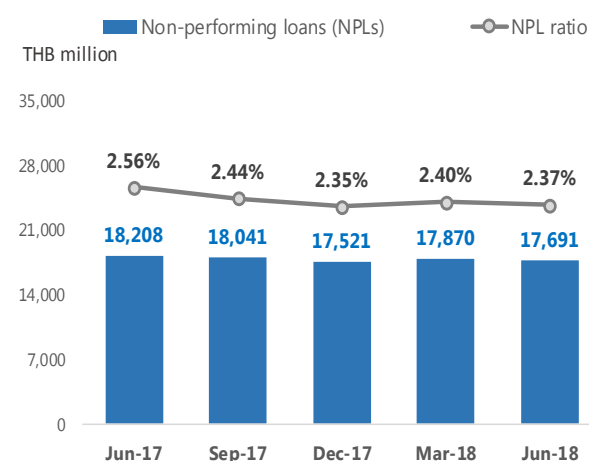
### Allowance for loan losses

As of 30 June 2018, the Bank and its subsidiaries reported the allowance for doubtful accounts and revaluation allowance for debt restructuring of THB24,792 million, which decreased by 2.0% QoQ and 0.7% YTD respectively as the Bank continued to proactively resolve NPLs through write-offs to limit future downside risks.

The ratio of allowance for loan loss to NPLs or coverage ratio was maintained at 140% on consolidated basis. The coverage ratio was still in target range and TMB consistently maintained high coverage ratio as shown in chart below.

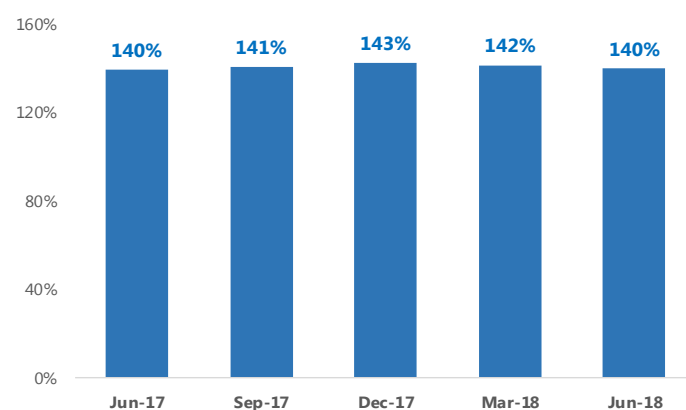
Coverage ratio remained high at 140%

**Figure 11: NPLs and NPL ratio**



NPLs - classified as substandard, doubtful, and doubtful of loss  
 Note: Consolidated financial statement

**Figure 12: Coverage ratio**

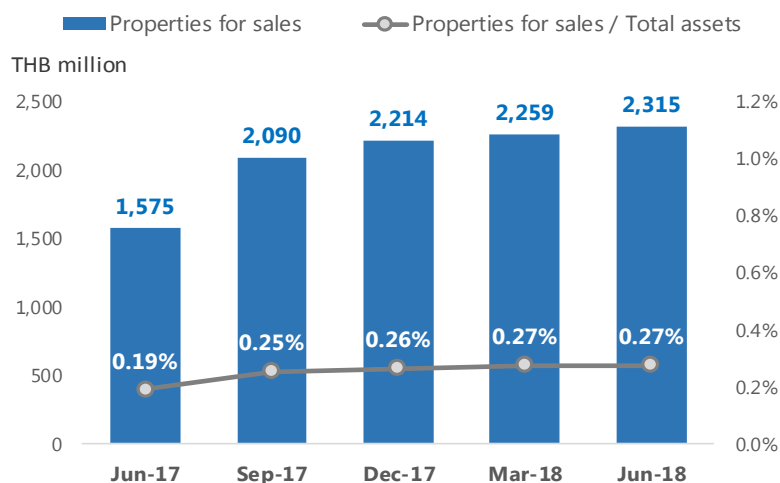


Note: Consolidated financial statement

### Properties for sales

As of 30 June 2018, net properties for sale increased by 2.5% QoQ and 4.6% YTD to THB2,315 million. The ratio of properties for sale to total assets, however, remained stable at 0.27%, compared with 0.27% as of March 2018 and 0.26% as of December 2017. The change was still in line with business plan.

