Management Discussion and Analysis

For the 3rd quarter and 9-month period ended 30 September 2019

(Unreviewed financial statements)

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in 3Q19: Weak Thai Economy continued to slow down from the first half mainly due to external uncertainty. Sluggish global economy, trade tension between US-China, and Baht appreciation shrink Thai exports in various goods and markets. In August, merchandise exports excluding gold contracted 9.8% Domestic activities such as investment, which includes both machinery investment and construction, continue to contract. The contraction in investment aligned with a downward trend in real estate sector. Tourism, the only positive driver in this quarter, was able to grow due to a return of Chinese tourists and a lower number of tourists last year from the Phuket incident. Overall, Thailand's economic engines still lack powers to drive Thai economy to grow at its potential. Thai economy is forecasted to continue its weak growth in this quarter further from the first half of 2019, which grew only 2.6%.

Financial market & banking industry: The Monetary Policy Committee (MPC) lowered the policy rate by 25 basis points from 1.75% to 1.50% in order support economic expansion amid high external uncertainties. As a result, commercial banks' interest rates such as Minimum Overdraft Rate (MOR) and Minimum Retail Rate (MRR) dropped by 25 basis points as well. Thai baht was averaged at 30.71 THB/USD in the third quarter of 2019, appreciated by 2.9% from 31.60 THB/USD in the second quarter of 2019. After massive appreciation in June, measures from the Bank of Thailand effectively stopped Thai baht from appreciating further. Thai baht was mostly stable and appreciate slightly in September. Strong current account surplus and stability in Thai baht that convinced foreign investors to channel their money into Thailand, a new safe heaven, still played major roles in Baht appreciation, which was not consistent with the outlook of Thai economy. Regarding banking industry, at the end of July 2019, total loan growth from commercial banks accelerated to 4.0% compared to the same period last year (YoY) and increased by 0.9% from the end of year 2018 (YTD). Loan growth was contributed by consumer loans especially in mortgage loans and personal loans. Deposits expanded at 3.7% YoY or 1.6% YTD from both saving and time deposits.

Economic outlook for 4Q19: In the last quarter, Thailand's path to economic recovery will still be limited amidst global economic slowdown and prolonging trade tensions between U.S. and China. TMB Analytics expects Thai export value in 2019 to contract 2.7% from previous year. However, domestic economic activities especially private consumption should be revived from government policies. Active policies in the last quarter includes additional allowance in the state welfare card, G-wallet, Agricultural loan and supports for those who were affected by the flood, and the investment policy which has both tax incentives and more SMEs loans. However, government capital disbursement, especially on the projects that have neither been signed the contracts or passed the cabinet's approval will likely be postponed to the first quarter of 2020. As a result, the extra boost on private investment will be minimal. Due to various limitations to growth, TMB Analytics expect GDP to grow only 2.7% this year. Another policy rate cut from MPC is likely in the last quarter due to further pressure from weak economy. Future cut would make the policy rate down to 1.25%. Thai Baht in the last quarter of 2019 should appreciate further due to easing policies from various central banks around the world and a fundamental factor such as current account surplus. Thai baht should hover around 30.50 THB/USD for the rest of this year.

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

Deposit and loan expanded in 3Q19 and posted 3.7% and 1.1% YTD growth for 9M19. Retail segment remained a key driver amid a slow recovery of small SME loan. The Bank continued to ensure portfolio quality and proactively de-risk loan portfolio in preparation for IFRS9 and the merger transaction. Due to Non-NII growth and well-managed operating cost, PPOP, improved by 26.8% QoQ. The Bank, however, set aside high provision to maintain its coverage ratio and de-risk loan portfolio. Coverage ratio, as a result, was maintained at 140% while NPL ratio reduced to 2.52%.

Deposit expanded further, led by large corporate and retail segments: TMB continued to focus on deposit-led strategy and to extend value proposition to deliver better customer experience. In this quarter, deposit expanded 3.7% YTD driven by large corporate and retail flagship products. Retail flagship product continued its positive momentum, backed by TMB All Free (+5.1%), ME Save (3.0%) and No-Fixed (+2.6%) YTD growth respectively. While commercial deposit also grew by 10.2% YTD, due mainly to large corporate CASA. Recently, TMB launched a new feature of TMB All Free, namely "PAY WITH WOW", affirming the Bank's focus as a market leader in transactional banking.

1.1% loan growth was driven by retail lending: As of September 2019, total loan amounted to THB694 billion, rose by 1.1% YTD. Key driver was a 8.6% growth from retail segment as mortgage loan maintained on positive trend and registered 9.2% growth pace. Commercial loans contracted by 1.7% YTD mainly from loan repayment from large corporate customers and proactive SME loan portfolio de-risking. Nonetheless, small SME was slowly recovering with 1.3% marginal growth from the previous quarter and stable YTD.

Lower NIM and NII was due to higher funding cost from sub-debt issuance: Despite a better yield on investment and trading transaction and lower cost of deposit, NIM dropped 10 bps to 2.80% in 3Q19. The contraction in NIM was pressured by an increase in funding cost from the issuance of subordinate debts in June, coupled with lower loan yield following the rate cuts. Meanwhile NII declined by 2.2% to THB6,206 million in 3Q19 but increased by 2.9% to THB18,786 million in 9M19.

Significant growth of Non-NII was driven by core fees income and investment gain: TMB reported 3Q19 Non-NII of THB4,490 million, rose by 76.2% QOQ. Such a growth in Non-NII was boosted largely by an improvement in both retail and commercial fees and gain on investments. Retail fee income rose QoQ mainly attributed to growth in bancassurance fee while mutual fund fee was maintained from the previous quarter. Likewise, commercial fee also increased from the previous quarter due owing to growth in credit related fee.

With top line growth and operating efficiency, PPOP improved: With growth in revenue and efficiency improvement, core operating profit remains a positive momentum. In 3Q19, operating expense rose in line with business expansion. Pre-provision operating profit (PPOP) therefore improved QoQ and YoY which was recorded at THB5,984 million in 3Q19.

