



# **Management Discussion and Analysis**

**For the 4<sup>th</sup> quarter and 12-month period ended 31 December 2018**  
**(Audited financial statements)**

## **TMB Bank Public Company Limited**

3000 Phahon Yothin Road

Chom Pon, Chatuchak, Bangkok 10900

Website: [www.tmbbank.com](http://www.tmbbank.com)

# Management Discussion and Analysis

## Executive summary: Economic review & outlook

**Thai economy in 4Q18:** Thai economic slowdown continued from the third quarter from deceleration of merchandise exports and tourism. Aggregate exports of the first two months of this quarter expanded by 3.7%, decelerating from 11% growth in the first half of this year because of last year's high-base and impact from trade war through Chinese supply chain disruption. In addition, contraction of Chinese tourist arrivals has not yet recovered. Nevertheless, Thai economy was favorably supported by domestic demand. Private consumption remained elevated from durable consumption, which was supported by the end of 5-year first-car scheme. Household spending was also boosted by government policies such as Welfare Smart Card project. Moreover, continual improvement of private investment was consistent with business sentiment index that scored above 50 since year 2017. In conclusion, due to some sluggish economic engines, Thai economy in this quarter is forecasted to decelerate to 3.1%, compared to 4.2% average growth from the first three quarter, and will expand by 4% in 2018.

**Financial market & banking industry:** The policy rate was raised by 0.25% to 1.75% to reduce financial stability risks and increase policy space. Thai baht was averaged at 32.83 THB/USD, appreciated by 0.4% from 32.96 THB/USD in the third quarter of 2018. Global market rout due to concerns over rate hikes by the Federal Reserve accompanied by Sino-US trade war weakened Thai Baht at first. However, increasing THB demands from tourism during high season and rate hike by the Bank of Thailand boosted foreign bond inflows and strengthened Thai Baht. At the end of November 2018, total loan growth from commercial banks accelerated to 7.0% compared to the same period last year (YoY) and increased by 5.0% 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 4.1% YoY or 3.1% YTD. This was due to high growth of saving deposit.

**Economic outlook for 2H18:** TMB Analytics expects a decent Thai economic growth of 3.8%. Even though the growth rate is weaker than previous year, domestic factors remain robust. Private consumption, though not accelerating, continues to grow, while private investment outlook is positive. Investment is expected from S-curve industries including automotive, petrochemical, electrical appliances and electronics, which have been granted BOI investment incentives in 2016-2017, as well as relocation of investment to Thailand. This is consistent with public investment especially the infrastructure projects under EEC Act such as High-Speed Rail Linked 3 Airport, U-Tapao Airport and Maintenance, Repair and Overhaul facilities, and Laem Chabang Deep Sea Port, which amount to over 100,000 million baht. However, there are downside risks from external factors including global economic slowdown as well as escalating tension from trade war, which can adversely impact Thai exports. Regarding tourism, the number of Chinese tourist arrivals is expected to return to normal. Concerning financial market, Thai policy rate is expected to increase from 1.75% to 2% at the end of year 2019, in line with above-potential economic growth and gradual rise of inflation to the target range. However, financial cost to businesses is not expected to rise significantly as liquidity in banking sector remains ample. Thai baht volatility will increase from last year and tends to depreciate from tepid exports, while foreign fund inflows will fluctuate and turn negative due to tightening global liquidity. These will weaken Thai baht to 32.75 baht per US dollar, on average, from 32.3 baht per US dollar in 2018. Moreover, commercial bank is expected to perform well backed by continual economic expansion and the year of investment, especially retail and SMEs loans which will benefit from upward trend of private consumption as well as overall economic expansion. Outlook of credit quality also improves.

## Summary of TMB's operating performance

**In 2018, the Bank strengthened its deposit value proposition with "Get More with TMB" concept and could expand deposit base by 6.2%. Meanwhile a key focus on loan was to ensure portfolio quality amid Thailand's uneven economic recovery cycle. The Bank therefore grew loan selectively and registered a growth of 6.6%. While total operating income rose by 28.3%, non-interest expense dropped by 1.8%. Therefore, PPOP for 12 months was reported at THB30,540 million which grew by 54.7% YoY. Growing PPOP allowed TMB to set higher provision for prudence and preparation for IFRS 9 implementation. Coverage ratio, as a result, rose to 152%. Net profit grew 33.6% YoY to THB11,601 million.**

**Deposit expanded 6.2% from retail flagship products:** Apart from superior deposit features, TMB continued to improve customer experience and offer more benefits to customers through "Get More with TMB" concept. With this value proposition, TMB could expand its deposit by 6.2% YTD or THB38 billion from last year to THB656 billion. The growth was led by non-transactional deposits with 14.3% growth from TMB No-Fixed and 11.5% from ME Save, deposit on digital platform. Transactional deposit grew moderately at 2.1%, led by One Bank (+14.5%) for commercial customers and All Free (+3.9%) for retail customers.

**Loan grew 6.6%, led by retail mortgage:** To ensure portfolio quality, TMB has selectively grew loans as well as gradually resumed Small SME loans as Thai economy recovered unevenly while facing with external volatilities. Consequently, loan rose 6.6% YTD or THB42 billion to THB686 billion. Key driver was retail segment (+17.8), especially from mortgage (+19.7%). This followed by large corporate segment (+5.1%), mainly from trade finance (+17.7%) Small SME loans remained on recovery trend and registered its growth at 1.7% from last year.

**An increase in PPOP was from Non-NII and well-managed operating expenses:** NII slightly contracted by 1.0% to THB24,497 million as NIM dropped 19 bps to 2.94%. Lower NIM was due to a slow recovery of Small SME, a high yield segment. Non-NII, on the other hand, rose 85.3% to THB23,545 million. Key factor was the recognition of THB11.8 billion gains from the deal with Eastspring. In July 2018, TMB agreed to sell 65% stake in TMBAM for a partnership with Eastspring with an aim to uplift TMB Open Architecture and capabilities to serve customers. Overall, the Bank reported total operating income of THB48,042 million, rose by 28.3% YoY while operating expenses were well-managed and dropped 1.8% to THB17,475 million. Nonetheless, PPOP increased 54.7% to THB30,540 million.

