



Management Discussion and Analysis

For the 3rd quarter and 9-month period ended 30 September 2018
(Reviewed financial statements)

TMB Bank Public Company Limited

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in 3Q18: Thai economy slowed down slightly compared to the first half of this year due to deceleration of the two main growth drivers, namely merchandise exports and tourism. Aggregated exports in July and August, though surged in value to the highest level in history, expanded below 7% contrasting to 11% in the first half due to last year's high base. In addition, Tourism sector was damaged by the Phuket boat accident, causing 12% contraction of Chinese tourist arrivals in August. Nevertheless, Thai economy was favorably supported by domestic demand including private consumption and investment. This was consistent with continually improving consumer sentiment, which reached the highest level in five years, together with elevated business sentiment. As a result, Thai economy in this quarter is forecasted to expand by 4.3%, reduced from 4.8% growth rate in the first half of the year.

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 32.96 THB/USD, depreciated by 3% from 31.96 THB/USD in the second quarter of 2018. Concerns over rate hikes by the Federal Reserve accompanied by Sino-US trade war weakened Thai Baht at first. However, speculation over incoming general election and rate hike by the Bank of Thailand boosted foreign inflows and strengthened Thai Baht. At the end of July 2018, total loan growth from commercial banks accelerated to 6.4% compared to the same period last year (YoY) and increased by 2.9% 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 4.8% YoY or 1.6% YTD. This was due to high growth of saving deposit.

Economic outlook for 2H18: All economic engines tend to slow down from the first half of the year, resulted partly from last year's high base effect. However, merchandise exports and tourism remain the leading driving forces of economic growth this year. 2018 Thai merchandise exports is anticipated to grow by 8.6%, while the 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 accelerate especially private investment, reflected from increasing capital utilization rate in several industries as well as robust growth of capital goods imports. It is also assisted by more concrete infrastructure investment projects to support Eastern Economic Corridor (EEC) which will uplift business confidence and improve investment environment. Similarly, private consumption shows a more vigorous expansion trajectory due to rising durable consumption. Consequently, TMB Analytics expects Thai economy to grow by 4.5% in 2018. 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 due to ongoing concerns over worsening global trade outlook. Thai baht is forecasted to move in the range of 32.0-33.0 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.

Summary of TMB's operating performance

Deposit and loan continued to grow in the 3rd quarter and registered 4.5% and 3.7% YTD growth for 9M18. Retail segment remained a key driver while the Bank selectively expanded small SME loans to ensure portfolio quality. PPOP for 9 months was reported at THB 26,360 million which increased by 76% YoY. The increase was due mainly to gain from TMBAM deal. TMB also set up higher provision as an extra cushion for prudent qualitative loan downgrade and in preparation for implementation of IFRS 9 in 2020. Coverage ratio, as a result, rose to 157% and net profit grew 54% YoY to THB9,900 million.

Deposit rose 4.5%, boosted by No Fixed and ME: Deposit expanded 4.5% YTD or THB27.4 billion to THB639 billion as of Sep-18, led by retail flagship products. No-Fixed and ME Save, non-transactional deposit, grew by 12.8% and 9.5% YTD. All Free, retail transactional product, slightly rose by 0.8% YTD. The Bank also aims to expand transactional deposit from small SMEs through SME One Bank. So far, the new acquisition has shown a positive trend.

Performing Loan expanded 3.3%, led by mortgage: Performing loan grew 3.3% YTD or THB20.6 billion to THB646 billion for 9M18. The growth was boosted mainly by retail loans (+11.6%), especially from mortgage (+13.3% YTD). This followed by large corporate loan which grew by 3.5% YTD. SME loans, on the other hand, decreased 6.6% YTD, dragged down by medium-sized SMEs. Small SMEs was slowly recovering as the Bank selectively resumed growth to ensure quality of lending.

Lower NIM and NII was due to shift in loan mix: NII declined 1.5% YoY to THB18,263 million as NIM dropped 20bps to 2.96% in 9M18. Lower NIM was because the Bank temporarily placed its excess liquidity in high liquid assets which offered lower yield. Another reason was lower loan yield due to shift in loan mix toward mortgage and large corporate loan while the Bank has been improving its SME portfolio quality.

Significant growth of Non-NII was driven by gain from a deal with Eastspring: TMB reported 9M18 Non-NII of THB20,929 million, increased 126.7% YoY. Such a growth was driven by the recognition of gain from TMBAM deal. Back in July-18, TMB announced that the Bank agreed to sell a 65% stake in TMBAM for a partnership with Eastspring. Partnering with Eastspring is in line with the Bank mutual fund open architecture strategy. It will also help enhance capabilities of TMBAM to provide TMB best-in-class products and uplifted services to better serve customers. The transaction was completed in 3Q18 and TMB recognized THB11.8 billion gain from the deal, which consists of gain on sale of 65% TMBAM stake of THB7.6 billion and gain on change in control from subsidiary to 35% associated company of THB4.2 billion.

With higher PPOP, TMB set higher provision for IFRS9 and prudent NPL management. TMB recorded pre-provision operating profit or PPOP of THB26,360 million grew by 76.4% YoY. The Bank, therefore, increased its provision from normal business level. The additional provision is for preparation of IFRS 9 implementation, coupled with prudent NPL management. In total, TMB set aside provision of THB14,071 million for 9M18. Coverage ratio increased to 157% from 143% as of Dec-17.

After provision, TMB reported THB9,900 million of net profit. The figure increased by 54.0% YoY and represented a return on equity (ROE) of 14.3%.

Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income

(THB million)	3Q18	2Q18	% QoQ	3Q17	% YoY	9M18	9M17	% YoY
Interest income	8,878	8,700	2.0%	8,753	1.4%	26,123	26,001	0.5%
Interest expenses	2,745	2,600	5.5%	2,561	7.2%	7,860	7,451	5.5%
Net interest income	6,133	6,100	0.5%	6,193	-1.0%	18,263	18,550	-1.5%
Fees and service income	2,980	3,341	-10.8%	3,539	-15.8%	9,936	9,709	2.3%
Fees and service expenses	866	881	-1.7%	748	15.9%	2,621	2,056	27.5%
Net fees and service income	2,114	2,460	-14.1%	2,791	-24.3%	7,315	7,652	-4.4%
Other operating income	12,368	634	1851.9%	392	3053.9%	13,614	1,579	762.3%
Non-interest income	14,482	3,094	368.1%	3,184	354.9%	20,929	9,231	126.7%
Total operating income	20,615	9,194	124.2%	9,376	119.9%	39,191	27,781	41.1%
Total other operating expenses	4,199	4,294	-2.2%	4,446	-5.6%	12,758	12,916	-1.2%
Impairment loss on loans and debt securities	9,386	2,380	294.3%	2,391	292.6%	14,071	6,914	103.5%
Profit before income tax expense	7,030	2,519	179.0%	2,539	176.9%	12,362	7,952	55.5%
Income tax expense	1,436	493	191.2%	521	175.4%	2,462	1,487	65.6%
Profit for the period	5,594	2,026	176.1%	2,018	177.3%	9,900	6,466	53.1%
Profit to non-controlling interest of subsidiaries	0	0	N/A	14	-100.0%	0	36	-100.0%
Profit to equity holders of the Bank	5,594	2,026	176.1%	2,003	179.2%	9,900	6,429	54.0%
Other comprehensive income	(79)	(22)	N/A	(40)	N/A	(112)	172	-165.1%
Total comprehensive income	5,515	2,004	175.2%	1,978	178.9%	9,788	6,637	47.5%
Basic earnings per share (THB/share)	0.1276	0.0462	176.2%	0.0457	179.2%	0.2258	0.1467	53.9%

Note: Consolidated financial statement

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

For the 3rd quarter of 2018: TMB recorded THB6,133 million of net interest income (NII) in 3Q18, a marginal increase of 0.5% when compared to previous quarter (QoQ) but a decrease of 1.0% from the same period last year (YoY). Details are as follows:

- Interest income grew by 2.0% QoQ and 1.4% YoY to THB8,878 million. The increase was a result of moderate low growth despite lower yield on earning asset.
- Interest expenses increased by 5.5% QoQ and 7.2% YoY to THB2,745 million, mainly owing to higher funding cost and higher deposit volume.

For the 9-month of 2018: TMB reported NII of THB18,263 million, a decrease of 1.5% from the same period last year. The decline was mostly from a result of higher interest expense from substantial inflow of non-transactional deposits. Details are as follows:

- Interest income rose by 0.5% to THB26,123 million resulting from interest on loan which grew by 1.0% YoY from growth in performing loan.
- Interest expenses increased by 5.5% YoY to THB7,860 million from deposit expansion in line with Bank's strategy to acquire new customers.

NIM recorded at 2.90% in 3Q18 and 2.96% in 9M18

NIM was at 2.90% in 3Q18 which declined by 11 bps QoQ from 3.01% in 2Q18. For 9M18, NIM dropped by 20 bps to 2.96%. The reduction in YoY was mostly from an increase in low-yielded earning asset as the Bank temporarily placed the one-time gain on sale of TMBAM stake in interbank and a shift in loan portfolio towards mortgage together with softened small SME loan growth which resulted in lower earning asset yield.

Figure 2: Net interest income (NII)

(THB million)	3Q18	2Q18	% QoQ	3Q17	% YoY	9M18	9M17	% YoY
Interest income	8,878	8,700	2.0%	8,753	1.4%	26,123	26,001	0.5%
Interest on interbank and money market items	434	440	-1.3%	482	-9.9%	1,317	1,324	-0.5%
Investments and trading transactions	17	12	45.8%	8	122.6%	33	55	-40.4%
Investments in debt securities	328	258	27.0%	298	10.1%	874	932	-6.3%
Interest on loans	8,097	7,989	1.3%	7,961	1.7%	23,892	23,657	1.0%
Others	2	2	21.2%	5	-60.1%	7	32	-77.2%
Interest expenses	2,745	2,600	5.5%	2,561	7.2%	7,860	7,451	5.5%
Interest on deposits	1,454	1,384	5.1%	1,303	11.6%	4,143	3,695	12.1%
Interest on interbank and money market items	184	139	32.1%	207	-11.1%	504	543	-7.2%
Contributions to the Deposit Protection Agency	748	742	0.8%	723	3.5%	2,211	2,130	3.8%
Interest on debt issued and borrowings	331	308	7.5%	322	2.8%	936	1,065	-12.1%
Borrowing fee	4	4	2.6%	5	-28.2%	12	15	-22.0%
Others	24	24	1.9%	2	1496.6%	54	2	2244.8%
Net interest income (NII)	6,133	6,100	0.5%	6,193	-1.0%	18,263	18,550	-1.5%

Note: Consolidated financial statements

Non-interest income (Non-NII)

Non-NII growth was supported by gain on sale of TMBAM stake at 65%

For the 3rd quarter of 2018: The Bank posted THB14,482 million of non-interest income in 3Q18, an increase of 368.1% from last quarter (QoQ) and 354.9% from the 3rd quarter last year (YoY). Details were as follows;