NPL ratio declined to 2.52% while coverage ratio maintained at 140%: TMB aims to manage Special Mention (SM) and NPL loan portfolio further in preparation for IFRS 9 and de-risk the existing portfolio. In the third quarter of 2019, the Bank set aside THB2,893 million of provision. In this quarter, NPLs dropped to THB20,302 million and NPL ratio reduced to 2.52% while coverage ratio maintained at 140%. This reflected the Bank's prudent operation and NPL management.

After provision, TMB reported THB2,111 million of net profit. The figure increased by 10.1% from the previous quarter but declined by 62.3% YoY.

Discussion of operating performance

Figure 1: **Selected Statement of Comprehensive Income**

(THB million)	3Q19	2Q19	% QoQ	3Q18	% YoY	9M19	9M18	% YoY
Interest income	9,216	9,238	-0.2%	8,878	3.8%	27,504	26,123	5.3%
Interest expenses	3,010	2,894	4.0%	2,745	9.7%	8,718	7,860	10.9%
Net interest income	**6,206**	**6,344**	**-2.2%**	**6,133**	**1.2%**	**18,786**	**18,263**	**2.9%**
Fees and service income	2,696	2,624	2.7%	2,980	-9.5%	7,800	9,936	-21.5%
Fees and service expenses	731	716	2.1%	866	-15.6%	2,204	2,621	-15.9%
Net fees and service income	**1,965**	**1,909**	**3.0%**	**2,114**	**-7.0%**	**5,596**	**7,315**	**-23.5%**
Other operating income	2,525	640	294.8%	12,368	-79.6%	3,723	13,614	-72.7%
Non-interest income	**4,490**	**2,548**	**76.2%**	**14,482**	**-69.0%**	**9,319**	**20,929**	**-55.5%**
Total operating income	**10,696**	**8,892**	**20.3%**	**20,615**	**-48.1%**	**28,105**	**39,191**	**-28.3%**
Total other operating expenses	**5,131**	**4,210**	**21.9%**	**4,199**	**22.2%**	**14,079**	**12,758**	**10.3%**
Impairment loss on loans and debt securities	2,893	2,490	16.2%	9,386	-69.2%	7,222	14,071	-48.7%
Profit before income tax expense	**2,673**	**2,192**	**21.9%**	**7,030**	**-62.0%**	**6,804**	**12,362**	**-45.0%**
Income tax expense	561	275	104.4%	1,436	-60.9%	1,197	2,462	-51.4%
Profit for the period	**2,111**	**1,917**	**10.1%**	**5,594**	**-62.3%**	**5,607**	**9,900**	**-43.4%**
Profit to non-controlling interest of subsidiaries	**0**	**0**	**N/A**	**0**	**N/A**	**0**	**0**	**N/A**
Profit to equity holders of the Bank	**2,111**	**1,917**	**10.1%**	**5,594**	**-62.3%**	**5,607**	**9,900**	**-43.4%**
Other comprehensive income	43	1,196	-96.4%	-79	N/A	1,276	-112	N/A
Total comprehensive income	**2,155**	**3,114**	**-30.8%**	**5,515**	**-60.9%**	**6,883**	**9,789**	**-29.7%**
Basic earnings per share (THB/share)	**0.0481**	**0.0437**	**10.1%**	**0.1276**	**-62.3%**	**0.1279**	**0.2258**	**-43.4%**

Note: Consolidated financial statement

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

For the 3rd quarter of 2019: TMB recorded THB6,206 million of net interest income (NII) in 3Q19, 2.2% decrease when compared to previous quarter (QoQ) but 1.2% increase from the same period last year (YoY). Details are as follows:

- Interest income was relatively stable QoQ and grew by 3.8% YoY to THB9,216 million, resulting from lower yield on earning asset.
- Interest expenses rose by 4.0% QoQ and 9.7% YoY to THB3,010 million, primarily due to higher funding cost from sub-debt issuance in June 2019.

For the 9-month of 2019: TMB reported net interest income of THB18,786 million, an increase of 2.9% from the same period last year. Details are as follows:

- Interest income rose by 5.3% YoY to THB27,504 million from THB26,123 million. Such increase was mostly from a result of moderate loan growth despite lower earning asset yield.
- Interest expenses increased by 10.9% YoY to THB8,718 million from THB7,860 million, resulting from higher funding cost and deposit volume. The increase in funding cost was essentially come from the issuance of subordinate tier II.

NIM recorded at 2.80% in 3Q19 and 2.87% in 9M19

NIM stood at 2.80% in 3Q19 which declined by 10 bps from 2.90% in 2Q19. For 9M19, NIM dropped 9 bps to 2.87% The reduction in QoQ was mainly due to higher funding cost from an increase in interest expense from subordinate tier II which issued in June 2019 while a decline in yield on loan and investment in debt securities was mostly from change in loan mix and interest rate cuts.

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

(THB million)	3Q19	2Q19	% QoQ	3Q18	% YoY	9M19	9M18	% YoY
Interest income	**9,216**	**9,238**	**-0.2%**	**8,878**	**3.8%**	**27,504**	**26,123**	**5.3%**
Interest on interbank and money market items	455	449	1.2%	434	4.7%	1,365	1,317	3.6%
Investments and trading transactions	58	22	167.7%	17	243.1%	95	33	190.1%
Investments in debt securities	351	443	-20.7%	328	7.0%	1,182	874	35.3%
Interest on loans	8,348	8,317	0.4%	8,097	3.1%	24,845	23,892	4.0%
Others	5	7	-27.9%	2	131.2%	18	7	147.9%
Interest expenses	**3,010**	**2,894**	**4.0%**	**2,745**	**9.7%**	**8,718**	**7,860**	**10.9%**
Interest on deposits	1,531	1,522	0.6%	1,454	5.3%	4,534	4,143	9.4%
Interest on interbank and money market items	183	229	-20.0%	184	-0.6%	616	504	22.1%
Contributions to the Deposit Protection Agency	758	767	-1.2%	748	1.4%	2,285	2,211	3.4%
Interest on debt issued and borrowings	531	371	43.1%	331	60.4%	1,267	936	35.4%
Borrowing fee	7	4	69.2%	4	85.1%	14	12	23.8%
Others	0	0	N/A	24	-98.1%	1	54	-97.9%
Net interest income (NII)	**6,206**	**6,344**	**-2.2%**	**6,133**	**1.2%**	**18,786**	**18,263**	**2.9%**

Note: Consolidated financial statements

Non-interest income (Non-NII)

For the 3rd quarter of 2019: The Bank posted THB4,490 million of non-interest income in 3Q19, an increase of 76.2% from last quarter (QoQ) but a decrease of 69.0% from the 3rd quarter last year (YoY). Strong growth in Non-NII was primarily attributed to an improving in both retail and commercial fees and gain from investment portfolio. Details were as follows;

- Net fees and service income was reported at THB1,965 million which grew by 3.0% QoQ but contracted by 7.0% YoY. Key factor was higher bancassurance fee while fee from mutual fund sale was maintained from the previous quarter. Commercial fees increased QoQ mainly from credit related fee.
- Gain on trading and FX transaction was THB475 million, rose by 54.4% QoQ and 27.6% YoY.
- Gain on investments was recorded at THB1,804 million as the Bank started to readjust its investment and funding mix in response to the market condition.
- Share of profit from investment using equity method was recorded at THB79 million.