**Higher provision was for IFRS 9 and prudent NPL management:** To mitigate and limit downside risks, prudent risk and asset quality management has been one of the Bank's priorities. In 2018, TMB proactively wrote off NPLs to limit downside risks. With higher PPOP, the Bank decided to add more provision from normal business level in preparation for IFRS 9 and for qualitative loan downgrade. In total, TMB set aside provision of THB16,100 million in 2018 compared to THB8,915 million in 2017. Meanwhile NPL ratio was at 2.76%. Coverage ratio therefore increased to 152% from 143% as of December 2017, reflected an improvement in loss-absorption ability.

After provision, TMB reported THB11,601 million of net profit. The figure increased by 33.6% YoY and represented a return on equity (ROE) of 12.4%.

## Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income

(THB million)	4Q18	3Q18	% QoQ	4Q17	% YoY	12M18	12M17	% YoY
Interest income	9,006	8,878	1.4%	8,713	3.4%	35,128	34,713	1.2%
Interest expenses	2,772	2,745	1.0%	2,529	9.6%	10,632	9,979	6.5%
<b>Net interest income</b>	<b>6,234</b>	<b>6,133</b>	<b>1.6%</b>	<b>6,184</b>	<b>0.8%</b>	<b>24,497</b>	<b>24,734</b>	<b>-1.0%</b>
Fees and service income	2,828	2,980	-5.1%	3,824	-26.1%	12,764	13,533	-5.7%
Fees and service expenses	805	866	-7.1%	891	-9.6%	3,426	2,947	16.2%
<b>Net fees and service income</b>	<b>2,023</b>	<b>2,114</b>	<b>-4.3%</b>	<b>2,933</b>	<b>-31.0%</b>	<b>9,338</b>	<b>10,586</b>	<b>-11.8%</b>
Other operating income	594	12,368	-95.2%	540	9.9%	14,208	2,119	570.5%
<b>Non-interest income</b>	<b>2,617</b>	<b>14,482</b>	<b>-81.9%</b>	<b>3,474</b>	<b>-24.7%</b>	<b>23,545</b>	<b>12,705</b>	<b>85.3%</b>
<b>Total operating income</b>	<b>8,851</b>	<b>20,615</b>	<b>-57.1%</b>	<b>9,657</b>	<b>-8.4%</b>	<b>48,042</b>	<b>37,439</b>	<b>28.3%</b>
<b>Total other operating expenses</b>	<b>4,716</b>	<b>4,199</b>	<b>12.3%</b>	<b>4,877</b>	<b>-3.3%</b>	<b>17,475</b>	<b>17,792</b>	<b>-1.8%</b>
Impairment loss on loans and debt securities	2,030	9,386	-78.4%	2,001	1.4%	16,100	8,915	80.6%
<b>Profit before income tax expense</b>	<b>2,105</b>	<b>7,030</b>	<b>-70.1%</b>	<b>2,780</b>	<b>-24.3%</b>	<b>14,467</b>	<b>10,732</b>	<b>34.8%</b>
Income tax expense	404	1,436	-71.9%	517	-22.0%	2,866	2,004	43.0%
<b>Profit for the period</b>	<b>1,701</b>	<b>5,594</b>	<b>-69.6%</b>	<b>2,262</b>	<b>-24.8%</b>	<b>11,601</b>	<b>8,728</b>	<b>32.9%</b>
Profit to non-controlling interest of subsidiaries	0	0	N/A	5	-100.0%	0	41	-100.0%
<b>Profit to equity holders of the Bank</b>	<b>1,701</b>	<b>5,594</b>	<b>-69.6%</b>	<b>2,257</b>	<b>-24.6%</b>	<b>11,601</b>	<b>8,687</b>	<b>33.6%</b>
Other comprehensive income	64	-79	N/A	-8	N/A	-48	164	-129.0%
<b>Total comprehensive income</b>	<b>1,758</b>	<b>5,515</b>	<b>-68.1%</b>	<b>2,254</b>	<b>-21.7%</b>	<b>11,554</b>	<b>8,892</b>	<b>29.9%</b>
<b>Basic earnings per share (THB/share)</b>	<b>0.0388</b>	<b>0.1276</b>	<b>-69.6%</b>	<b>0.0515</b>	<b>-30.7%</b>	<b>0.2646</b>	<b>0.1982</b>	<b>33.5%</b>

Note: Consolidated financial statement

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

**For the 4<sup>th</sup> quarter of 2018:** TMB recorded THB6,234 million of net interest income (NII) in 4Q18, an increase of 1.6% when compared to previous quarter (QoQ) and 0.8% from the same period last year (YoY). Details are as follows:

- Interest income grew by 1.4% QoQ and 3.4% YoY to THB9,006 million. Moderate growth in performing loan helped reduce pressure from lower yield on earning assets, which was a result of slowly recovering in small SME loan growth and shift in loan portfolio to mortgage and corporate loan.
- Interest expenses increased by 1.0% QoQ and 9.6% YoY to THB2,772 million, due mainly to an increase in deposit volume, especially from non-transactional deposit.

**For the 12-month of 2018:** TMB reported NII of THB24,497 million, a marginal decrease of 1.0% from the same period last year, resulted primarily from non-transactional deposit expansion. Details are as follows:

- Interest income rose by 1.2% to THB35,128 million. Such an increase was due largely to higher interest income on loan and interest income on investment in debt securities which grew by 1.6% and 0.5% YoY respectively.
- Interest expenses increased by 6.5% YoY to THB10,632 million, mainly owing to higher funding cost and higher deposit volume. While the Bank continued to expand deposit, the gradual growth in interest expenses was because of higher funding cost.