- Net fees and service income was reported at THB2,114 million which decreased by 14.1% QoQ and 24.3% YoY. The decline in QoQ was due lower fee in mutual fund and bancassurance sales. Namely, the Office of Insurance Commission (OIC) recently introduced changes in insurers' capital reserve calculation, which negatively impacted insurers' profitability. As a result, the bancassurance fee that TMB registered, part of which was based on profit sharing scheme, dropped by 31.1% QoQ. The YoY reduction was primarily due to a drop in mutual fund and Bancassurance fee.
- Gain on trading and FX transaction was THB372 million, rose by 5.7% QoQ and 48.3% YoY.
- Other non-interest income increased from gain on TMBAM deal, which consists of gain on sale of 65% TMBAM stake of THB7.6 billion and gain on change in control from subsidiary to 35% associated company of THB4.2 billion.

For the 9-month of 2018: Non-interest income strongly grew by 126.7% YoY to THB20,929 million from THB9,231 million in the same period last year. Main contribution was an increase in gains on investment from selling 65% stake in TMBAM and gains on trading and FX transactions. Key items were as follows;

- Net fees and service income was THB7,315 million, declined by 4.4% YoY, due primarily to a slowdown in mutual fund fee from a volatility in global financial market while fee from bancassurance sale was lower due to recent changes in insurers' capital reserve calculation, affecting profit sharing scheme from FWD. Commercial fee maintained a positive growth when compared to the same period last year.

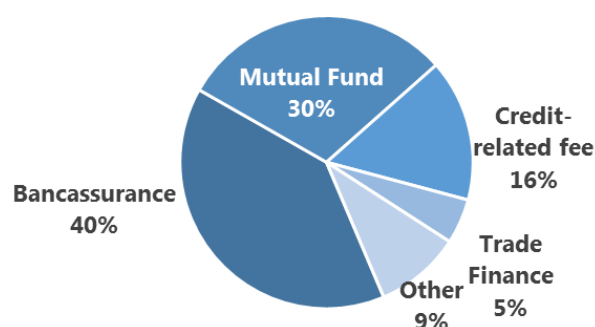
- Gain on trading and foreign exchange transactions was THB1,179 million, grew by 41.4% YoY. Key driver of increase was a rise in trading and FX transactions which related to trade finance business.
- Other non- interest income increased from gain on TMBAM deal, which consists of gain on sale of 65% TMBAM stake of THB7.6 billion and gain on change in control from subsidiary to 35% associated company of THB4.2 billion.

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

(THB million)	3Q18	2Q18	% QoQ	3Q17	% YoY	9M18	9M17	% YoY
Fees and service income	2,980	3,341	-10.8%	3,539	-15.8%	9,936	9,709	2.3%
Fee receive credit	147	112	32.0%	148	-0.4%	373	414	-9.9%
Other fee and service income	2,833	3,229	-12.3%	3,391	-16.5%	9,563	9,295	2.9%
Fees and service expenses	866	881	-1.7%	748	15.9%	2,621	2,056	27.5%
Net fees and service income	2,114	2,460	-14.1%	2,791	-24.3%	7,315	7,652	-4.4%
Gains (losses) on tradings and foreign exchange transactions	372	352	5.7%	251	48.3%	1,179	834	41.4%
Gains (losses) on financial instrument designated at fair value	(1)	(0)	N/A	(7)	N/A	(3)	(23)	N/A
Gains (losses) on investments	11,835	97	12146.5%	8	14457.3%	11,941	57	20877.3%
Gains on sale of assets	19	25	-25.2%	3	594.1%	50	169	-70.1%
Dividend income	2	15	-87.9%	3	-30.2%	18	29	-35.9%
Others	142	145	-2.3%	135	5.0%	430	514	-16.4%
Non-interest income	14,482	3,094	368.1%	3,184	354.9%	20,929	9,231	126.7%

Note: Consolidated financial statements

Figure 4: Net fees and service income breakdown



Note: Bank-only financial statements

Non-interest expenses

For the 3rd quarter of 2018: The Bank recorded THB4,199 million of total non-interest expenses, a decrease of 2.2% QoQ and 5.6% YoY. Key items are as follows;

- Personnel expenses declined by 8.0% QoQ and 3.1% YoY to THB1,901 million.
- Premises and equipment expenses decreased by 1.3% QoQ but rose 0.7% YoY to THB855 million.
- Other expenses increased by 10.1% QoQ but dropped by 1.1% YoY to THB1,150 million. The QoQ increase was mainly owing to higher marketing expense in 3Q18.

For the 9-month of 2018: Total non-interest expenses declined by 1.2% YoY to THB12,758 million due mainly to reduction in employee expense. Key factors are;

- Personnel expenses dropped by 2.5% YoY to THB6,035 million, due primarily to lower incentive, offsetting the annual salary incremental.
- Premises and equipment expenses increased by 1.8% YoY to THB2,554 million, mainly from rental and maintenance expense.
- Other expenses increased by 4.0% YoY to THB3,251 million, resulting from higher collection expense and computer software expense.