For the 9-month of 2019: Non-interest income declined by 55.5% YoY to THB9,319 million from THB20,929 million in the same period last year which largely due to TMBAM's one-time profit of THB11.8 billion recorded in 3Q18. Key items were as follows;

- Net fees and service income decreased by 23.5% YoY to THB5,596 million. The reduction was due owing to a slowdown in mutual fund and bancassurance fees.

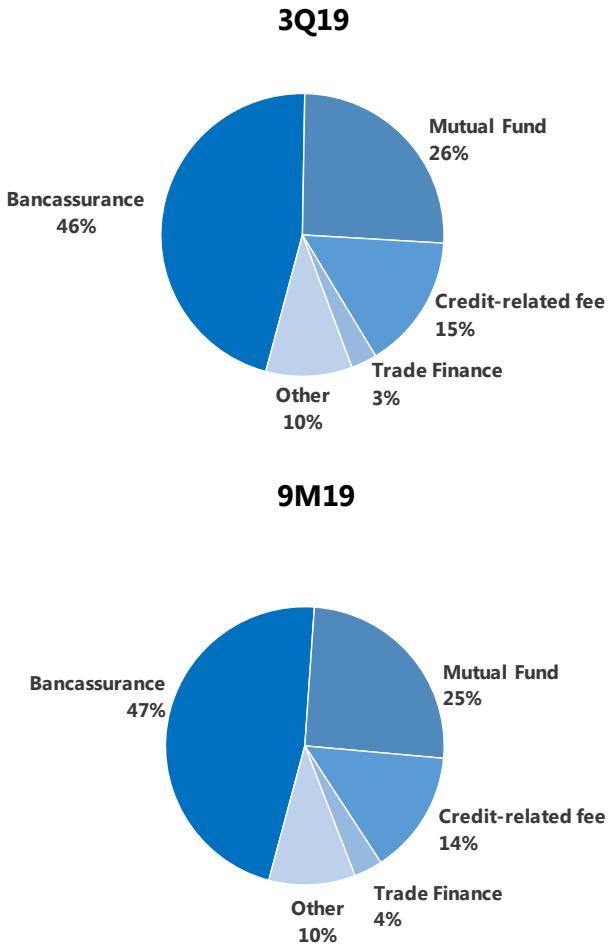
- Gain on trading and foreign exchange transactions dropped by 2.8% YoY to THB1,145 million.
- Share of profit from investment using equity method was recorded at THB214 million.

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

(THB million)	3Q19	2Q19	% QoQ	3Q18	% YoY	9M19	9M18	% YoY
Fees and service income	**2,696**	**2,624**	**2.7%**	**2,980**	**-9.5%**	**7,800**	**9,936**	**-21.5%**
Fee receive credit	105	86	21.6%	147	-28.8%	245	373	-34.3%
Other fee and service income	2,591	2,538	2.1%	2,833	-8.5%	7,555	9,563	-21.0%
Fees and service expenses	**731**	**716**	**2.1%**	**866**	**-15.6%**	**2,204**	**2,621**	**-15.9%**
Net fees and service income	**1,965**	**1,909**	**3.0%**	**2,114**	**-7.0%**	**5,596**	**7,315**	**-23.5%**
Gains (losses) on tradings and foreign exchange transactions	475	307	54.4%	372	27.6%	1,145	1,179	-2.8%
Gains (losses) on financial instrument designated at fair value	-7	-6	N/A	-1	N/A	-19	-3	N/A
Gains (losses) on investments	1,804	96	1776.9%	11,835	-84.8%	1,904	11,941	-84.1%
Share of profit from investment using equity method	79	75	4.9%	0	N/A	214	0	N/A
Gains on sale of assets	29	15	96.4%	19	55.8%	48	50	-4.6%
Dividend income	2	23	-89.9%	2	27.3%	26	18	39.4%
Others	143	129	11.3%	142	0.9%	405	430	-5.9%
Non-interest income	**4,490**	**2,548**	**76.2%**	**14,482**	**-69.0%**	**9,319**	**20,929**	**-55.5%**

Note: Consolidated financial statements

Figure 4: Net fees and service income breakdown



Note: Bank-only financial statements, prelim data

Non-interest expenses

For the 3rd quarter of 2019: The Bank recorded THB5,131 million of total non-interest expenses, an increase of 21.9% QoQ and 22.2% YoY. Key items are as follows;

- Personnel expenses rose by 7.8% QoQ and 8.5% YoY to THB2,062 million. QoQ rise was due primarily to higher staff variable cost related to sales performance.
- Premises and equipment expenses increased by 17.1% QoQ and 2.3% YoY to THB875 million.
- Other expenses rose by 55.3% QoQ and 66.5% YoY to THB1,859 million. The increase was mainly to higher marketing expense, advisory expense related to M&A transaction and higher expense from accelerating litigation process in line with Bank's direction.

For the 9-month of 2019: Non-interest expenses rose by 10.3% YoY to THB14,079 million from THB12,758 million in the same period last year. Key factors are as follows;

- Personnel expenses grew by 8.0% YoY to THB6,519 million which largely came from one-off set up related to employee retirement benefit due to the new Labor Protection Act booked in 1Q19.
- Premises and equipment expenses dropped by 2.8% YoY to THB2,484 million.
- Other expenses rose by 27.2% YoY to THB4,064 million, resulting from higher expense from accelerating litigation process, advisory fee for M&A transaction and computer software amortization.