**Figure 13: Properties for sales**



Note: Consolidated financial statements

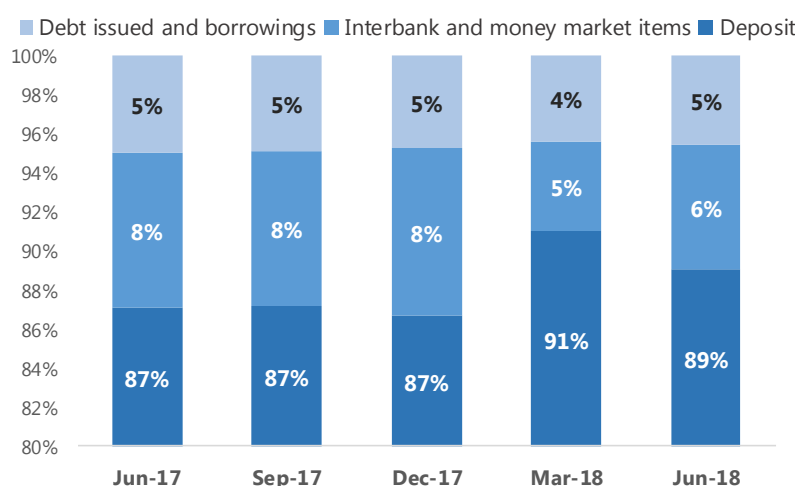
### Liabilities

As of 30 June 2018, total liabilities on consolidated basis was reported at THB758,516 million which increased by 2.9% QoQ and 0.6% YTD. Details of key figures are as follows.

- Total deposits were THB632,133 million, representing a 1.4% QoQ and 3.4% YTD growth. (see details in following section)
- Net interbank and money market item amounted to THB45,172 million which rose by 42.3% QoQ but dropped by 25.1% YTD due to liquidity management.
- Borrowings were THB32,471 million, an 8.6% increase QoQ but 2.6% decrease YTD. (see details in following section)

Deposit was the largest composition of interest-bearing liabilities. As of 30 June 2018, deposits represented 89% of interest-bearing liabilities. This followed by interbank and money market items of 6% and debt issued and borrowings of 5%.

**Figure 14: Interest-bearing liabilities breakdown**



Note: Consolidated financial statement

## Deposits

As of 30 June 2018, the Bank and its subsidiaries reported total deposits on consolidated basis of THB632,133 million which grew by 1.4% QoQ and 3.4% YTD, supported by growth in retail non-transactional deposit product. The increase was in line with Bank's strategy to acquire new customers and expand retail deposit.

### Deposit breakdown by products

The Bank has continued to build stable deposit base by growing more diversified retail deposits. Overall, the deposit has expanded as planned.