Figure 5: Non-interest expenses

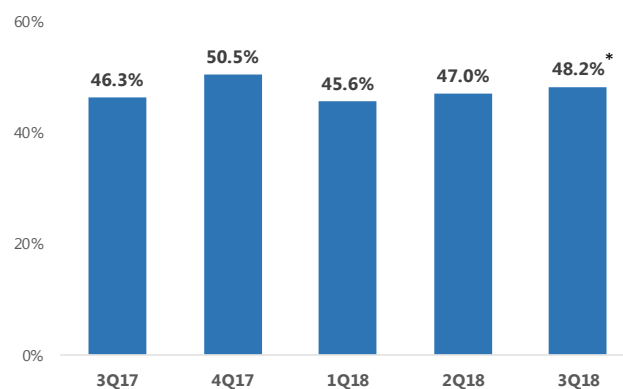
(THB million)	3Q18	2Q18	% QoQ	3Q17	% YoY	9M18	9M17	% YoY
Employee expenses	1,901	2,065	-8.0%	1,962	-3.1%	6,035	6,188	-2.5%
Directors' remuneration	8	21	-63.2%	8	-4.7%	36	37	-1.7%
Premises and equipment expenses	855	867	-1.3%	849	0.7%	2,554	2,508	1.8%
Taxes and duties	319	314	1.7%	313	2.1%	938	937	0.1%
Loss on impairment of properties foreclosed	6	2	172.9%	102	-94.0%	13	107	-87.8%
Loss on diminution in value of other assets	31	25	24.3%	47	-33.8%	81	99	-17.5%
Provisions for other liabilities (reversal)	(71)	(44)	N/A	3	-2573.7%	(151)	(85)	N/A
Other expenses	1,150	1,044	10.1%	1,162	-1.1%	3,251	3,125	4.0%
Non-interest expenses	4,199	4,294	-2.2%	4,446	-5.6%	12,758	12,916	-1.2%

Note: Consolidated financial statements

Cost to income ratio was at 48.2% in 3Q18 and 46.9% in 9M18

Cost to income ratio was at 48.2% in 3Q18, compared to 47.0% in 2Q18 and 46.3% in 3Q17. For 9M18, cost to income ratio slightly increased to 46.9% from 46.2% in the same period last year. Looking forward, TMB will continue to enhance operational efficiency to reduce cost to income ratio further.

Figure 6: Cost to income ratio



*If include gain on sale of TMBAM stake, cost to income ratio was at 20.5% in 3Q18 and 32.7% in 9M18

Note: Consolidated financial statements

Operating profit and provision

Pre-provision operating profit (PPOP): PPOP amounted to THB16,380 million in 3Q18, which increased by 236.3% QoQ and 224.5% YoY. PPOP for the first 9-month of 2018 was reported at THB26,360 million or grew by 76.4% YoY.

Higher provision 3Q18 from prudent NPL management and in preparation for IFRS 9

Impairment loss on loans and debt securities: Provisions for bad debt and doubtful accounts and impairment loss of debt securities for 3Q18 was THB9,386 million, compared with THB2,380 million in 2Q18 and THB2,391 in 3Q17. Likewise, provision for the 9-months of 2018 was THB14,071 million, compared to THB6,914 million in the same period last year. In this quarter, the Bank set aside additional provision to be a cushion for prudent qualitative loan downgrade and in preparation for implementation of IFRS 9 in 2020. Coverage ratio, as a result, rose to 157% from 140% as of June 2018 and 143% as of Dec-17.

Coverage ratio rose to 157%

Net profit: After provision and tax, net profit in 3Q18 was THB5,594 million or increased by 176.1% QoQ and 179.2% YoY. For the 9-month period, net profit was recorded at THB9,900 million also rose by 54.0% YoY when compared to the same period last year.

Discussion of financial position

Figure 7: Selected financial position

Unit: THB million	Sep-18	Jun-18	%QoQ	Dec-17	%YTD
Cash	12,083	12,496	-3.3%	17,872	-32.4%
Interbank and money market items, net	117,462	105,379	11.5%	112,534	4.4%
Derivative assets	9,078	12,866	-29.4%	8,674	4.7%
Investments	76,164	62,202	22.4%	61,305	24.2%
Loans to customers (Less deferred revenue)	667,379	653,599	2.1%	643,373	3.7%
Accrued interest receivables	1,312	1,272	3.1%	969	35.4%
Less allowance for doubtful accounts & Revaluation allowance for debt restructuring	32,782	24,792	32.2%	24,969	31.3%
Loans and Allowance - net	635,909	630,079	0.9%	619,373	2.7%
Properties for sale, net	2,586	2,315	11.7%	2,214	16.8%
Premises and equipment, net	11,405	11,745	-2.9%	12,071	-5.5%
Goodwill and other intangible assets, net	2,356	2,328	1.2%	2,132	10.5%
Deferred tax assets	283	673	-57.9%	683	-58.5%
Other receivables - net	1,269	1,102	15.2%	1,690	-24.9%
Other assets	4,577	8,829	-48.2%	5,325	-14.1%
Total Assets	873,173	850,015	2.7%	843,872	3.5%
Deposits	638,864	632,133	1.1%	611,430	4.5%
Interbank and money market items	59,615	45,172	32.0%	60,349	-1.2%
Debts issued and borrowings, net	32,194	32,471	-0.9%	33,352	-3.5%
Deferred revenue	17,915	18,250	-1.8%	18,908	-5.3%
Other liabilities	27,571	30,491	-9.6%	29,978	-8.0%
Total Liabilities	776,159	758,516	2.3%	754,016	2.9%
Equity attributable to equity holders of the Bank	97,014	91,498	6.0%	89,856	8.0%
Non-controlling interest	0	0	N/A	0	N/A
Total equity	97,014	91,498	6.0%	89,856	8.0%
Total liabilities and equity	873,173	850,015	2.7%	843,872	3.5%
Book value per share (Baht)	2.21	2.09	6.0%	2.05	7.9%

Note: Consolidated financial statements

Assets

As of 30 September 2018, total assets on consolidated basis amounted to THB873,173 million. The figure increased by 3.5% 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 2.1% to THB667,379 million, representing a 3.7% growth YTD. (Details in the following section)
- Net interbank and money market items rose by 11.5% QoQ and 4.4% YTD to THB117,462 million. The increase was essentially come from the excess liquidity from gain on sale of TMBAM stake which was temporarily placed in interbank before the Bank redeploy to other high yield assets and due partly to liquidity management.

