



Management Discussion and Analysis

For the 4th quarter and 12-month period ended 31 December 2019

(Unaudited financial statements)

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in 4Q19: Economic indicators suggested slightly improving outlook for Thai economy in the fourth quarter. Private consumption, boosted from government measures, was accelerated from demand on non-durable products. Service sector also improved from returning Chinese tourists. However, Thai exports remained a drag on the economy. As of November, exports contracted 7.4% in all major markets on energy products and products relating to Trade dispute between U.S. and China. Business continued delay investment and lower manufacturing productions. merchandise exports excluding gold contracted 9.8% Government investment in this quarter was lower than usual from the delay of budget approval. Overall, Thailand's economic engines still lack powers to drive Thai economy to grow at its potential. Thai economy is forecasted to grow 2.7% in this quarter. The forecasted fourth quarter growth would, overall, suggest Thai economy to grow about 2.5% in 2019, the lowest growth in four years.

Financial market & banking industry: The Monetary Policy Committee (MPC) lowered the policy rate by 25 basis points from 1.50% to 1.25% in order support economic expansion amid high external uncertainties and below-targeted inflation. As a result, commercial banks' interest rates such as Minimum Retail Rate (MRR) and Minimum Lending Rate (MLR) dropped by 25 basis points as well. Thai baht was averaged at 30.28 THB/USD in the fourth quarter of 2019, appreciated by 1.4% from 30.71 THB/USD in the third quarter of 2019. Thai baht continued to appreciate from strong current account surplus and safe haven status. Bank of Thailand also rolled out additional measures on capital outflows. Improving global sentiments from U.S.-China trade agreement helped Thai baht from appreciating further. Thai baht volatility was low in this quarter. Regarding banking industry, at the end of November 2019, total loan growth from commercial banks deaccelerated to 2.0% compared to the same period last year (YoY) and increased by 0.9% from the end of year 2018 (YTD). Loan growth slowdown was contributed by sluggish economy and weaker SMEs loan. Deposits expanded at 4.5% YoY or 3.4% YTD from both saving and time deposits.

Economic outlook for 2020: Thai economy will still face ongoing challenges from global issues amidst global economic slowdown and uncertain trade tensions between U.S. and China after the first phase agreement. TMB Analytics expects Thai export value to grow slightly in 2020 at 1.2% from the previous year. Tension between Iran-U.S. could put more pressure, if prolonged, towards oil prices, which would affect Thai economy through private consumption and manufacture production. Even though private consumption may slowdown from weaker durable consumption and lower farm income, it should continue to be one of the main drivers for Thai economy, Private investment likely returns in the second half of the year from EEC developments and Private Partnership Projects (PPP). Public investment should help revive Thai economy with a boost from government budget which should be approved by the first quarter. TMB Analytics expect GDP to grow 2.7% in 2020 from these drivers. For the financial markets, another policy rate cut from MPC, which will drive the rate to a historically lowest level at 1.00%, is possible due to further pressure from weak economy. In 2020, stronger dollar and foreign capital outflows should help depreciate Thai baht slightly. In a long run, Thai Baht should continue to appreciate further beyond 30 THB/USD near the end of 2020 due to growing current account surplus from trade and service balances.

Research by **TMB Analytics**
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2019 Key events of merger between TMB and TBANK

8 August 2019: TMB has entered into the Sale and Purchase Agreement for Shares in Thanachart Bank (the SPA) with TCAP and BNS. Under the SPA, TMB agreed to acquire 6,062,438,397 shares in TBANK, accounting for approximately 99.96% of the total shares, which are held by TCAP and BNS. In addition to the purchase of TBANK shares from two major shareholders, TMB further purchased the remaining 2,423,773 shares, accounting for approximately 0.04% of the total issued shares from other minority shareholders of TBANK.

23 September 2019: The extraordinary general meeting of shareholders (the EGM 1/2019) was held on 23 September 2019 in accordance with the board resolution relating to the acquisition of shares in TBANK. At the meeting, shareholder's resolution was approved the merger of TMB and TBANK, the issuance of newly issued shares to accommodate the exercise of TSRs allocated to its existing shareholders and offering of its newly issued shares to all TBANK existing shareholders on a preferential public offering basis (PPO).

Total capital raising was approximately THB137.3 billion which essentially came from (1) equity financing of THB92.6 billion via the issuance of TSR (Transferable Subscription Rights) to TMB's existing shareholders with an exercise price at THB1.40 per share and offered newly issued share to new investors and (2) debt financing of THB44.7 billion via issuance of subordinate debenture, Additional Tier I instrument and senior EUR bond.

28 November 2019: The extraordinary general meeting of shareholders (the EGM 2/2019) was held on 28 November 2019 with reference to the shares acquisition in TBANK and the acceptance of the entire business transfer from TBANK.