Figure 5: **Non-interest expenses**

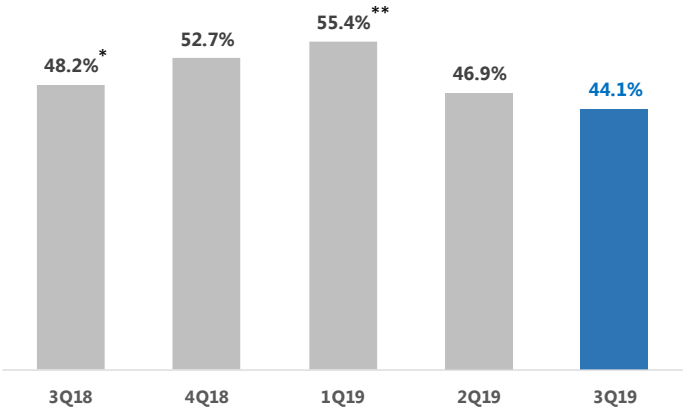
(THB million)	3Q19	2Q19	% QoQ	3Q18	% YoY	9M19	9M18	% YoY
Employee expenses	2,062	1,913	7.8%	1,901	8.5%	6,519	6,035	8.0%
Directors' remuneration	9	23	-61.0%	8	16.3%	40	36	11.0%
Premises and equipment expenses	875	747	17.1%	855	2.3%	2,484	2,554	-2.8%
Taxes and duties	325	329	-1.1%	319	1.9%	972	938	3.5%
Other expenses	1,859	1,197	55.3%	1,117	66.5%	4,064	3,195	27.2%
Non-interest expenses	**5,131**	**4,210**	**21.9%**	**4,199**	**22.2%**	**14,079**	**12,758**	**10.3%**

Note: Consolidated financial statements

Cost to income ratio stood at 44.1% in 3Q19 and 48.4% in 9M19

In 3Q19, cost to income ratio improved to 44.1% from 46.9% in 2Q19. Likewise, cost to income ratio for the first 9-month of 2019 was 48.4%, compared with 46.9% 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
** Including one-off expense for employee retirement benefit in 1Q19
Note: Consolidated financial statements

Operating profit and provision

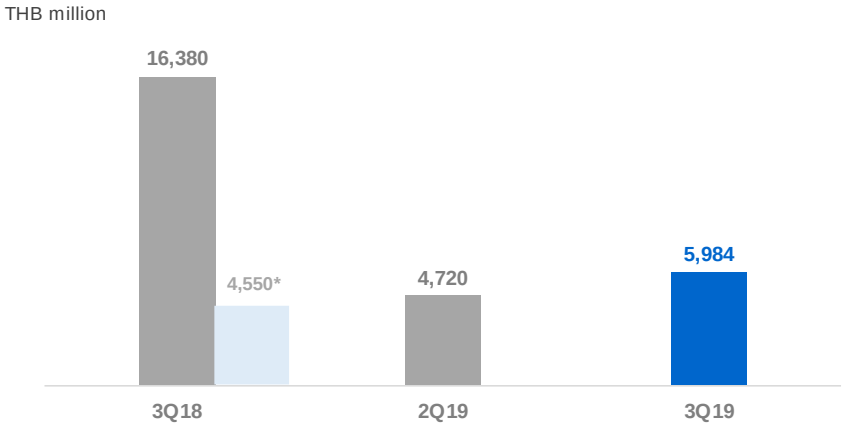
Pre-provision operating profit (PPOP): PPOP amounted to THB5,984 million in 3Q19, which increased by 26.8% QoQ but declined by 63.5% YoY. If exclude one-time gain from selling TMBAM, PPOP increased by 31.5% YoY. PPOP for the first 9 month of 2019 was reported at THB14,494 million or decreased by 45.0% YoY. If exclude one-time gain from selling TMBAM, 9M19 PPOP was stable YoY.

THB2,893 million was set for 3Q19 provision and THB7,222 million in total for 9M19

Impairment loss on loans and debt securities: TMB remained prudent in its operation and set aside THB2,893 million of provision in 3Q19 which rose 16.2% QoQ but decreased by 69.2% YoY. Provision for the first 9-month of 2019 was THB7,222 million or contracted by 48.7% YoY. Such an increase QoQ was mainly to maintain coverage ratio at prudence level and in line with the Bank's portfolio de-risking activities. Coverage ratio, therefore, stood at 140% as of 30 September 2019, compared with 140% as of June 2019 and 152% as of December 2018.

Net profit: After provision and tax, net profit in 3Q19 was THB2,111 million which grew by 10.1% QoQ but decreased by 62.3% YoY. For the 9-month period, net profit was recorded at THB5,607 million, dropped by 43.4% when compared to the same period last year.

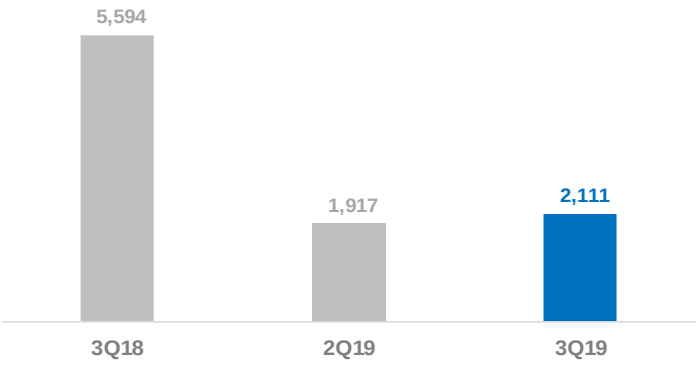
Figure 7: **Pre-provision operating profit (PPOP)**



*/exclude gain from 65% sale of TMBAM shares of THB11.8 billion
Note: Consolidated financial statements