- Net investments were THB76,164 million, rose by 22.4% QoQ and 24.2% YTD, primarily from an increase in gain from change in control of investment as the Bank recognized 35% remaining of TMBAM stake, representing THB4.5 billion at fair value of investment in associated company on control change date.
- Net properties for sale was THB2,586 million which increased by 11.7% QoQ and 16.8% YTD. (Details in the following section)

Total loans

Performing loan rose 1.7% QoQ and 3.3% YTD

On consolidated basis: As of 30 September 2018, TMB recorded total loans to customers (less deferred revenue) on consolidated basis of THB667,379 million, an increase of 2.1% QoQ and 3.7% from December 2017.

On bank-only basis: Total loans amounted to THB667,333 million which also rose by 2.1% QoQ and 3.7% YTD.

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

- Performing loans was recorded at THB646,429 million which grew by 1.7% QoQ and 3.3% YTD, led by retail and large corporate lending.
- Non-performing loans (NPLs) increased by 18.5% QoQ and 19.6% YTD to THB20,904 million.

Figure 8: Total loan breakdown by loan type

(THB million)	Sep-18	Jun-18	Dec-17	%QoQ	% YTD
Performing loans	646,429	635,908	625,852	1.7%	3.3%
Non-performing loans	20,904	17,645	17,473	18.5%	19.6%
Total loans to customers	667,333	653,553	643,325	2.1%	3.7%

Note: Exclude interbank, Bank-only financial statements

Performing loan

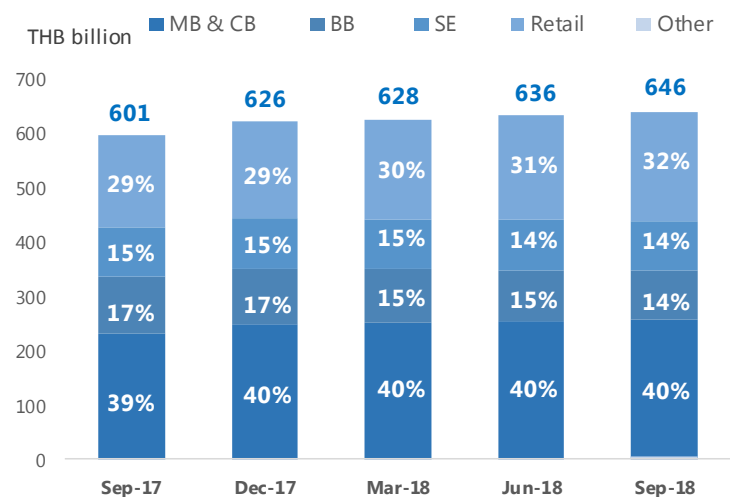
The 1.7% QoQ and 3.3% YTD growth in performing loan was mainly from corporate and retail segment especially from mortgage loan. Large corporate segment also maintained its growth pace while small SME remained softened, despite recovery signs from previous quarter. Details are as follows;

- Retail lending continued its positive momentum with growth rates of 6.1% QoQ and 11.6% YTD, mainly attributed to 13.3% YTD growth in mortgage loans.
- In terms of commercial lending, Large corporate lending (MB and CB loans) also grew further by 0.4% QoQ and 3.5% YTD. SMEs, Medium size SME (BB) and Small SME (SE), contracted by 1.3% QoQ and 6.6% YTD as the Bank selectively grow loans to ensure quality of lending.

In terms of loan breakdown by customer segment, the mix slightly changed from December 2017, As of 30 September 2018, MB and CB loan accounted for 40% of total performing loan. This followed by Medium size SME (BB) and Small SME (SE) of 28% and retail lending 32%

In terms of key products, 32% of performing loan was working capital (OD); followed by term-loan & RPN 24%, mortgage of 24%, Trade Finance of 13%, unsecured & credit card of 6% and others 1%.

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

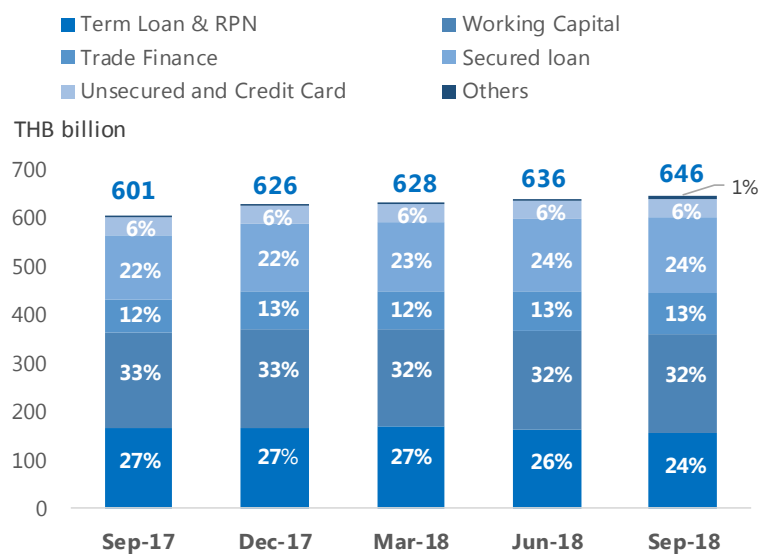
Corporate Banking (CB): customer with annual sales volume more than THB1 billion to THB5 billion