3 December 2019: TMB completed the acquisition of 6,062,438,397 shares, accounting for 99.96% of the total outstanding shares in TBANK from TCAP and BNS and 973,291 shares, accounting for 0.02% from minority shareholders during 3-17 December 2019 at the price of THB 27.55. On the same date, TMB have concurrently issued and offered a total of 25,113,805,279 new shares at the price of THB2.16 per share which equals to 1.1 times of TMB book value per share derived from TMB's consolidated financial statement as of 30 September 2019 and the financial information in relation to its net profit from the end date of its latest financial statements to the 31 October 2019 plus accounting adjustment to TCAP, BNS and minority shareholders of TBANK. In conclusion, TMB successfully acquired 6,063,411,688 shares, accounting for 99.98% of total shares in TBANK from TCAP, BNS and minority shareholders in total predetermined purchase price of THB168 billion.

As a result, TBANK is currently a subsidiary of TMB. The entire business transfer from TBANK to TMB is expected to complete in 2021. Consequently, the Bank has consolidated TBANK's operating results for 28 days on profit & loss statement (P&L) and 12 months on financial position after the acquisition into the consolidated financial statements of the Bank.

27 December 2019: TMB has announced the completion of the sale by TBANK of shares in Thanachart Fund (TFUND) to Prudential with regards to the agreement which signed on 30 September 2019. According to the agreement, TBANK sold a first lot consisting of 25.1% of TFUND (out of its 75% holding) whereas GSB sold all of its 25% of TFUND to Prudential. The total value of TFUND transaction is expected to be not less than THB8.4 billion. TBANK's sale of TFUND shares was in accordance to the merger plan. Currently, TMB holds a 35% stake in TMBAM Eastspring. After having purchased Thanachart Bank's shares, TMB will hold a 49.9% of TFUND indirectly. Going forward, 49.9% of TFUND will represent in balance sheet as investment in associate and in income statement as profit sharing from associated company. Both TMB and Eastspring have planned to merge TMBAM Eastspring and TFUND in 2021. Within 5 years, TMB has option to sell its entire stake in the new company to Prudential in order to re-affirm its commitment toward mutual funds open architecture strategy.

In terms of shareholding structure, major shareholders currently consist of ING Bank N.V. 23.03%, Thanachart Capital PCL 20.11%, Ministry of Finance 11.79% and VAYUPAK FUND1 9.94% (Current unit holders of Vayupak Fund 1 are Ministry of Finance and may also consist of other government units) and BNS 5.94% on book closed date 11 December 2019.

Summary of TMB's operating performance

2019 Deposit and loan doubled in size largely from consolidation with TBANK and provide its opportunity to prepare on balance sheet optimization after merger. Capital position still healthy to support for future growth. TMB remained prudent in setting provision while TBANK set higher provision for conservation risk alignment. The Bank continued to extra NPL write off to reduce future downside risk. As a result, NPL ratio reduced to 2.30% while coverage ratio on bank-only was maintained high at 140%.

THB 1,398 billion of deposit led by the consolidation of TBANK and TMB's flagship products: TMB remained to focus on deposit-led strategy and to extend value proposition to deliver better customer experience after merger. Overall, deposit expanded 115.2% YTD to THB1,398 billion as of December 2019. The substantial growth was led by a consolidating financial statement with TBANK while transactional deposit and non-transactional deposit also grew on track. TMB's retail flagship product continued its positive momentum, supported by TMB All Free + 9.2% YTD, ME Save + 7.2% YTD and TMB No-Fixed +4.4% YTD growth. Nevertheless, total deposit on bank-only rose at moderate pace at 2.1% YTD, primarily driven by retail and large corporates. After consolidation with TBANK, the Bank continued to optimize deposit mix by replacing TD of Merged Bank with No-Fixed deposit.

Doubled in size of loan contributed by fully integrating TBANK's loan: As of December 2019, total loan totaled THB1,392 billion, significantly grew by 103.0% YTD. The notable increase was mainly from the integrating TBANK's loans after merger especially in hire purchase segment. After consolidated with TBANK, the loan mix has changed and shift towards retail loans which accounted for 56% of total loan from 31% as of December 2018. While commercial loans reduced to 44% from 68% of total loans. On bank-only basis, mortgage loans remained the key driver and registered 10.9% YTD growth while commercial loans still slowed down which contracted by 8.2% YTD. The decrease was in line with Bank's strategy in preparation for balance sheets optimization after merger.

10% growth in NII was driven by the HP loans while Non-NII contracted by gain from TMBAM: TMB reported 12M19 net interest income of THB26,865 million, rose by 9.7% YoY. Key driver was due to the recognition of interest income on hire purchase into TMB account despite NIM declined to 2.81% in 2019. NIM reduction was due mainly to high end-balance of balance sheet with 28 days profit and loss of TBANK together with a marginal decline in yield on loan owing to interest rate cuts. Meanwhile, Non-NII dropped YoY largely by TMB's TMBAM one-time profit booked in 2018 and slowing mutual fund and bancassurance fees. Operating income, therefore, recorded at THB39,821 million, decreased by 17.1% in 2019. If excluded one-time gain on TMBAM, Non-NII registered 10.8% growth.