Figure 8: **Net Profit (to equity holder of the Bank)**

THB million



Note*:* Consolidated financial statements

Discussion of financial position

Figure 9: Selected financial position

Unit: THB million	Sep-19	Jun-19	%QoQ	Dec-18	%YTD
Cash	10,770	10,840	-0.7%	15,234	-29.3%
Interbank and money market items, net	130,877	114,359	14.4%	113,522	15.3%
Derivative assets	8,679	10,181	-14.8%	7,916	9.6%
Investments	58,640	88,977	-34.1%	78,054	-24.9%
Loans to customers (Less deferred revenue)	693,568	679,775	2.0%	685,707	1.1%
Accrued interest receivables	1,319	1,293	2.0%	1,308	0.8%
Less allowance for doubtful accounts & revaluation allowance for debt restructuring	28,464	30,071	-5.3%	32,975	-13.7%
Loans and Allowance - net	**666,422**	**650,998**	**2.4%**	**654,040**	**1.9%**
Properties for sale, net	2,705	2,779	-2.6%	2,614	3.5%
Premises and equipment, net	12,959	12,962	0.0%	11,876	9.1%
Goodwill and other intangible assets, net	2,802	2,646	5.9%	2,592	8.1%
Deferred tax assets	1,146	706	62.3%	401	186.0%
Other receivables, net	1,180	1,489	-20.7%	1,251	-5.7%
Other assets, net	4,720	3,863	22.2%	4,212	12.1%
Total Assets	**900,901**	**899,800**	**0.1%**	**891,713**	**1.0%**
Deposits	673,474	648,824	3.8%	649,568	3.7%
Interbank and money market items	33,082	49,403	-33.0%	64,267	-48.5%
Debts issued and borrowings, net	49,291	55,381	-11.0%	35,124	40.3%
Deferred revenue	16,764	17,039	-1.6%	17,594	-4.7%
Other liabilities	25,698	28,715	-10.5%	26,382	-2.6%
Total Liabilities	**798,309**	**799,362**	**-0.1%**	**792,934**	**0.7%**
Equity attributable to equity holders of the Bank	102,592	100,438	2.1%	98,779	3.9%
Total equity	**102,592**	**100,438**	**2.1%**	**98,779**	**3.9%**
Total liabilities and equity	**900,901**	**899,800**	**0.1%**	**891,713**	**1.0%**
Book value per share (Baht)	2.34	2.29	2.1%	2.25	3.9%

Note: Consolidated financial statements

Assets

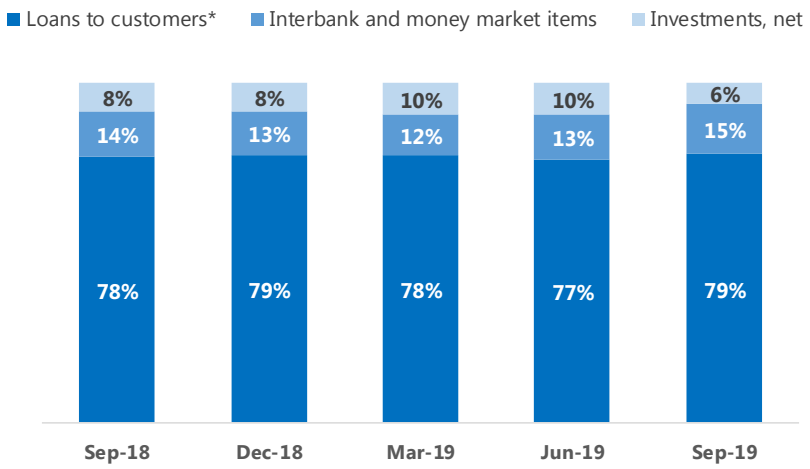
As of 30 September 2019, total assets on consolidated basis amounted to THB900,901 million. The figure was stable QoQ and a slight increase of 1.0% as of December 2018 (YTD). Key items are as follows;

- Total loan to customers (less deferred revenue) increased from the previous quarter by 2.0% and 1.1% YTD to THB693,568 million. (Details in the following section)
- Net interbank and money market items rose by 14.4% QoQ and 15.3% YTD to THB130,877 million. The rise was due mainly to liquidity management.
- Net investments declined by 34.1% QoQ and 24.9% YTD to THB58,640 million.

- Net properties for sale dropped by 2.6% QoQ and but rose by 3.5% YTD to THB2,705 million.

Loans to customers was the largest portion of earning assets. As of 30 September 2019, loans to customers represented 79% of earning assets. This followed by interbank and money market of 15% and investment of 6%.

Figure 10: Earning assets



Note: Consolidated financial statements
**Loans to customers: less deferred revenue*

Total loans

On consolidated basis: As of 30 September 2019, TMB recorded total loans to customers (less deferred revenue) on consolidated basis of THB693,568 million, a rise of 2.0% QoQ and 1.1% from December 2018.

On bank-only basis: Total loans amounted to THB693,539 million which increased by 2.0% QoQ and 1.1% YTD.

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

- Performing loans was recorded at THB673,266 million which grew by 2.3% QoQ and 1.4% YTD, mainly from large corporate and retail segment.
- Non- performing loans (NPLs) dropped by 5.2% QoQ and 6.5% YTD to THB20,273 million.

Figure 11: Total loan breakdown by loan type

(THB million)	Sep-19	Jun-19	Dec-18	%QoQ	%YTD
Performing loans	673,266	658,352	663,987	2.3%	1.4%
Non-performing loans	20,273	21,394	21,674	-5.2%	-6.5%
Total loans to customers	**693,539**	**679,746**	**685,661**	**2.0%**	**1.1%**

Note: Exclude interbank, Bank-only financial statements

The 2.0% QoQ and 1.1% YTD growth in total loan was mainly by large corporate and retail segment especially from mortgage loan Large corporate lending also contributed growth while small SME was slowly recovering. Details are as follows;

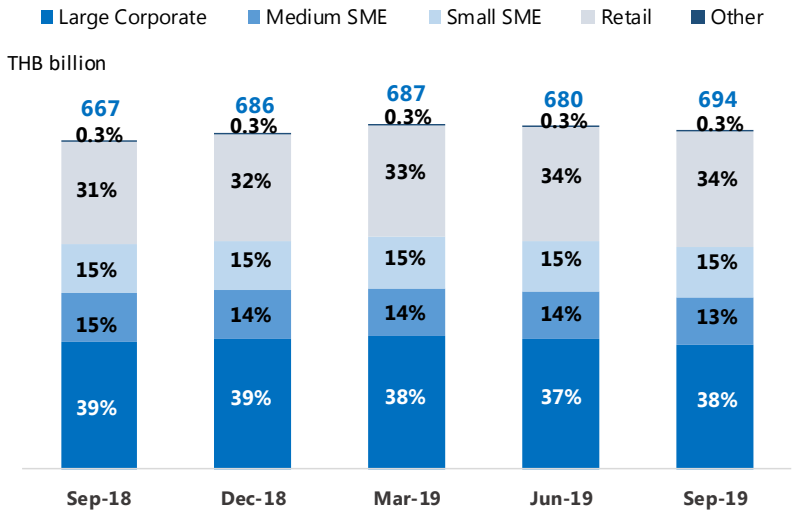
- Retail lending continued its positive momentum with growth rates of 2.0% QoQ and 8.6% YTD, mainly attributed to 9.2% YTD growth in mortgage loans.