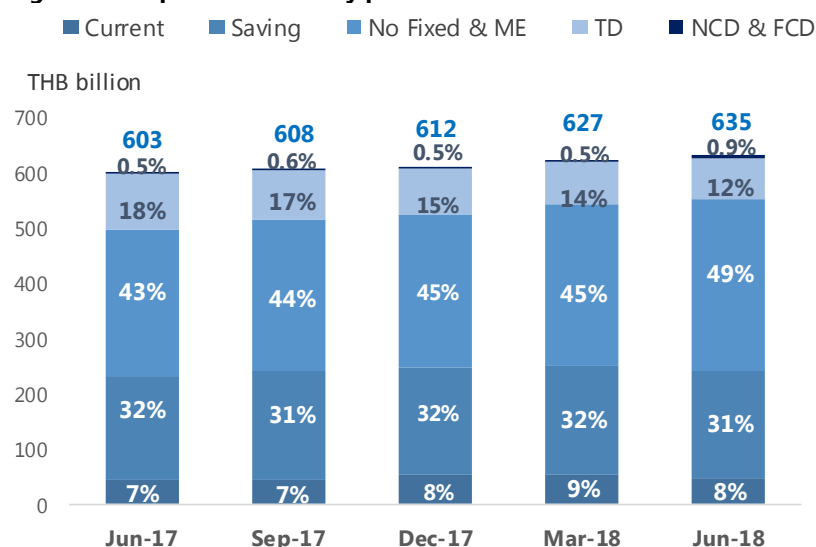
TMB All Free, retail transactional product, slightly declined by 0.7% QoQ but maintained 3.2% YTD growth. No-Fixed expanded further by 6.4% QoQ and 11.6% YTD while ME posted a 3.2% QoQ and 8.9% YTD growth. Time Deposit or TD slightly grew 0.5% QoQ but dropped by 6.1% from the end of December 2017.

The ratio of transactional deposit (CASA-excluded No-Fixed and ME) to total deposit was reported at 38.7%, relatively stable compared with 40.7% as of March 2018 and December 2017.

### Deposit breakdown by segment

Retail deposits remained the largest portion of total deposits as the Bank continues to diversify away from concentration in large depositors. As of June 2018, retail deposit accounted for 71% of total deposit and commercial deposit accounted for 29%.

**Figure 15: Deposit structure by products**



Note: Bank-only financial statement

Remark: "TMB No Fixed" and "ME" are classified as savings account as they are not required to maintain minimum balance and have no restriction to term of deposit

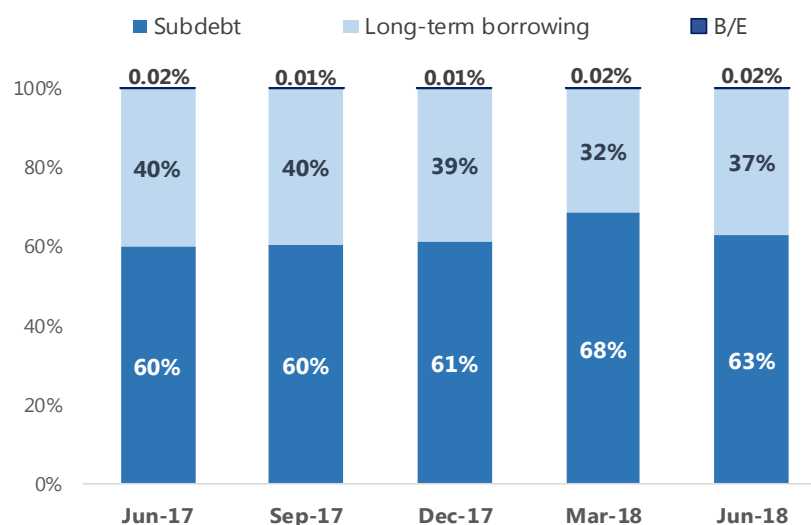
## Borrowings

*Borrowing increased QoQ due to issuance of Green Bond*

As of 30 June 2018, total borrowings of the Bank and subsidiaries increased by 8.6% QoQ but declined by 2.6% YTD to THB32,471 million. This QoQ increase was mostly from the issuance of USD Green Bond, amounting to USD60 million in June 2018. The reduction from December 2017 was due to the redemption of CNH senior debt, amounting to CNY600 million in March 2018.

In terms of borrowing structure, 63% was sub-debt. This followed by long-term borrowing of 37% and BE of 0.02%.

**Figure 16: Borrowings breakdown**



*Note: Bank-only financial statements*

### Liquidity and loan to deposit ratio

Given the Bank's focus on building quality and stable funding through expanding transactional deposits, TMB has a strong liquidity position and has maintained high proportion of liquid and low-risk assets.