Lower PPOP was largely pressured by top line growth and high OPEX: Total operating income declined by 17.1% YoY while operating expense rose by 18.3% YoY, largely from higher operating expense on TMB and the recognition of TBANK's expenses as subsidiary company. As a result, PPOP for the 12 month decreased by 35.6% YoY to THB19,658 million.

Asset quality remained in line with target: To mitigate and limited downside risk, prudent risk and asset quality management has been one of the Bank's priorities. TMB remained prudent in setting provision while TBANK set higher provision for conservation risk alignment. In total, the Bank set aside provision of THB10.3 billion in 2019, of which THB1.4 billion coming from provision of TBANK. Meanwhile the Bank has continued to proactively wrote off NPLs of THB4.0 billion in this quarter. NPL ratio, as a result, reduced to 2.30% while coverage ratio on bank-only was maintained at 140%, still in target.

After provision, TMB reported THB7,222 million of net profit. The figure decreased by 37.7% YoY and represented a return on equity (ROE) of 6.5%.

Discussion of operating performance

Figure 1. Selected Statement of Comprehensive Income

(THB million)	4Q19	3Q19	% QoQ	4Q18	% YoY	12M19	12M18	% YoY
Interest income	12,332	9,216	33.8%	9,006	36.9%	39,837	35,128	13.4%
Interest expenses	4,254	3,010	41.3%	2,772	53.5%	12,972	10,632	22.0%
Net interest income	8,079	6,206	30.2%	6,234	29.6%	26,865	24,497	9.7%
Fees and service income	3,543	2,696	31.4%	2,828	25.3%	11,343	12,764	-11.1%
Fees and service expenses	1,041	731	42.4%	805	29.3%	3,245	3,426	-5.3%
Net fees and service income	2,502	1,965	27.3%	2,023	23.7%	8,098	9,338	-13.3%
Other operating income	1,135	2,525	-55.0%	594	91.3%	4,858	14,208	-65.8%
Non-interest income	3,637	4,490	-19.0%	2,617	39.0%	12,956	23,545	-45.0%
Total operating income	11,716	10,696	9.5%	8,851	32.4%	39,821	48,042	-17.1%
Total other operating expenses	6,596	5,131	28.6%	4,716	39.8%	20,674	17,475	18.3%
Impairment loss on loans and debt securities	3,114	2,893	7.7%	2,030	53.4%	10,337	16,100	-35.8%
Profit before income tax expense	2,006	2,673	-24.9%	2,105	-4.7%	8,810	14,467	-39.1%
Income tax expense	391	561	-30.4%	404	-3.2%	1,588	2,866	-44.6%
Profit for the period	1,615	2,111	-23.5%	1,701	-5.0%	7,222	11,601	-37.7%
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	1,615	2,111	-23.5%	1,701	-5.0%	7,222	11,601	-37.7%
Other comprehensive income	11	43	-74.7%	64	-82.8%	1,287	-48	N/A
Total comprehensive income	1,626	2,155	-24.5%	1,765	-7.9%	8,509	11,554	-26.4%
Basic earnings per share (THB/share)	0.0257	0.0481	-46.6%	0.0388	-33.8%	0.1485	0.2646	-43.9%

Note: Consolidated financial statement, included TBANK's result for 28 days

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

For the 4th quarter of 2019: TMB recorded THB8,079 million of net interest income (NII) in 4Q19, 30.2% increase when compared to previous quarter (QoQ) and 29.6% increase from the same period last year (YoY). The rise in NII was partly come from the recognition of TBANK's NII of THB2,254 million in 4Q19. Details are as follows:

- Interest income grew by 33.8% QoQ and 36.9% YoY to THB12,332 million, due largely to the recognition of interest on hire purchase and financial lease of THB1,823 million and interest on loans which grew by 15.9% YoY.
- Interest expenses rose by 41.3% QoQ and 53.5% YoY to THB4,254 million, primarily due to an increase in debts issued and borrowings from sub-debt and senior EUR bond issuance and the recognition of 28 days interest expense from TBANK's consolidation.

For the 12-month of 2019: TMB reported net interest income of THB26,865 million, an increase of 9.7% from the same period last year, due mainly to higher interest income from auto loan of TBANK for 28 days. Details are as follows:

- Interest income grew by 13.4% YoY to THB39,837 million. The rise was essentially because of the recognition of interest on hire purchase of THB1,823 million from the consolidation of TBANK and moderate loan growth despite lower earning asset yield.

- Interest expenses increased by 22.0% YoY to THB12,972 million, resulting from higher volume of debt issued and borrowings from sub-debt and senior EUR bond issuances together with higher deposit volume.