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

Figure 11: Loan classification and Allowance for Doubtful Accounts

(THB million)	30 Sep 2018		31 Dec 2017	
	Loans and accrued interest receivables	Allowance for doubtful accounts	Loans and accrued interest receivables	Allowance for doubtful accounts
Normal	620,488	5,971	600,675	5,747
Special mention	27,253	401	26,146	457
Substandard	2,869	1,777	1,875	1,238
Doubtful	933	373	1,013	470
Doubtful of loss	17,148	9,282	14,633	7,137
Total	668,691	17,804	644,342	15,049
Excess allowance		14,095		9,590
Total	668,691	31,899	644,342	24,639

Note: Consolidated financial statements

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 September 2018, non-performing loans (NPLs) on consolidated basis was reported at THB20,950 million which increased from THB17,691 million as of June 2018 and THB17,521 million as of December 2017. NPLs on bank-only basis amounted to THB20,904 million rose when compared with THB17,645 million as of June 2018 and THB17,473 million at the end of 2017. Such rise was mainly due to qualitative NPL classification for prudent management and slow natural resolution in this quarter.

The Bank continued to proactively resolve NPLs through write-off as natural resolution remained slow. For the 9-month period, the Bank wrote off its NPLs by THB6.1 billion in total, with an objective to reduce future downside risks and keep balance sheet clean.

As of 30 September 2018, NPL ratio on consolidated basis was recorded at 2.69%, compared with 2.37% as of 30 June 2018 and 2.35% at the end of 2017. Meanwhile, NPL ratio on bank-only basis stayed at 2.69%, compared with 2.36% as of 30 June 2018 and 2.34% as of 31 December 2017, respectively.

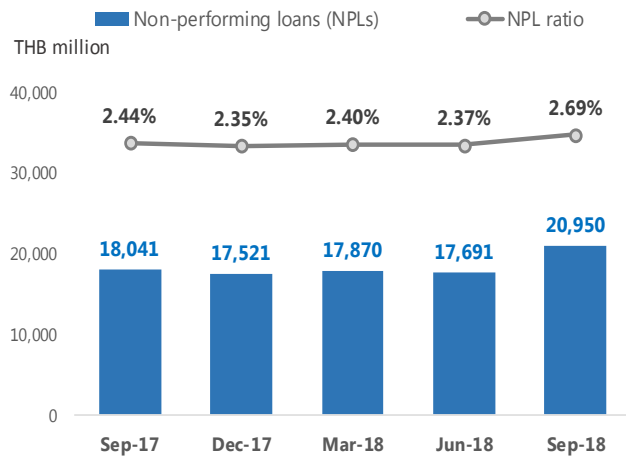
Allowance for loan losses

As of 30 September 2018, the Bank and its subsidiaries reported the allowance for doubtful accounts and revaluation allowance for debt restructuring of THB32,782 million, which increased by 32.2% QoQ and 31.3% YTD respectively where the Bank set aside additional provision as a cushion for prudent qualitative loan downgrade and in preparation for IFRS 9 implementation.

Coverage ratio rose to 157%

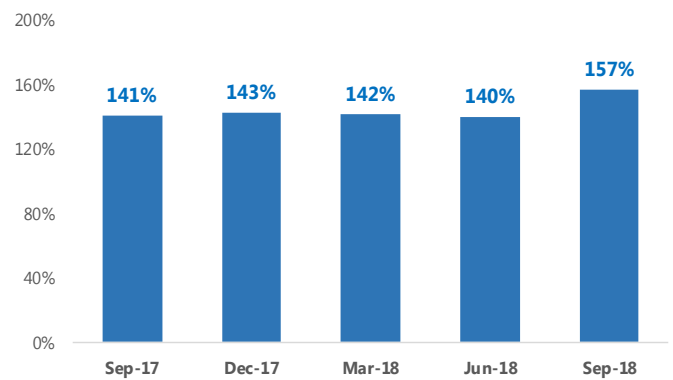
As a result of higher provisions, the ratio of allowance for loan loss to NPLs or coverage ratio on consolidated basis rose further to 157% from 143% as of December 2017. TMB consistently maintained coverage ratio at high level.

Figure 12: NPLs and NPL ratio



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

Figure 13: Coverage ratio

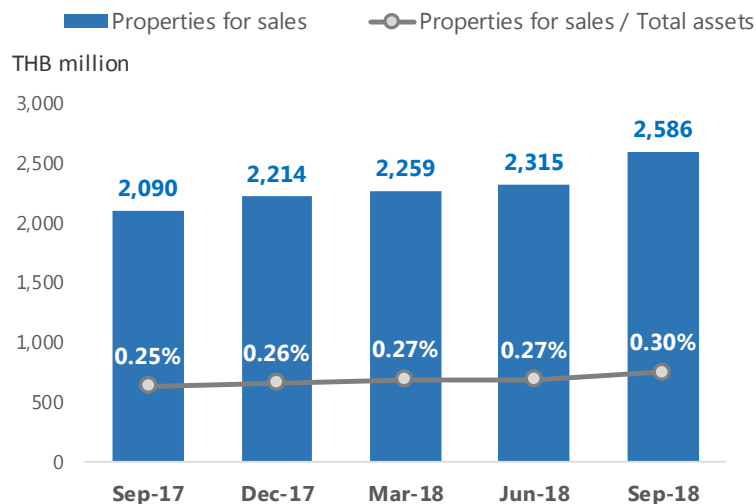


Note: Consolidated financial statement

Properties for sales

As of 30 September 2018, net properties for sale increased by 11.7% QoQ and 16.8% YTD to THB2,586 million. The ratio of properties for sale to total assets, however, remained stable at 0.30%, compared with 0.27% as of June 2018 and 0.26% as of December 2017. The change was still in line with business plan.