- In terms of commercial lending, Large corporate segment (MB and CB loans) also grew by 4.2% QoQ but contracted by 1.8% YTD. SMEs, Medium size SME (BB) and Small SME (SE), declined by 0.7% QoQ and 2.7% YTD as the Bank continued to de-risk SME loan portfolio. Nonetheless, SE loan showed a marginal growth with 1.3% QoQ and stable YTD.

In terms of loan breakdown by customer segment, the mix marginally changed from December 2018. As of 30 September 2019, MB and CB loan accounted for 38% of total loan. This followed by Medium size SME (BB) and Small SME (SE) of 28% and retail lending 34%.

In terms of key products, 29% of total loan was working capital (OD); followed by term loan 25%, mortgage of 26%, Trade Finance of 12%, unsecured & credit card of 6% and others 1%.

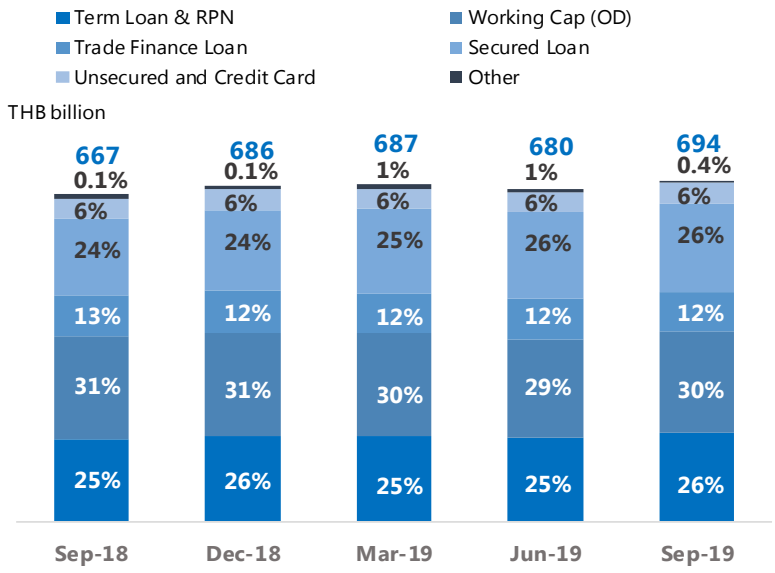
Figure 12: Total loan breakdown by customer segment



Note: Consolidated 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) Retails: Individuals

Figure 13: Total loan breakdown by product



Note: Consolidated financial statements

Asset Quality

Figure 14: Loan classification and Allowance for Doubtful Accounts

(THB million)	30 Sep 2019		31 Dec 2018	
	Loans and accrued interest receivables	Allowance for doubtful accounts	Loans and accrued interest receivables	Allowance for doubtful accounts
Pass	649,277	6,270	637,138	6,142
Special mention	25,307	388	28,157	419
Substandard	2,795	1,557	2,073	1,235
Doubtful	1,493	563	1,927	1,065
Doubtful of loss	16,014	7,055	17,720	9,715
Total	**694,886**	**15,833**	**687,015**	**18,576**
Excess allowance		11,660		13,400
Total	**694,886**	**27,493**	**687,015**	**31,976**

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 2019, non-performing loans (NPLs) on consolidated basis was reported at THB20,302 million which decreased from THB21,423 million as of 30 June 2019 and THB21,720 million as of end December 2018. NPLs on bank-only basis amounted to THB20,273 million also dropped when compared with THB21,394 million as of 30 June 2019 and THB21,674 million at the end of 2018.

The Bank continued to proactively resolve NPLs through write-off to reduce future downside risks and keep balance sheet clean.

As of 30 September 2019, NPL ratio on consolidated basis was recorded at 2.52%, compared with 2.74% as of 30 June 2019 and 2.76% at the end of 2018. Meanwhile,

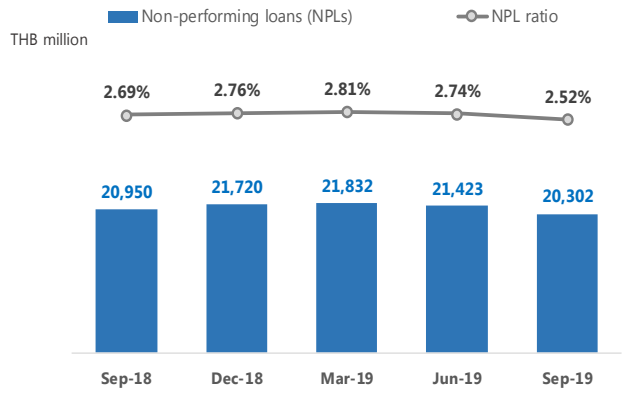
NPL ratio on bank-only basis stayed at 2.52% when compared with 2.74% as of 30 June 2019 and 2.76% as of 31 December 2018.

Allowance for loan losses

As of 30 September 2019, the Bank and its subsidiary reported the allowance for doubtful accounts and revaluation allowance for debt restructuring of THB28,464 million, which reduced by 5.3% QoQ and 13.7% YTD as the Bank continued to de-risk its portfolio.