NIM recorded at 2.69% in 4Q19 and 2.81% in 12M19

NIM was at 2.69% in 4Q19 which declined by 11 bps from 2.80% registered in 3Q19. For 12M19, NIM lowered by 13 bps to 2.81%. The reduction in NIM was mostly from an increase in earning assets while the Bank was able to recognize 28 days on P&L from the consolidation of TBANK and marginal decrease in loan yield due partly to interest rate cuts during the year.

Figure 2: Net interest income (NII)

(THB million)	4Q19	3Q19	% QoQ	4Q18	% YoY	12M19	12M18	% YoY
Interest income	12,332	9,216	33.8%	9,006	36.9%	39,837	35,128	13.4%
Interest on interbank and money market items	600	455	32.0%	444	35.0%	1,965	1,761	11.6%
Investments and trading transactions	36	58	-38.6%	23	54.5%	131	56	134.0%
Investments in debt securities	373	351	6.3%	346	7.8%	1,555	1,220	27.5%
Interest on loans	9,489	8,348	13.7%	8,190	15.9%	34,334	32,082	7.0%
Interest on hire purchase and financial lease	1,823	0	N/A	0	N/A	1,823	0	N/A
Others	12	5	137.2%	3	344.7%	30	10	201.1%
Interest expenses	4,254	3,010	41.3%	2,772	53.5%	12,972	10,632	22.0%
Interest on deposits	2,362	1,531	54.3%	1,484	59.2%	6,896	5,627	22.6%
Interest on interbank and money market items	166	183	-9.5%	182	-9.0%	781	686	13.9%
Contributions to the Deposit Protection Agency	1,086	758	43.3%	754	44.0%	3,371	2,965	13.7%
Interest on debt issued and borrowings	633	531	19.1%	342	84.9%	1,900	1,278	48.7%
Borrowing fee	7	7	11.2%	4	103.2%	22	15	42.8%
Others	0	0	N/A	6	-93.5%	2	61	-97.5%
Net interest income (NII)	8,079	6,206	30.2%	6,234	29.6%	26,865	24,497	9.7%

Note. Consolidated financial statements, included TBANK's result for 28 days

Non-interest income (Non-NII)

For the 4th quarter of 2019: The Bank posted THB3,637 million of non-interest income in 4Q19, a decrease of 19.0% from last quarter (QoQ) but an increase of 39.0% from the 4th quarter last year (YoY). Details were as follows;

- Net fees and service income was reported at THB2,502 million which grew by 27.3% QoQ and 23.7% YoY. Key driver was mainly attributed to the consolidation of net fees and service income of TBANK amounting to THB567 million. However, net fees and service income on TMB standalone was recorded at THB1,936 million, dropped by 1.5% QoQ and 4.4% YoY. The reduction was primarily due to lower fee in mutual fund and Bancassurance sales while commercial fees slightly slowed down from the previous quarter.
- Gain on trading and FX transaction was THB383 million, contracted by 19.4% QoQ but increased by 9.2% YoY.
- Share of profit from investment using equity method was recorded at THB110 million which consisted of the recognition 35% in TMBAM stake and profit sharing from 49.9% holding in TFUND as associated company.

For the 12-month of 2019: Non-interest income declined by 45.0% YoY to THB12,956 million from THB23,545 million in the same period last year which due primarily to the recognition of gain from TMBAM deal in 2018 and lower net fees and service income from Bancassurance and mutual fund sales. Key items were as follows;

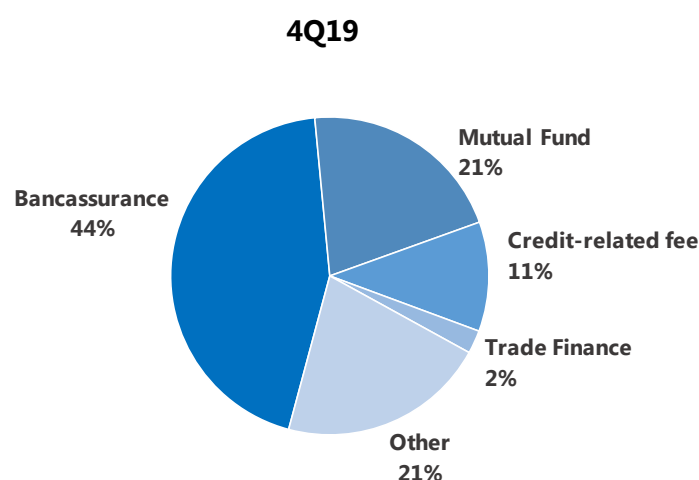
- Net fees and service income decreased by 13.3% YoY to THB8,098 million. The reduction was due owing to slowing mutual fund and bancassurance fees, offsetting with higher net fee income from auto loan business from TBANK.
- Gain on trading and foreign exchange transactions relatively stable YoY to THB1,528 million.
- Share of profit from investment using equity method was recorded at THB324 million, consisted of the recognition 35% in TMBAM stake and profit sharing from 49.9% holding in TFUND as associated company.