As of 30 June 2018, on consolidated basis, total liquid assets represented 17.2% of the total assets. The liquid assets consisted cash (1.5%), interbank & money market items (12.4%) and short-term investment (3.3%). In terms of loan to deposit ratio (LDR), the ratio, on consolidated basis which reduced further to 103% from 104% as of March 2018 and 105% as of December 2017, respectively.

**Figure 17: Liquid asset allocation and loan to deposit ratio**

Liquid assets	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
Cash	1.5%	1.7%	2.1%	1.7%	1.5%
Interbank and money market	12.4%	12.8%	13.3%	15.7%	12.4%
Short-term investment	3.3%	1.5%	2.7%	4.2%	3.8%
<b>Liquid assets / Total assets</b>	<b>17.2%</b>	16.0%	18.1%	21.6%	17.7%
<b>Loan to deposit ratio (LDR)</b>	<b>103%</b>	104%	105%	102%	103%

*Note: Consolidated financial statement*

## Capital adequacy

As of 30 June 2018, the consolidated equity was THB91,498 million which declined by 0.7% QoQ but increased by 1.8% YTD.

### Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 30 June 2018, Capital Adequacy Ratio (CAR) of the Bank under Basel III calculation was at 17.3% while CET1 and Tier 1 ratios stayed at 13.3%. Such levels were well above the Bank of Thailand's minimum requirement (including conservation buffer) of 10.375%, 6.375% and 7.875% of CAR, CET 1 and Tier 1 capital ratio, respectively.

**Figure 18: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III**

(as % to risk-weight assets)	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
<b>Capital Adequacy Ratio (CAR)</b>	<b>17.3%</b>	17.5%	17.3%	17.9%	16.6%
<b>Core Tier 1 Ratio (CET 1)</b>	<b>13.3%</b>	13.3%	13.2%	13.6%	12.3%
<b>Tier I Ratio (Tier 1)</b>	<b>13.3%</b>	13.3%	13.2%	13.6%	12.3%

Note: Bank-only financial statement

**Figure 19: Employees and Networks**

	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
<b>Employees</b>	<b>8,303</b>	8,621	8,551	8,701	8,740
<b>Branches</b>	<b>432*</b>	433	432	435	451
<b>ATMs and ADMs</b>	<b>2,863</b>	2,845	2,841	2,833	2,822

Note: \* Prelim

### Additional Information: Credit rating profile

Moody's		
	International rating	Outlook
Bank Deposits	Baa2/P-2	Positive
Baseline Credit Assessments (BCAs)	ba1	
Senior Unsecured	(P)Baa2	

**Latest Changes:** June 21, 2018, Moody's has upgraded TMB's Baseline Credit Assessment from ba2 to ba1 and changed its Outlook from Stable to Positive.

Standard & Poor's		
	International rating	Outlook
Long-Term Counterparty	BBB-	Stable
Short-Term Counterparty	A-3	
Senior Unsecured	BBB-	
Stand-Alone Credit Profile (SACP)	bb+	

Fitch Ratings		
	International rating	Outlook
Long-Term IDR	BBB-	Stable
Short-Term IDR	F3	
Senior Unsecured	BBB-	
Viability Rating	bbb-	
Support Rating Floor	bb+	
Support Rating	3	
	<b>National Rating</b>	
Long-Term	A+ (tha)	
Short-Term	<b>F1+(tha)</b>	
Subordinated Debt	A (tha)	

**Latest Changes:** October 24, 2017: Fitch Ratings has upgraded TMB's National Short-Term Rating from F1(th) to F1+(tha).

### Disclaimer

TMB Bank Public Company Limited provided this report in order to disclose its financial performance for the quarter and the period as mentioned. Some content may contain forward-looking statements, which based on management's view upon the information currently available to us. These statements are subject to certain risks and uncertainties that could cause the actual results materially different from what had been previously stated. The materials in this report shall not, and are not intended to, constitute or contain an offer to sell or the solicitation of an offer to buy, any securities of TMB Bank Public Company Limited