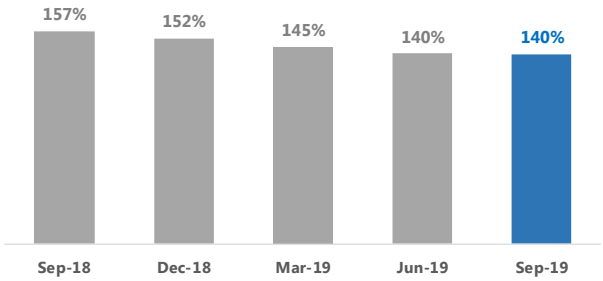
The ratio of allowance for loan loss to NPLs or coverage ratio was maintained at 140% on consolidated basis. TMB consistently maintained coverage ratio at prudent level.

Figure 15: NPLs and NPL ratio



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

Figure 16: Coverage ratio



Note: Consolidated financial statement

Liabilities and Equity

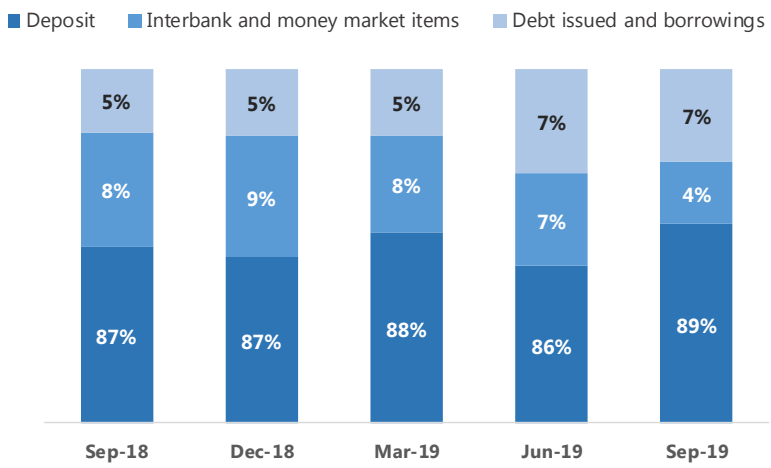
As of 30 September 2019, total liabilities and equity on consolidated basis was reported at THB900,901 million, relatively stable QoQ and increased by 1.0% YTD which total liabilities amounted to THB798,309 million, also stable QoQ and marginally rose by 0.7% YTD. Details of key figures are as follows.

- Total deposits were THB673,474 million which increased by 3.8% QoQ and 3.7% YTD. (see details in following section)
- Net interbank and money market items amounted to THB33,082 million which declined by 33.0% QoQ and 48.5% YTD, due to liquidity management.
- Borrowings were THB49,291 million, decreased by 11.0% QoQ but increased by 40.3% YTD. (see details in following section)

The consolidated equity was THB102,592 million, grew by 2.1% QoQ and 3.9% YTD from profit generated during the period.

Deposit was the largest composition of interest-bearing liabilities. As of 30 September 2019, deposits represented 89% of interest- bearing liabilities. This followed by interbank and money market items of 4% and debt issued and borrowings of 7%.

Figure 17: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

As of 30 September 2019, the Bank and its subsidiary reported total deposits on consolidated basis of THB673,474 million, increased by 3.8% QoQ and 3.7% YTD, mainly driven by retail and commercial customers. This reflected TMB's value proposition of "Get More with TMB". Moreover, TMB launched a new feature of TMB All Free, namely "PAY WITH WOW", affirming the Bank's focus as a market leader in transactional banking.

Deposit breakdown by products

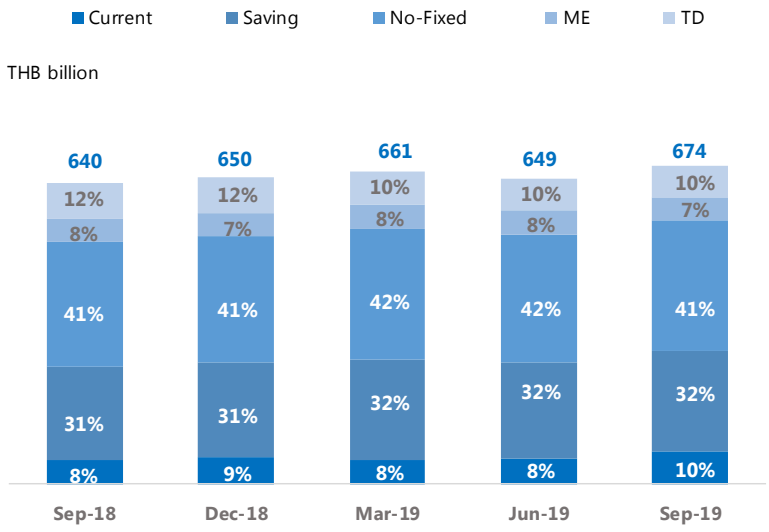
Both non-transactional and transactional deposit grew at moderate pace. Non-transactional deposit grew by 0.5% QoQ and 2.7% YTD which led by No-Fixed rose by 0.9% QoQ and 2.6% YTD while ME Save declined by 1.7% QoQ but maintained 3.0% YTD growth. Transactional deposit, on the other hand, was on track. TMB All Free, retail transactional deposit increased by 1.8% QoQ and 5.1% YTD. Nonetheless, commercial deposit also expanded by 12.6% QoQ and 10.2% YTD, mainly from large corporate CASA. Time Deposit (TD) dropped further by 4.7% QoQ and 13.9% YTD, in line with Bank's direction.

Overall, the ratio of transactional deposit (CASA-excluded No-Fixed and ME) to total deposit was reported at 42%, compared with 40% as of June 2019 and end of December 2018.

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 2019, retail deposit accounted for 67% of total deposit and commercial deposit accounted for 33%.