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

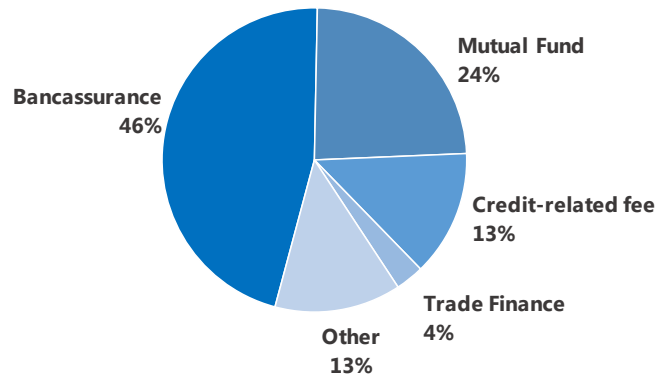
(THB million)	4Q19	3Q19	% QoQ	4Q18	% YoY	12M19	12M18	% YoY
Fees and service income	3,543	2,696	31.4%	2,828	25.3%	11,343	12,764	-11.1%
Fee receive credit	117	105	11.9%	111	5.8%	362	484	-25.1%
Other fee and service income	3,426	2,591	32.2%	2,717	26.1%	10,981	12,280	-10.6%
Fees and service expenses	1,041	731	42.4%	805	29.3%	3,245	3,426	-5.3%
Net fees and service income	2,502	1,965	27.3%	2,023	23.7%	8,098	9,338	-13.3%
Gains (losses) on tradings and foreign exchange transactions	383	475	-19.4%	350	9.2%	1,528	1,529	-0.1%
Gains (losses) on financial instrument designated at fair value	-3	-7	N/A	-7	N/A	-22	-11	N/A
Gains (losses) on investments	52	1,804	-97.1%	23	127.1%	1,956	11,963	-83.6%
Share of profit from investment using equity method	110	79	39.8%	64	72.5%	324	64	407.3%
Gains on sale of assets	369	29	1175.6%	19	1833.5%	417	70	499.5%
Gains (losses) on buy back perpetual non-cumulative Tier 1 securities	0	0	N/A	0	N/A	0	0	N/A
Gains (losses) on unwinding of interest rate swap contracts	0	0	N/A	0	N/A	0	0	N/A
Dividend income	0	2	-99.9%	0	N/A	26	19	37.4%
Others	225	143	56.8%	145	55.5%	629	574	9.6%
Non-interest income	3,637	4,490	-19.0%	2,617	39.0%	12,956	23,545	-45.0%

Note: Consolidated financial statements, included TBANK's result for 28 days

Figure 4: Net fees and service income breakdown



12M19



Note: Consolidated financial statements prelim data, included TBANK's profit for 28 days

Other net fees and service income increased QoQ mainly from TBANK's net fees e.g. automotive fee, credit card fee

Non-interest expenses

For the 4th quarter of 2019: The Bank recorded THB6,596 million of total non-interest expenses, an increase of 28.6% QoQ and 39.8% YoY. Main factors were personnel expenses, premise expenses and the recognition of TBANK's expenses as subsidiary company. Key items are as follows;

- Personnel expenses rose by 50.8% QoQ and 43.7% YoY to THB3,110 million, mainly from higher HR cost of TMB and the recognition of employee expenses of TBANK of 28 days.
- Premises and equipment expenses increased by 27.4% QoQ and 27.1% YoY to THB1,114 million.
- Other expenses rose by 6.4% QoQ and 47.3% YoY to THB1,978 million. The increase was a result of higher marketing expense in the last quarter of the year.

For the 12- month of 2019: Non-interest expenses amounted to THB20,674 million, an increase of 18.3% YoY from last year. Key factors are as follows;

- Personnel expenses grew by 17.4% YoY to THB9,629 million which largely came from the one-off set up related to employee retirement benefit due to the new Labor Protection Act booked in 1Q19, HR cost and the recognition of HR expenses of TBANK of 28 days.
- Premises and equipment expenses rose by 4.9% YoY to THB3,598 million.
- Other expenses rose by 33.2% YoY to THB6,042 million, resulting from higher expense from accelerating litigation process, advisory fee related to M&A transaction and computer software amortization.