NIM stayed at 2.86% in 4Q18 and 2.94% in 12M18

NIM stood at 2.86% in 4Q18 from 2.90% registered in 3Q18. For 12M18, NIM was at 2.94% or lowered by 19 bps from 3.13% in 12M17. The YoY decrease was due mostly to softened small SME loan growth, given a slowing economy as well as an increase in funding cost on deposits, particularly non-transactional deposit.

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

(THB million)	4Q18	3Q18	% QoQ	4Q17	% YoY	12M18	12M17	% YoY
<b>Interest income</b>	<b>9,006</b>	<b>8,878</b>	<b>1.4%</b>	<b>8,713</b>	<b>3.4%</b>	<b>35,128</b>	<b>34,713</b>	<b>1.2%</b>
Interest on interbank and money market items	444	434	2.4%	500	-11.0%	1,761	1,824	-3.4%
Investments and trading transactions	23	17	36.5%	6	290.7%	56	61	-8.2%
Investments in debt securities	346	328	5.5%	281	23.1%	1,220	1,214	0.5%
Interest on loans	8,190	8,097	1.1%	7,923	3.4%	32,082	31,580	1.6%
Others	3	2	23.3%	3	0.0%	10	35	-71.4%
<b>Interest expenses</b>	<b>2,772</b>	<b>2,745</b>	<b>1.0%</b>	<b>2,529</b>	<b>9.6%</b>	<b>10,632</b>	<b>9,979</b>	<b>6.5%</b>
Interest on deposits	1,484	1,454	2.1%	1,295	14.6%	5,627	4,990	12.8%
Interest on interbank and money market items	182	184	-1.1%	201	-9.3%	686	744	-7.8%
Contributions to the Deposit Protection Agency	754	748	0.8%	711	5.9%	2,965	2,842	4.3%
Interest on debt issued and borrowings	342	331	3.3%	313	9.3%	1,278	1,378	-7.3%
Borrowing fee	4	4	1.2%	5	-27.4%	15	20	-23.4%
Others	6	24	-73.8%	4	67.3%	61	6	886.9%
<b>Net interest income (NII)</b>	<b>6,234</b>	<b>6,133</b>	<b>1.6%</b>	<b>6,184</b>	<b>0.8%</b>	<b>24,497</b>	<b>24,734</b>	<b>-1.0%</b>

Note: Consolidated financial statements

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

**For the 4<sup>th</sup> quarter of 2018:** The Bank posted THB2,617 million of non-interest income in 4Q18, a decrease of 81.9% from last quarter (QoQ) and 24.7% from the 4<sup>th</sup> quarter last year (YoY). The significant drop from the preceding quarter was due mainly to extra gains from the deal with Eastspring in 3Q18. Details were as follows;

- Net fees and service income was reported at THB2,023 million which contracted by 4.3% QoQ and 31.0% YoY. The QoQ decline was due mostly to lower fee in mutual fund, resulted from global market volatility while Bancassurance fee showed a recovery sign from the previous quarter. The reduction in YoY was primarily due to a slowdown in mutual fund and Bancassurance fees. Loan-related fee, however, improved both QoQ and YoY.
- Gain on trading and FX transaction was THB350 million, dropped by 5.8% QoQ but rose by 11.8% YoY.
- Share of profit from investment using equity method was recorded at THB64 million as TMBAM has been our 35% associated company since late 3Q18.

**For the 12-month of 2018:** Non-interest income robustly grew by 85.3%YoY to THB23,545 million from THB12,705 million in the same period last year, largely supported by an increase in gains on investment from selling 65% stake in TMBAM in 3Q18 and gains on trading and FX transactions. Key items were as follows;

- Net fees and service income was THB9,338 million, declined by 11.8% YoY, due primarily to a slowdown in retail fees from mutual fund and Bancassurance sales while commercial fee maintained a positive momentum when compared to the same period last year.
- Gain on trading and foreign exchange transactions was THB1,529 million, grew by 33.3% YoY. It was mainly attributed to a rise in trading and FX transactions which related to trade finance business.

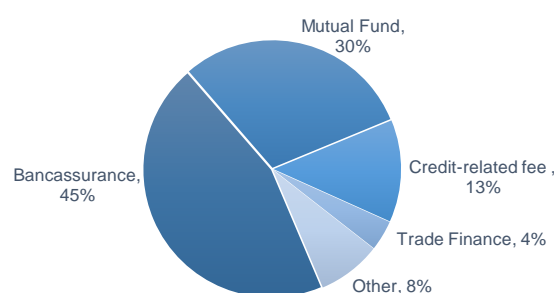
- Share of profit from investment using equity method was recorded at THB64 million as TMBAM has been our 35% associated company since late 3Q18.
- Gains on investments was THB11,963 million which increased from gain on TMBAM deal at THB11.8 billion in 3Q18.

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

(THB million)	4Q18	3Q18	% QoQ	4Q17	% YoY	12M18	12M17	% YoY
<b>Fees and service income</b>	<b>2,828</b>	<b>2,980</b>	<b>-5.1%</b>	<b>3,824</b>	<b>-26.1%</b>	<b>12,764</b>	<b>13,533</b>	<b>-5.7%</b>
Fee receive credit	111	147	-24.7%	154	-28.0%	484	568	-14.8%
Other fee and service income	2,717	2,833	-4.1%	3,670	-26.0%	12,280	12,965	-5.3%
<b>Fees and service expenses</b>	<b>805</b>	<b>866</b>	<b>-7.1%</b>	<b>891</b>	<b>-9.6%</b>	<b>3,426</b>	<b>2,947</b>	<b>16.2%</b>
<b>Net fees and service income</b>	<b>2,023</b>	<b>2,114</b>	<b>-4.3%</b>	<b>2,933</b>	<b>-31.0%</b>	<b>9,338</b>	<b>10,586</b>	<b>-11.8%</b>
Gains (losses) on tradings and foreign exchange transactions	350	372	-5.8%	313	11.8%	1,529	1,147	33.3%
Gains (losses) on financial instrument designated at fair value	-7	-1	N/A	-1	N/A	-11	-24	N/A
Gains (losses) on investments	23	11,835	-99.8%	7	209.3%	11,963	64	N/A
Share of profit from investment for using equity method	64	0	N/A	0	N/A	64	0	N/A
Gains on sale of assets	19	19	2.8%	40	-52.6%	70	209	-66.7%
Dividend income	0	2	-85.3%	4	-92.5%	19	32	-42.3%
Others	145	142	1.7%	177	-18.2%	574	691	-16.9%
<b>Non-interest income</b>	<b>2,617</b>	<b>14,482</b>	<b>-81.9%</b>	<b>3,474</b>	<b>-24.7%</b>	<b>23,545</b>	<b>12,705</b>	<b>85.3%</b>