Figure 18: Deposit structure by products



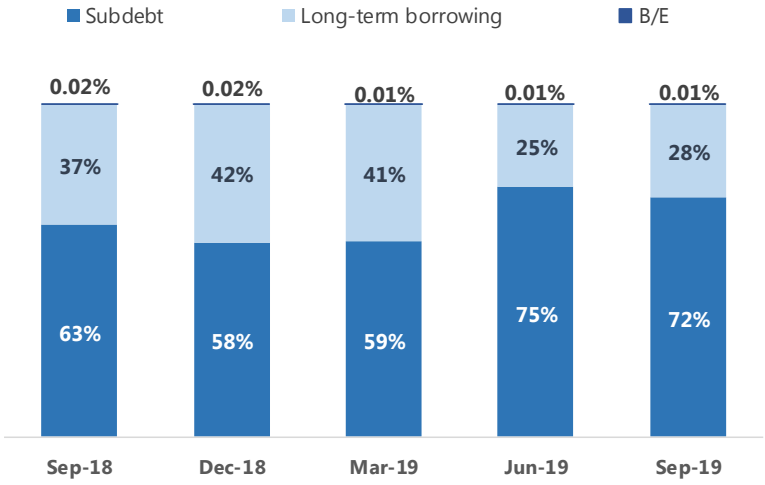
Note: Consolidated financial statement
Remark: "TMB No Fixed" and "ME" are classified as savings account as they are not required to maintain minimum balance and have no restriction to term of deposit

Borrowings

Borrowing decreased QoQ due to early redemption of sub-debt

As of 30 September 2019, total borrowings of the Bank and subsidiary contracted by 11.0% QoQ but rose by 40.3% YTD to THB49,291 million. QoQ decline was mostly from early redemption of sub-debt. The YTD rise was mainly from new sub-debt issuance, offsetting buy back and the redemption of sub-debt. In terms of borrowing structure, 72% was sub-debt. This followed by long-term borrowing of 28% and BE of 0.01%.

Figure 19: 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 30 September 2019, on consolidated basis, total liquid assets represented 20.7% of the total assets. The liquid assets consisted cash (1.2%), interbank & money market items (14.5%) and short-term investment (5.0%). In terms of loan to deposit ratio

(LDR), the ratio, on consolidated basis was at 103%, decreased from 105% as of June 2019 and 106% as of December 2018, respectively.

Figure 20: Liquid asset allocation and loan to deposit ratio

Liquid assets	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18
Cash	1.2%	1.2%	1.3%	1.7%	1.4%
Interbank and money market	14.5%	12.7%	11.7%	12.7%	13.5%
Short-term investment	5.0%	3.4%	4.0%	3.1%	4.1%
Liquid assets / Total assets	**20.7%**	**17.3%**	17.0%	17.5%	19.0%
Loan to deposit ratio (LDR)	**103%**	**105%**	104%	106%	104%

Note: Consolidated financial statement

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 30 September 2019, Capital Adequacy Ratio (CAR) of the Bank under Basel III calculation was at 19.7%. While CET1 and Tier 1 ratios stayed at 13.5%. Such levels were well above the Bank of Thailand's minimum requirement (including conservation buffer) of 11.0%, 7.0% and 8.5% of CAR, CET 1 and Tier 1 capital ratio, respectively.

Figure 21: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

(as % to risk-weight assets)	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18
Capital Adequacy Ratio (CAR)	**19.7%**	21.1%	17.5%	17.5%	17.8%
Core Tier 1 Ratio (CET 1)	**13.5%**	13.9%	13.7%	13.6%	13.8%
Tier I Ratio (Tier 1)	**13.5%**	13.9%	13.7%	13.6%	13.8%

Note: Bank-only financial statement

TMB's Financial Summary

(THB million)	3Q19	% QoQ	% YoY	9M19	% YoY
Net interest income (NII)	**6,206**	-2.2%	1.2%	**18,786**	2.9%
Non-interest income (Non-NII)	**4,490**	76.2%	-69.0%	**9,319**	-55.5%
Non-interest expense	**5,131**	21.9%	22.2%	**14,079**	10.3%
Pre-provision operating profit (PPOP)	**5,984**	26.8%	-63.5%	**14,494**	-45.0%
Impairment loss on loans and debt securities	**2,893**	16.2%	-69.2%	**7,222**	-48.7%
Net profit to equity holders of the Bank	**2,111**	10.1%	-62.3%	**5,607**	-43.4%

(THB million)	30-Sep-19	30-Jun-19	% QoQ	31-Dec-18	% YTD
Loan to customers (less deferred revenue)	**693,568**	679,775	2.0%	685,707	1.1%
Total assets	**900,901**	899,800	0.1%	891,713	1.0%
Deposit	**673,474**	648,824	3.8%	649,568	3.7%
Total liabilities	**798,309**	799,362	-0.1%	792,934	0.7%
Total equity	**102,592**	100,438	2.1%	98,779	3.9%

Key ratios	3Q19	2Q19	3Q18	9M19	9M18
Net interest margin (NIM)	**2.80%**	2.90%	2.90%	**2.87%**	2.96%
Net fee to earning assets*	**1.11%**	1.01%	1.18%	**1.03%**	1.37%
Cost to income ratio	**44.1%**	46.9%	48.2%**	**48.4%**	46.9%**
Return on equity (ROE)	**8.3%**	7.7%	23.6%	**7.5%**	14.3%
Return on asset (ROA)	**0.9%**	0.9%	2.6%	**0.8%**	1.6%
Gross NPLs (THB mn)	**20,302**	21,423	20,950	**20,302**	20,950
NPL ratio	**2.52%**	2.74%	2.69%	**2.52%**	2.69%
Credit cost (bps)	**167**	146	564	**141**	288
Total allowance to NPLs (Coverage ratio)	**140%**	140%	157%	**140%**	157%
Loan to deposit ratio (LDR)	**103%**	105%	104%	**103%**	104%
Capital adequacy ratio (CAR)	**19.7%**	21.1%	17.8%	**19.7%**	17.8%
Tier 1 capital ratio (Tier 1)	**13.5%**	13.9%	13.8%	**13.5%**	13.8%
Core tier 1 capital ratio (CET 1)	**13.5%**	13.9%	13.8%	**13.5%**	13.8%
No. of employees	**8,307**	8,332	8,446	**8,307**	8,446
No. of branches	**408**	407	415	**408**	415
No. of ATMs	**2,049**	2,060	2,055	**2,049**	2,055

* 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	
Baseline Credit Assessments (BCAs)	ba1	Positive
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-	
Short-Term Counterparty	A-3	Watch Positive
Senior Unsecured	BBB-	
Stand-Alone Credit Profile (SACP)	bb+	

Latest Changes: February 28, 2019, Standard & Poor's has changed its outlook from Stable to Watch Positive.

Fitch Ratings		
	International rating	**Outlook**
Long-Term IDR	BBB-	
Short-Term IDR	F3	
Senior Unsecured	BBB-	Positive
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 3, 2019: Fitch Ratings has changed its outlook from Stable to Positive.

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