Figure 5: Non-interest expenses

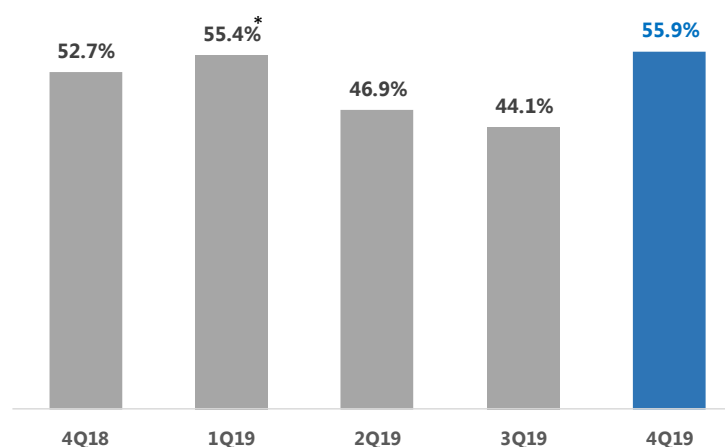
(THB million)	4Q19	3Q19	% QoQ	4Q18	% YoY	12M19	12M18	% YoY
Employee expenses	3,110	2,062	50.8%	2,163	43.7%	9,629	8,198	17.4%
Directors' remuneration	8	9	-9.0%	8	0.4%	48	44	9.1%
Premises and equipment expenses	1,114	875	27.4%	877	27.1%	3,598	3,431	4.9%
Taxes and duties	386	325	18.7%	325	18.7%	1,358	1,264	7.4%
Other expenses	1,978	1,859	6.4%	1,343	47.3%	6,042	4,538	33.2%
Non-interest expenses	6,596	5,131	28.6%	4,716	39.8%	20,674	17,475	18.3%

Note. Consolidated financial statements, included TBANK's result for 28 days

Cost to income ratio for 12M19 stood at 50.6%, up from 48.3%

In 4Q19, cost to income ratio was at 55.9%, compared with 44.1% in 3Q19 and 52.7% in 4Q18. Likewise, cost to income ratio for the first 12-month of 2019 was 50.6%, compared with 48.3% (exclude gain from TMBAM) 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



* Including one-off expense for employee retirement benefit in 1Q19

If include gain on sale of TMBAM stake, cost to income ratio was 36.4% for 12M18

Note. Consolidated financial statements, included TBANK's result for 28 days

Operating profit and provision

Pre-provision operating profit (PPOP): PPOP amounted to THB5,164 million in 4Q19, which dropped by 13.7% QoQ and 23.5% YoY. PPOP for the first 12 month of 2019 was reported at THB19,658 million, decreased by 35.6% YoY. If exclude one-time gain from selling TMBAM, PPOP grew by 5.2% YoY.

Higher provision 4Q19 from prudent management

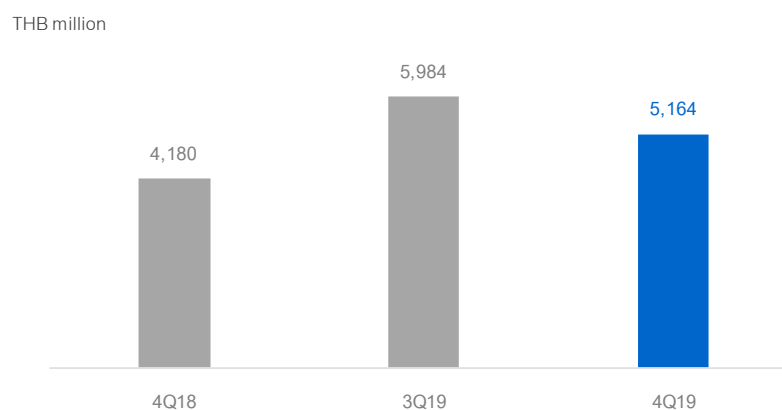
Impairment loss on loans and debt securities: Provisions for bad debt and doubtful accounts and impairment loss of debt securities for 4Q19 was THB3,114 million, compared with THB2,893 million in 3Q19 and THB2,030 million in 4Q18. Likewise, provision for the 12-months of 2019 was THB10,337 million, compared to THB16,100 million in the same period last year. The total provision of THB10.3 billion, THB1.4 billion of which was from TBANK's provision. This is to strengthen balance sheet of the Combined Bank. TMB remained prudent in setting provision while TBANK set higher provision for conservation risk alignment. For coverage ratio, when combined with TBANK's coverage ratio of 102%. Coverage ratio on consolidated basis, therefore, reduced to 120% as of 31 December 2019, compared with 140% as of September 2019

Coverage ratio on bank-only remained within target at 140%

and 152% as of December 2018. However, coverage ratio on bank-only basis stood at 140% as of December 2019, still in line with target.