Note: Consolidated financial statements

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



Note: Bank-only financial statements

### Non-interest expenses

**For the 4<sup>th</sup> quarter of 2018:** The Bank recorded THB4,716 million of total non-interest expenses, a rise of 12.3% QoQ but a decline of 3.3% YoY. Key items are as follows;

- Personnel expenses rose by 13.8% QoQ but decreased by 6.9% YoY to THB2,163 million. QoQ increase was mainly owing to higher incentives, resulting from growing business volume.
- Premises and equipment expenses increased by 2.5% QoQ but were relatively flat YoY to THB877 million.
- Other expenses increased by 11.9% QoQ but dropped by 5.2% YoY to THB1,287 million. The QoQ increase was mainly owing to higher seasonal marketing expense in 4Q18 and higher computer software amortization regarding IT investment plan.

**For the 12-month of 2018:** Total non-interest expenses declined by 1.8% YoY to THB17,475 million due mainly to a decline in employee expense. Key factors are;

- Personnel expenses dropped by 3.7% YoY to THB8,198 million, due primarily to lower incentive, offsetting the annual salary incremental.

- Premises and equipment expenses increased by 1.4% YoY to THB3,431 million, mainly from rental and maintenance expense.
- Other expenses increased by 1.2% YoY to THB4,537 million, resulting from computer software expense.

**Figure 5: Non-interest expenses**

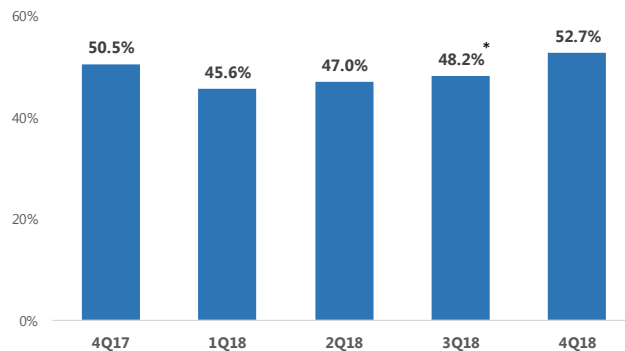
(THB million)	4Q18	3Q18	% QoQ	4Q17	% YoY	12M18	12M17	% YoY
Employee expenses	2,163	1,901	13.8%	2,323	-6.9%	8,198	8,511	-3.7%
Directors' remuneration	8	8	5.5%	8	-0.8%	44	45	-1.5%
Premises and equipment expenses	877	855	2.5%	876	0.1%	3,431	3,384	1.4%
Taxes and duties	325	319	1.9%	313	3.9%	1,264	1,250	1.1%
Loss on impairment of properties foreclosed	13	6	118.6%	7	90.7%	26	114	-76.8%
Loss on diminution in value of other assets	17	31	-47.1%	74	-77.5%	98	172	-43.1%
Provisions for other liabilities (reversal)	26	(71)	137.3%	(81)	N/A	(124)	(166)	-25.3%
Other expenses	1,287	1,150	11.9%	1,357	-5.2%	4,537	4,482	1.2%
<b>Non-interest expenses</b>	<b>4,716</b>	<b>4,199</b>	<b>12.3%</b>	<b>4,877</b>	<b>-3.3%</b>	<b>17,475</b>	<b>17,792</b>	<b>-1.8%</b>

Note: Consolidated financial statements

Cost to income ratio was at 48.2% in 2018, up from 47.3% in 2017

Cost to income ratio was at 52.7% in 4Q18, compared to 48.2% in 3Q18. For 12M18, cost to income ratio slightly increased to 48.3% from 47.3% in the same period last year. Looking forward, TMB will continue to enhance operational efficiency and improve income generation capabilities 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 36.4% in 12M18

Note: Consolidated financial statements

## Operating profit and provision

**Pre-provision operating profit (PPOP):** PPOP amounted to THB4,180 million in 4Q18, which decreased by 74.5% QoQ and 12.7% YoY respectively. PPOP for the 12-month of 2018 was reported at THB30,540 million or grew by 54.7% YoY.

*THB2,030 million was set for provision in 4Q18 with high level of coverage ratio at 152%*

**Impairment loss on loans and debt securities:** Provisions for bad debt and doubtful accounts and impairment loss of debt securities for 4Q18 was THB2,030 million, compared with THB9,386 million in 3Q18 and THB2,001 million in 4Q17. Likewise, provision for the 12-months of 2018 was THB16,100 million, compared to THB8,915 million in the same period last year. In 3Q18, TMB set aside additional provision from its normal business level for prudent qualitative loan downgrade and in preparation for implementation of IFRS 9 in 2020.

The Bank targets to maintain its coverage ratio at a high level. Coverage ratio, therefore, stood at 152% as of December 2018, compared with 157% as of September 2018 and 143% as of December 2017.

**Net profit:** After provision and tax, net profit in 4Q18 was THB1,701 million or decreased by 69.6% QoQ and 24.6% YoY. For the 12-month period, net profit was recorded at TH11,601 million, rose by 33.6% YoY when compared to the same period last year.