Figure 14: Properties for sales



Note: Consolidated financial statements

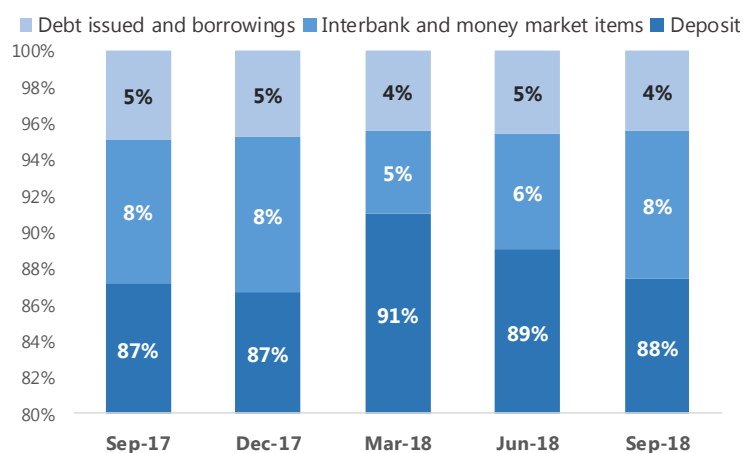
Liabilities

As of 30 September 2018, total liabilities on consolidated basis was reported at THB776,159 million which increased by 2.3% QoQ and 2.9% YTD. Details of key figures are as follows.

- Total deposits were THB638,864 million, representing a 1.1% QoQ and 4.5% YTD growth. (see details in following section)
- Net interbank and money market items amounted to THB59,615 million which rose by 32.0% QoQ but slightly dropped by 1.2% YTD due to liquidity management.
- Borrowings were THB32,194 million, decreased by 0.9% QoQ and 3.5% YTD. (see details in following section)

Deposit was the largest composition of interest-bearing liabilities. As of 30 September 2018, deposits represented 88% of interest-bearing liabilities. This followed by interbank and money market items of 8% and debt issued and borrowings of 4%.

Figure 15: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

As of 30 September 2018, the Bank and its subsidiaries reported total deposits on consolidated basis of THB638,864 million which grew by 1.1% QoQ and 4.5% YTD, mainly attributable to higher deposit volume in non-transactional deposit and stable deposit from retail segment. The increase was in line with Bank's strategy to acquire new customers.

Deposit breakdown by products

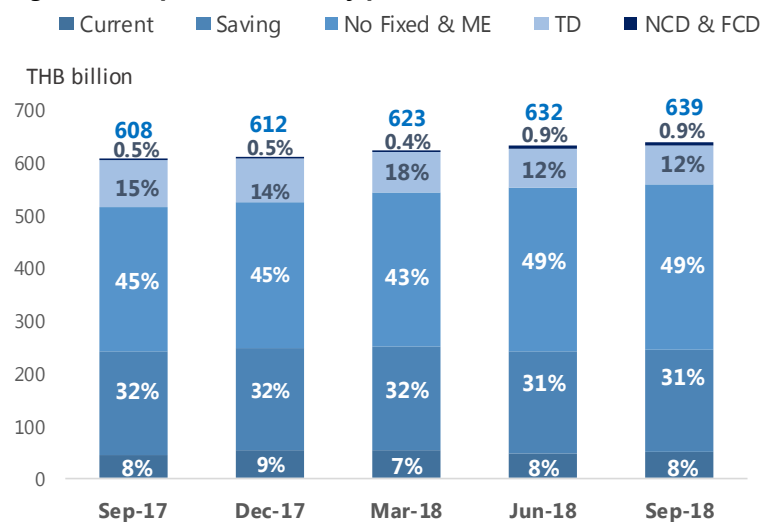
The Bank has continued to focus more on growing diversified deposit base as well as to expand transactional deposit and non-transactional deposits. Overall, it grew on track. No Fixed maintained a stable growth by 1.1% QoQ and 12.8% YTD and ME expanded further by 0.5% QoQ and 9.5% YTD respectively. TMB All Free, retail transactional deposit dropped by 2.4% QoQ but maintained 0.8% YTD growth. TD dropped by 0.2% QoQ and 9.5% YTD which was in accordance with Bank's strategy.

The ratio of transactional deposit (CASA-excluded No-Fixed and ME) to total deposit was reported at 39%, relatively stable compared with 39% as of June 2018 and 40% at end of 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 September 2018, retail deposit accounted for 70% of total deposit and commercial deposit accounted for 30%.