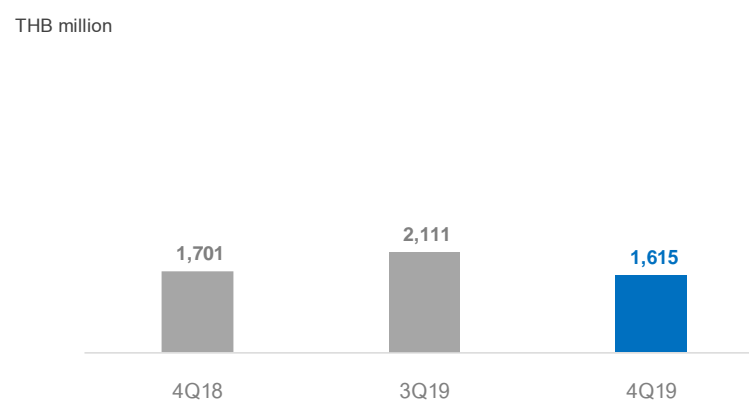
Net profit: After provision and tax, net profit in 4Q19 was THB1,615 million which declined by 23.5% QoQ and 5.0% YoY. For the 12-month period, net profit was recorded at THB7,222 million, dropped by 37.7% when compared to the same period last year.

Figure 7: Pre-provision operating profit (PPOP)



Note: Consolidated financial statements, included TBANK's result for 28 days

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



Note: Consolidated financial statements, included TBANK's result for 28 days

Discussion of financial position

Figure 9: Selected financial position

Unit: THB million	Dec-19	Sep-19	%QoQ	Dec-18	%YTD
Cash	23,853	10,770	121.5%	15,234	56.6%
Interbank and money market items, net	236,311	130,877	80.6%	113,522	108.2%
Derivative assets	10,399	8,679	19.8%	7,916	31.4%
Investments	175,218	58,640	198.8%	78,054	124.5%
Loans to customers (Less deferred revenue)	1,392,225	693,568	100.7%	685,707	103.0%
Accrued interest receivables	1,883	1,319	42.8%	1,308	43.9%
Less allowance for doubtful accounts & revaluation allowance for debt restructuring	45,477	28,464	59.8%	32,975	37.9%
Loans and Allowance - net	1,348,630	666,422	102.4%	654,040	106.2%
Properties for sale, net	4,810	2,705	77.8%	2,614	84.0%
Premises and equipment, net	23,642	12,959	82.4%	11,876	99.1%
Goodwill and other intangible assets, net	28,851	2,802	929.7%	2,592	1012.9%
Deferred tax assets	1,496	1,146	30.5%	401	273.1%
Other receivables, net	2,715	1,180	130.0%	1,251	117.0%
Other assets, net	8,753	4,720	85.4%	4,212	107.8%
Total Assets	1,864,678	900,901	107.0%	891,713	109.1%
Deposits	1,398,112	673,474	107.6%	649,568	115.2%
Interbank and money market items	86,626	33,082	161.9%	64,267	34.8%
Debts issued and borrowings, net	108,835	49,291	120.8%	35,124	209.9%
Deferred revenue	27,292	16,764	62.8%	17,594	55.1%
Other liabilities	49,005	25,698	90.7%	26,382	85.8%
Total Liabilities	1,669,870	798,309	109.2%	792,934	110.6%
Equity attributable to equity holders of the Bank	194,777	102,592	89.9%	98,779	97.2%
Total equity	194,807	102,592	89.9%	98,779	97.2%
Total liabilities and equity	1,864,678	900,901	107.0%	891,713	109.1%
Book value per share (Baht)	2.02	2.34	-13.6%	2.25	-10.2%

Note: Consolidated financial statements, included TBANK's financial position as of 31 December 2019

Assets

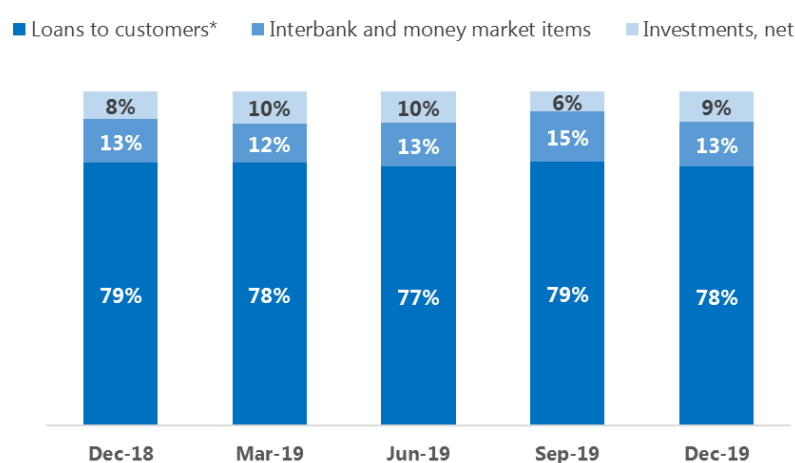
As of 31 December 2019, total assets on consolidated basis amounted to THB1,864,678 million, an increase of 107.0% QoQ and 109.1% rise from 31 December 2018 (YTD). The significant increase was mainly resulted from full year consolidating total asset of TBANK of THB1,016 billion into account. Key items are as follows;

- Total loan to customers (less deferred revenue) increased from the previous quarter by 100.7% and 103.0% YTD to THB1,392,225 million, mainly from the integrating TBANK's loans. (Details in the following section)
- Net interbank and money market items rose by 80.6% QoQ and 108.2% YTD to THB236,311 million as a result of consolidation and liquidity management.