## Discussion of financial position

Figure 7: Selected financial position

Unit: THB million	Dec-18	Sep-18	%QoQ	Dec-17	%YTD
Cash	15,234	12,083	26.1%	17,872	-14.8%
Interbank and money market items, net	113,522	117,462	-3.4%	112,534	0.9%
Derivative assets	7,916	9,078	-12.8%	8,674	-8.7%
Investments	78,054	76,164	2.5%	61,305	27.3%
Loans to customers (Less deferred revenue)	685,707	667,379	2.7%	643,373	6.6%
Accrued interest receivables	1,308	1,312	-0.3%	969	35.0%
Less allowance for doubtful accounts & Revaluation allowance for debt restructuring	32,975	32,782	0.6%	24,969	32.1%
<b>Loans and Allowance - net</b>	<b>654,040</b>	<b>635,909</b>	<b>2.9%</b>	<b>619,373</b>	<b>5.6%</b>
Properties for sale, net	2,614	2,586	1.1%	2,214	18.1%
Premises and equipment, net	11,876	11,405	4.1%	12,071	-1.6%
Goodwill and other intangible assets, net	2,592	2,356	10.0%	2,132	21.6%
Deferred tax assets	401	283	41.7%	683	-41.3%
Other receivables - net	1,251	1,269	-1.4%	1,690	-26.0%
Other assets	4,212	4,577	-8.0%	5,325	-20.9%
<b>Total Assets</b>	<b>891,713</b>	<b>873,173</b>	<b>2.1%</b>	<b>843,872</b>	<b>5.7%</b>
Deposits	649,568	638,864	1.7%	611,430	6.2%
Interbank and money market items	64,267	59,615	7.8%	60,349	6.5%
Debts issued and borrowings, net	35,124	32,194	9.1%	33,352	5.3%
Deferred revenue	17,594	17,915	-1.8%	18,908	-6.9%
Other liabilities	26,382	27,571	-4.3%	29,978	-12.0%
<b>Total Liabilities</b>	<b>792,934</b>	<b>776,159</b>	<b>2.2%</b>	<b>754,016</b>	<b>5.2%</b>
Equity attributable to equity holders of the Bank	98,779	97,014	1.8%	89,856	9.9%
Non-controlling interest	0	0	N/A	0	N/A
<b>Total equity</b>	<b>98,779</b>	<b>97,014</b>	<b>1.8%</b>	<b>89,856</b>	<b>9.9%</b>
<b>Total liabilities and equity</b>	<b>891,713</b>	<b>873,173</b>	<b>2.1%</b>	<b>843,872</b>	<b>5.7%</b>
<b>Book value per share (Baht)</b>	<b>2.25</b>	<b>2.21</b>	<b>1.8%</b>	<b>2.05</b>	<b>9.9%</b>

Note: Consolidated financial statements

### Assets

As of 31 December 2018, total assets on consolidated basis amounted to THB891,713 million. The figure showed an increase of 5.7% from THB843,872 million as of December 2017 (YTD). Key items are as follows;

- Total loan to customers (less deferred revenue) continued to increase by 2.7% QoQ to THB685,707 million or registered a growth of 6.6%YTD. (Details in the following section)
- Net interbank and money market items dropped by 3.4% QoQ but relatively stable YTD to THB113,522 million. The drop in QoQ was in accordance to liquidity management.
- Net investments were THB78,054 million, rose by 2.5% QoQ and 27.3% YTD. It was mostly from an increase in HTM portfolio, AFS & Trading portfolio in line with balance sheet optimization plan, and gain from change in control of investment as the Bank recognized 35% remaining of TMBAM stake.

- Net properties for sale was THB2,614 million which slightly increased by 1.1% QoQ and 18.1% YTD. (Details in the following section)

### Total loans

Performing loan rose 2.7% QoQ and 6.1% YTD

**On consolidated basis:** As of 31 December 2018, TMB recorded total loans to customers (less deferred revenue) on consolidated basis of THB685,707 million which represented a 2.7% QoQ and 6.6% YTD growth.

**On bank-only basis:** Total loans totaled THB685,661 million which also rose by 2.7% QoQ and 6.6% YTD.

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

- Performing loans was recorded at THB663,987 million which grew by 2.7% QoQ and 6.1% YTD, contributed by retail and large corporate segments while small SME showed a recovery trend.
- Non-performing loans (NPLs) increased by 3.7% QoQ and 24.0% YTD to THB21,674 million.

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

(THB million)	Dec-18	Sep-18	Dec-17	%QoQ	% YTD
Performing loans	663,987	646,429	625,852	2.7%	6.1%
Non-performing loans	21,674	20,904	17,473	3.7%	24.0%
<b>Total loans to customers</b>	<b>685,661</b>	667,333	643,325	2.7%	6.6%

*Note: Exclude interbank, Bank-only financial statements*

### Performing loan

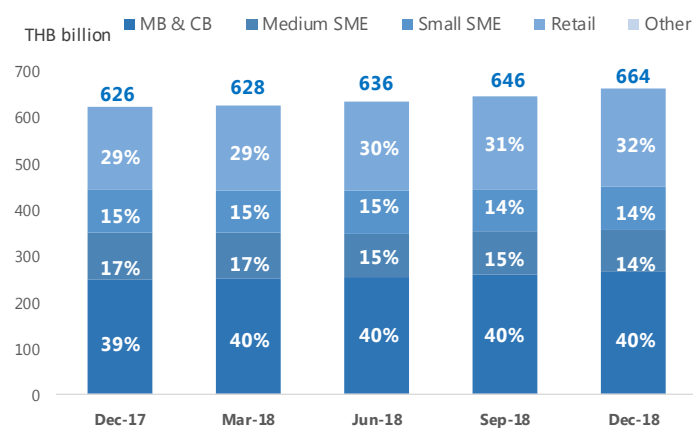
Performing loan continued its positive momentum with growth rates of 2.7% QoQ and 6.1% YTD. The retail segment especially mortgage loans continued to be the key leading, followed by large corporate segment while small SME continued to recover at a gradual pace. Details are as follows;

- Retail lending remained the key growth driver with 5.6% QoQ and 17.8% YTD growth, largely attributed to 19.7% YTD growth in mortgage loans.
- In terms of commercial lending, Large corporate segment (MB and CB loans) grew by 1.7% QoQ and 7.1% YTD. SMEs, Medium size SME (BB) and Small SME (SE), rose by 1.1% QoQ but contracted by 5.6% YTD. Nonetheless, Small SME continued to recover from the preceding quarter with 2.3% QoQ and registered 1.7% YTD growth.