Figure 16: Deposit structure by products



Note: Consolidated 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

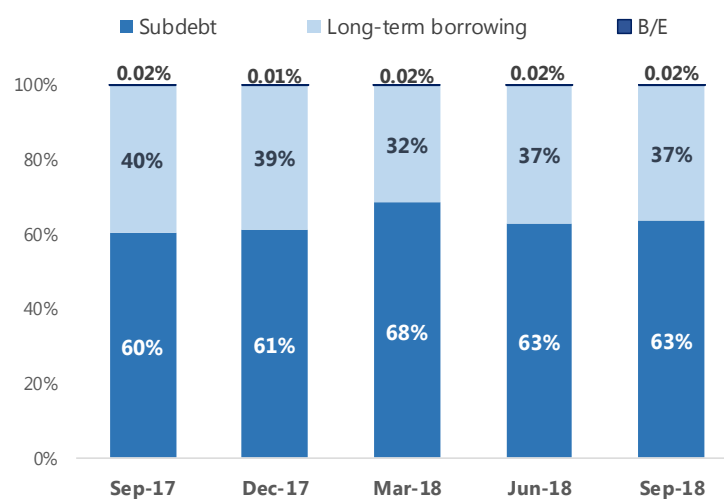
Borrowings

Borrowing decreased QoQ due to redemption of CNH senior debt

As of 30 September 2018, total borrowings of the Bank and subsidiaries marginally decreased by 0.9% QoQ and 3.5% YTD to THB32,194 million. Such decline was mostly from the redemption of CNH senior debt, amounting to CNY600 million in March 2018, offsetting the issuance of USD Green Bond, amounting to USD60 million in June 2018

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

Figure 17: 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 September 2018, on consolidated basis, total liquid assets represented 19.0% of the total assets. The liquid assets consisted cash (1.4%), interbank & money market items (13.5%) and short-term investment (4.1%). In terms of loan to deposit ratio (LDR), the ratio, on consolidated basis was at 104%, increased from 103% as of June 2018 and 105% as of December 2017, respectively.

Figure 18: Liquid asset allocation and loan to deposit ratio

Liquid assets	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17
Cash	1.4%	1.5%	1.7%	2.1%	1.7%
Interbank and money market	13.5%	12.4%	12.8%	13.3%	15.7%
Short-term investment	4.1%	3.3%	1.5%	2.7%	4.2%
Liquid assets / Total assets	19.0%	17.2%	16.0%	18.1%	21.6%
Loan to deposit ratio (LDR)	104%	103%	104%	105%	102%

Note: Consolidated financial statement

Capital adequacy

As of 30 September 2018, the consolidated equity was THB97,014 million which rose by 6.0% QoQ and 8.0% YTD.

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 30 September 2018, Capital Adequacy Ratio (CAR) of the Bank under Basel III calculation was at 17.7% while CET1 and Tier 1 ratios stayed at 13.8%. 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 19: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

(as % to risk-weight assets)	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17
Capital Adequacy Ratio (CAR)	17.7%	17.3%	17.5%	17.3%	17.9%
Core Tier 1 Ratio (CET 1)	13.8%	13.3%	13.3%	13.2%	13.6%
Tier I Ratio (Tier 1)	13.8%	13.3%	13.3%	13.2%	13.6%

Note: Bank-only financial statement

TMB's Financial Summary

(THB million)	3Q18	% QoQ	% YoY	9M18	% YoY
Net interest income (NII)	6,133	0.5%	-1.0%	18,263	-1.5%
Non-interest income (Non-NII)	14,482	368.1%	354.9%	20,929	126.7%
Non-interest expense	4,199	-2.2%	-5.6%	12,758	-1.2%
Pre-provision operating profit (PPOP)	16,380	236.3%	224.5%	26,360	76.4%
Impairment loss on loans and debt securities	9,386	294.3%	292.6%	14,071	103.5%
Net profit to equity holders of the Bank	5,594	176.1%	179.2%	9,900	54.0%

(THB million)	30-Sep-18	30-Jun-18	% QoQ	31-Dec-17	% YTD
Loan to customers (less deferred revenue)	667,379	653,599	2.1%	643,373	3.7%
Total assets	873,173	850,015	2.7%	843,872	3.5%
Deposit	638,864	632,133	1.1%	611,430	4.5%
Total liabilities	776,159	758,516	2.3%	754,016	2.9%
Total equity	97,014	91,498	6.0%	89,856	8.0%

Key ratios	3Q18	2Q18	3Q17	9M18	9M17
Net interest margin (NIM)	2.90%	3.01%	3.11%	2.96%	3.16%
Net fee to earning assets*	1.18%	1.38%	1.53%	1.37%	1.44%
Cost to income ratio**	48.2%**	47.0%	46.3%	46.9%**	46.2%
Return on equity (ROE)	23.6%	8.9%	9.2%	14.3%	10.0%
Return on asset (ROA)	2.6%	1.0%	1.0%	1.6%	1.0%
Gross NPLs (THB mn)	20,950	17,691	18,041	20,950	18,041
NPL ratio	2.69%	2.37%	2.44%	2.69%	2.44%
Credit cost (bps)	564	147	154	288	152
Total allowance to NPLs (Coverage ratio)	157%	140%	141%	157%	141%
Loan to deposit ratio (LDR)	104%	103%	102%	104%	102%
Capital adequacy ratio (CAR)	17.7%	17.3%	17.9%	17.7%	17.9%
Tier 1 capital ratio (Tier 1)	13.8%	13.3%	13.6%	13.8%	13.6%
Core tier 1 capital ratio (CET 1)	13.8%	13.3%	13.6%	13.8%	13.6%
No. of employees	8,446	8,303	8,701	8,446	8,701
No. of branches	415	432	435	415	435
No. of ATMs	2,055	2,051	2,048	2,055	2,048

* Including net gains on trading and foreign exchange transactions

** If include gain on sale of TMBAM stake, cost to income ratio was at 20.5% in 3Q18 and 32.7% in 9M18

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	

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	
	National Rating	
Long-Term	AA- (tha)	
Short-Term	F1+(tha)	
Subordinated Debt	A+ (tha)	

Latest Changes: September 24, 2018: Fitch Ratings has upgraded TMB's National rating: Long-Term Rating from A+(tha) to AA-(tha) and Subordinated Debt from A to A+.

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