In terms of loan breakdown by customer segment, the mix marginally changed from December 2017. As of 31 December 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, 31% of performing loan was working capital (OD); followed by term-loan & RPN 25%, 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

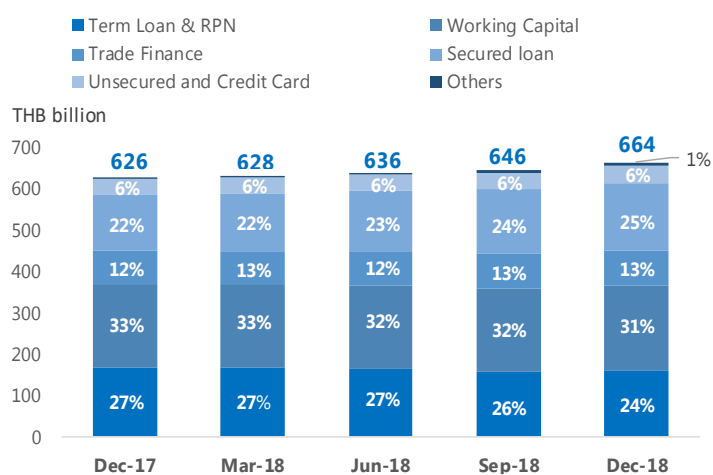
Corporate Banking (CB): customer with annual sales volume more than THB1 billion to THB5 billion

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)	31 Dec 2018		31 Dec 2017	
	Loans and accrued interest receivables	Allowance for doubtful accounts	Loans and accrued interest receivables	Allowance for doubtful accounts
Pass	637,138	6,142	600,675	5,747
Special mention	28,157	419	26,146	457
Substandard	2,073	1,235	1,875	1,238
Doubtful	1,927	1,065	1,013	470
Doubtful of loss	17,720	9,715	14,633	7,137
<b>Total</b>	<b>687,015</b>	<b>18,576</b>	<b>644,342</b>	<b>15,049</b>
Excess allowance		13,400		9,590
<b>Total</b>	<b>687,015</b>	<b>31,976</b>	<b>644,342</b>	<b>24,639</b>

*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 31 December 2018, non-performing loans (NPLs) on consolidated basis was reported at THB21,720 million which increased from THB20,950 million as of September 2018 and THB17,521 million as of December 2017. NPLs on bank-only basis amounted to THB21,674 million also rose when compared with THB20,904 million as of September 2018 and THB17,473 million at the end of 2017.

The Bank continued to proactively resolve NPLs through write-off to reduce future downside risks and keep balance sheet clean. In the 4<sup>th</sup> quarter, the Bank further wrote off amounting to THB1.4 billion.

As of 31 December 2018, NPL ratio on consolidated basis was recorded at 2.76%, compared with 2.69% as of 30 September 2018 and 2.35% at the end of 2017. Meanwhile, NPL ratio on bank-only basis stayed at 2.76%, compared with 2.69% as of 30 September 2018 and 2.34% as of 31 December 2017, respectively.

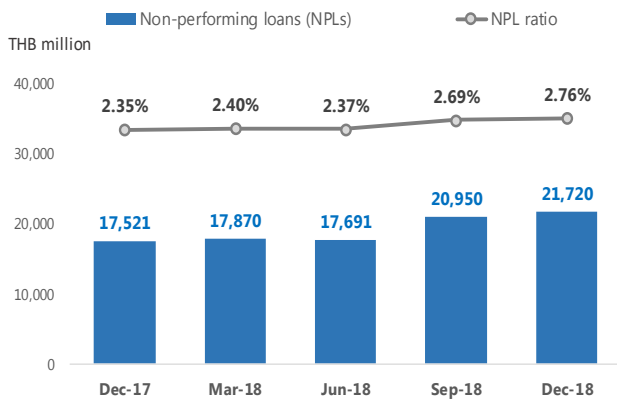
### Allowance for loan losses

As of 31 December 2018, the Bank and its subsidiaries reported the allowance for doubtful accounts and revaluation allowance for debt restructuring of THB32,975 million, which marginally increased by 0.6% QoQ and 32.1% YTD respectively as the Bank continued to proactively resolve NPLs through write-offs to limit future downside risks. For 2018, TMB made THB7.5 billion of write-off and THB1.3 billion of NPL sale.

*Coverage ratio remained high at 152%*

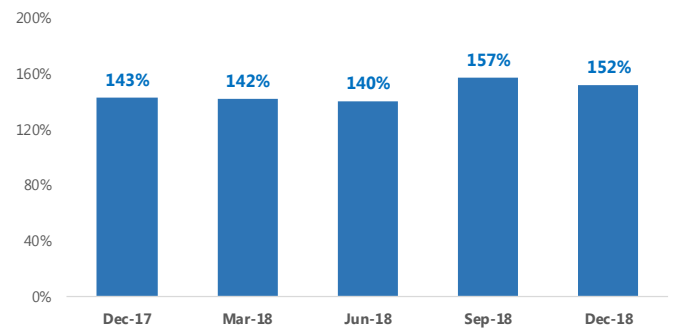
The ratio of allowance for loan loss to NPLs or coverage ratio remained high at 152% on both consolidated and bank-only basis. TMB consistently maintained coverage ratio at prudent level.

**Figure 12: NPLs and NPL ratio**



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

**Figure 13: Coverage ratio**

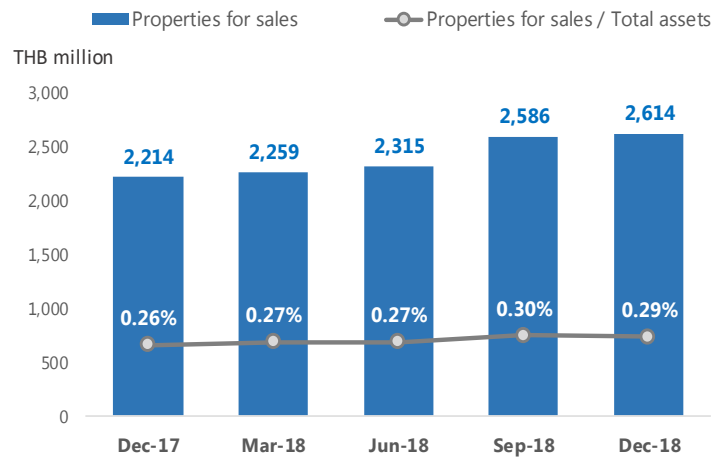


Note: Consolidated financial statement

### Properties for sales

As of 31 December 2018, net properties for sale increased slightly by 1.1% QoQ and 18.1% YTD to THB2,614 million. The ratio of properties for sale to total assets, however, remained stable at 0.29%, compared with 0.30% as of September 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

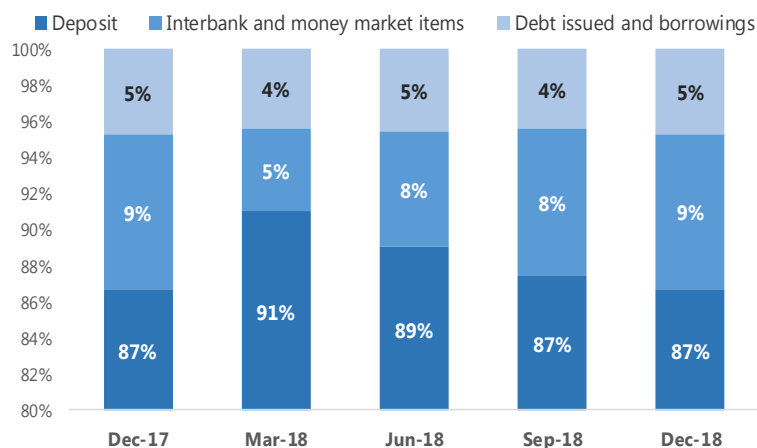
### Liabilities

As of 31 December 2018, total liabilities on consolidated basis was reported at THB792,934 million which increased by 2.2% QoQ and 5.2% YTD. Details of key figures are as follows.

- Total deposits were THB649,568 million, indicating 1.7% QoQ and 6.2% YTD growth. (see details in following section)
- Net interbank and money market items amounted to THB64,267 million which grew by 7.8% QoQ and 6.5% YTD, due to liquidity management.
- Borrowings were THB35,124 million, increased by 9.1% QoQ and 5.3% YTD. (see details in following section)

Deposit was the largest composition of interest-bearing liabilities. As of 31 December 2018, deposits represented 87% of interest-bearing liabilities. This followed by interbank and money market items of 9% and debt issued and borrowings of 5%.

**Figure 15: Interest-bearing liabilities breakdown**



Note: Consolidated financial statement

### Deposits

As of 31 December 2018, the Bank and its subsidiaries reported total deposits on consolidated basis of THB649,568 million, increased by 1.7% QoQ and 6.2% YTD, mainly driven by retail and commercial customers. This reflected TMB's value proposition of "Get More with TMB". Overall, the deposit has expanded as planned, backed by No-Fixed and One Bank which rose by 14.3% YTD and 14.6% YTD. The increase was in line with Bank's strategy to acquire new customers.

### Deposit breakdown by products

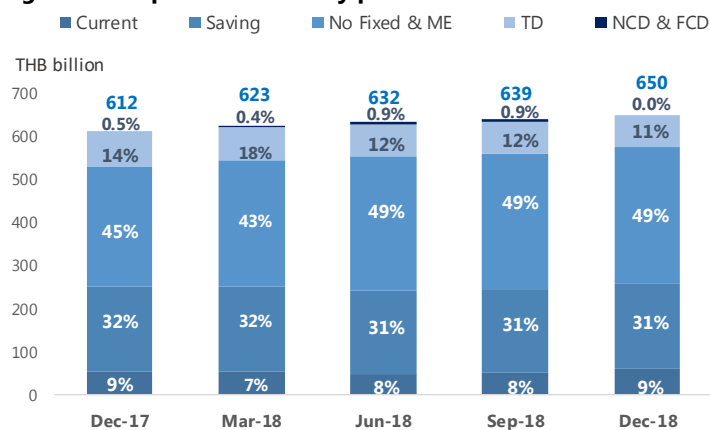
As of December 2018, both non-transactional deposit and transactional deposit grew on track. Non-transactional deposits grew by 1.4% QoQ and 13.9% YTD which led by No-Fixed 1.3% QoQ and 14.3% YTD, as well as ME Save, deposit on digital platform, expanded by 1.8% QoQ and 11.5% YTD while transactional deposit rose at moderate pace at 2.8% QoQ and 2.1% YTD. This was attributed to One Bank of 8.8% QoQ and 14.6% YTD growth from commercial customers and TMB All Free of 3.1% QoQ and 3.9% YTD growth from retail customers.

Overall, the ratio of transactional deposit (CASA-excluded No-Fixed and ME) to total deposit was reported at 40%, relatively stable compared with 39% as of September 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 December 2018, retail deposit accounted for 69% of total deposit and commercial deposit accounted for 31%.

**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

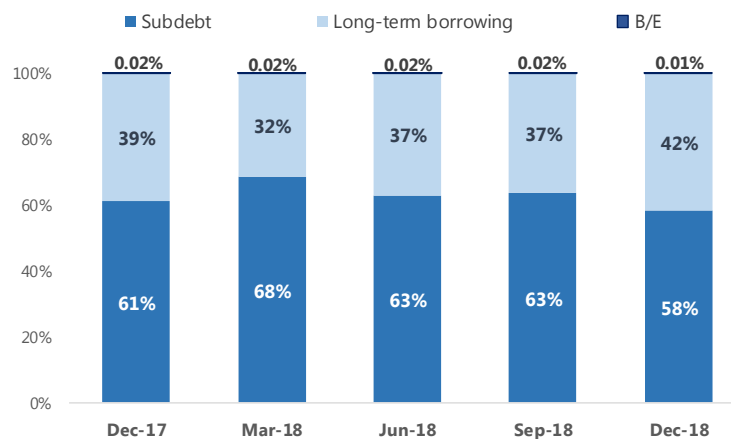
### Borrowings

*Borrowing increased due to the issuance of USD Green Bond*

As of 31 December 2018, total borrowings of the Bank and subsidiaries increased by 9.1% QoQ and 5.3% YTD to THB35,124 million. An increase was mostly from the issuance of Green Bond USD, amounting to 60 million in June 2018 and amounting to USD90 million in December 2018 respectively, offsetting the redemption of CNH senior debt, amounting to CNY600 million in March 2018.

In terms of borrowing structure, 58% was sub-debt. This followed by long-term borrowing of 42% and BE of 0.01%.

**Figure 17: Borrowings breakdown**



Note: Bank-only financial statements

## Liquidity and loan to deposit ratio

TMB has a strong liquidity position and has maintained high proportion of liquid and low-risk assets.

As of 31 December 2018, on consolidated basis, total liquid assets represented 17.5% of the total assets. The liquid assets consisted cash (1.7%), interbank & money market items (12.7%) and short-term investment (3.1%). In terms of loan to deposit ratio (LDR), the ratio, on consolidated basis was at 106%, increased from 104% as of September 2018 and 105% as of December 2017, respectively.

**Figure 18: Liquid asset allocation and loan to deposit ratio**

Liquid assets	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Cash	1.7%	1.4%	1.5%	1.7%	2.1%
Interbank and money market	12.7%	13.5%	12.4%	12.8%	13.3%
Short-term investment	3.1%	4.1%	3.3%	1.5%	2.7%
<b>Liquid assets / Total assets</b>	<b>17.5%</b>	19.0%	17.2%	16.0%	18.1%
<b>Loan to deposit ratio (LDR)</b>	<b>106%</b>	104%	103%	104%	105%

*Note: Consolidated financial statement*

## Capital adequacy

As of 31 December 2018, the consolidated equity was THB98,779 million which rose by 1.8% QoQ and 9.9% YTD.

### Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 31 December 2018, Capital Adequacy Ratio (CAR) of the Bank under Basel III calculation was at 17.5% while CET1 and Tier 1 ratios stayed at 13.6%. 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)	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
<b>Capital Adequacy Ratio (CAR)</b>	<b>17.5%</b>	17.8%	17.3%	17.5%	17.3%
<b>Core Tier 1 Ratio (CET 1)</b>	<b>13.6%</b>	13.8%	13.3%	13.3%	13.2%
<b>Tier I Ratio (Tier 1)</b>	<b>13.6%</b>	13.8%	13.3%	13.3%	13.2%

*Note: Bank-only financial statement*



## TMB's Financial Summary

(THB million)	4Q18	% QoQ	% YoY	12M18	% YoY
Net interest income (NII)	6,234	1.6%	0.8%	24,497	-1.0%
Non-interest income (Non-NII)	2,617	-81.9%	-24.7%	23,545	85.3%
Non-interest expense	4,716	12.3%	-3.3%	17,475	-1.8%
<b>Pre-provision operating profit (PPOP)</b>	<b>4,180</b>	<b>-74.5%</b>	<b>-12.7%</b>	<b>30,540</b>	<b>54.7%</b>
Impairment loss on loans and debt securities	2,030	-78.4%	1.4%	16,100	80.6%
<b>Net profit to equity holders of the Bank</b>	<b>1,701</b>	<b>-69.6%</b>	<b>-24.6%</b>	<b>11,601</b>	<b>33.6%</b>

(THB million)	31-Dec-18	30-Sep-18	% QoQ	31-Dec-17	% YTD
Loan to customers (less deferred revenue)	685,707	667,379	2.7%	643,373	6.6%
Total assets	891,713	873,173	2.1%	843,872	5.7%
Deposit	649,568	638,864	1.7%	611,430	6.2%
Total liabilities	792,934	776,159	2.2%	754,016	5.2%
Total equity	98,779	97,014	1.8%	89,856	9.9%

Key ratios	4Q18	3Q18	4Q17	12M18	12M17
Net interest margin (NIM)	2.86%	2.90%	3.04%	2.94%	3.13%
Net fee to earning assets*	1.09%	1.18%	1.60%	1.30%	1.49%
Cost to income ratio**	52.7%	48.2%	50.5%	48.3%	47.3%
Return on equity (ROE)	6.9%	23.6%	10.2%	12.4%	10.0%
Return on asset (ROA)	0.8%	2.6%	1.1%	1.4%	1.1%
Gross NPLs (THB mn)	21,720	20,950	17,521	21,720	17,521
NPL ratio	2.76%	2.69%	2.35%	2.76%	2.35%
Credit cost (bps)	119	564	126	244	145
Total allowance to NPLs (Coverage ratio)	152%	157%	143%	152%	143%
Loan to deposit ratio (LDR)	106%	104%	105%	106%	105%
Capital adequacy ratio (CAR)	17.5%	17.8%	17.3%	17.5%	17.3%
Tier 1 capital ratio (Tier 1)	13.6%	13.8%	13.2%	13.6%	13.2%
Core tier 1 capital ratio (CET 1)	13.6%	13.8%	13.2%	13.6%	13.2%
No. of employees	8,373	8,446	8,551	8,373	8,551
No. of branches	417	415	432	417	432
No. of ATMs	2,066	2,055	2,054	2,066	2,054

\* 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 36.4% in 12M18

### 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	<b>AA- (tha)</b>	
Short-Term	F1+(tha)	
Subordinated Debt	<b>A+ (tha)</b>	

**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