- Net investments grew by 198.8% QoQ and 124.5% YTD to THB175,218 million, resulting from the consolidation of TBANK and increase in TMB's AFS portfolio while the Bank has reduced investment in HTM portfolio due to change in investment strategy.
- Net properties for sale increased by 77.8% QoQ and 84.0% YTD to THB4,810 million.
- Goodwill and other intangible assets rose by 929.7% QoQ and 1,012.9% YTD to THB28,851 million. Such increase was mainly from fair value adjustment and intangible assets associated with acquiring TBANK amounting to THB24 billion.

After the merger, loans to customers was still the largest portion of earning assets. As of 31 December 2019, loans to customers represented 78% of earning assets. This followed by interbank and money market of 13% and investment of 9%.

Figure 10: Earning assets



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

Total loans

On consolidated basis: As of 31 December 2019, TMB recorded total loans to customers (less deferred revenue) on consolidated basis of THB1,392,225 million. Total loans doubled in size by 100.7% QoQ and 103.0% YTD which contributed to loans from TBANK of THB722 billion.

Details of total loan (consolidated basis) composition are as followed;

- Performing loans was recorded at THB1,354,479 million which increased by 101.2% QoQ and 104.0% YTD, coming from fully consolidating TBANK's performing loan and growth in TMB's mortgage loans.
- Non-performing loans (NPLs) rose by 85.9% QoQ and 73.8% YTD to THB37,746 million

On bank-only basis: Total loans amounted to THB671,603 million which declined by 3.2% QoQ and 2.1% YTD.

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

- Performing loans was recorded at THB653,453 million which dropped by 2.9% QoQ and 1.6% YTD, mainly from large corporate and SME segment.
- Non-performing loans (NPLs) dropped by 10.5% QoQ and 16.3% YTD to THB18,150 million.

Figure 11: Total loan breakdown by loan type

(THB million)	Dec-19	Sep-19	Dec-18	%QoQ	%YTD
Performing loans	1,354,479	673,266	663,987	101.2%	104.0%
Non-performing loans	37,746	20,302	21,720	85.9%	73.8%
Total loans to customers	1,392,225	693,568	685,707	100.7%	103.0%

Note: Exclude interbank, consolidated financial statements

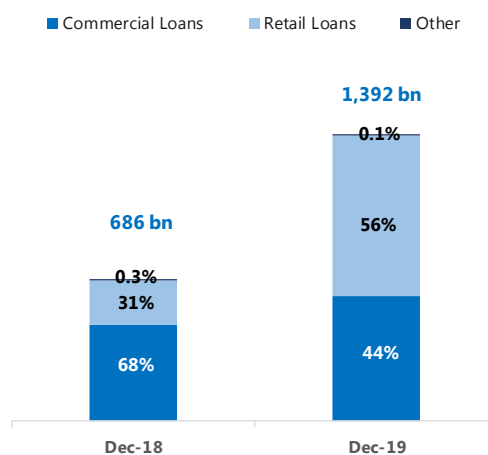
Total loans on consolidated basis totaled THB1,392,225 million, an increase of THB706,518 million compared with THB685,707 million as of December 2018. The substantial increase was mainly from fully integrating TBANK's loans after merger. Total loan on bank-only basis totaled THB671,603 million which declined by 3.2% QoQ and 2.1% YTD. The contraction was mainly from large corporate and SME segments. However, retail segment especially mortgage loans continued to be the key driver. Details are as follows;

- Retail lending on consolidated robustly grew by 264.1% YTD. The notable increase was largely contributed by an aggregate of THB544 billion retail loans from TBANK, driven by hire purchase segment. Retail lending on bank-only continued to grow further by 2.6% QoQ and 11.4% YTD, primarily attributed to 10.9% YTD growth in mortgage loans.
- In terms of commercial lending on consolidated, it rose by 29.6% YTD, mainly attributed to TBANK's commercial loans amounting to THB97 billion. However, commercial lending on bank-only remained soften. Large corporate segment (MB and CB loans) contracted by 9.0% QoQ and 10.7% YTD while SMEs, Medium size SME (BB) and Small SME (SE) declined by 2.3% QoQ and 4.9% YTD as the Bank continued to de-risk SME loan portfolio. The decrease in large corporate loan was in line with the Bank's strategy to prepare for balance sheets optimization after merger.

In terms of loan breakdown by customer segments, the loan mix changed after merger and shifted towards retail loans accounted for 56% of total loans from 31% as of December 2018. On the other hand, commercial lending reduced to 44% from 68% as of December 2018.

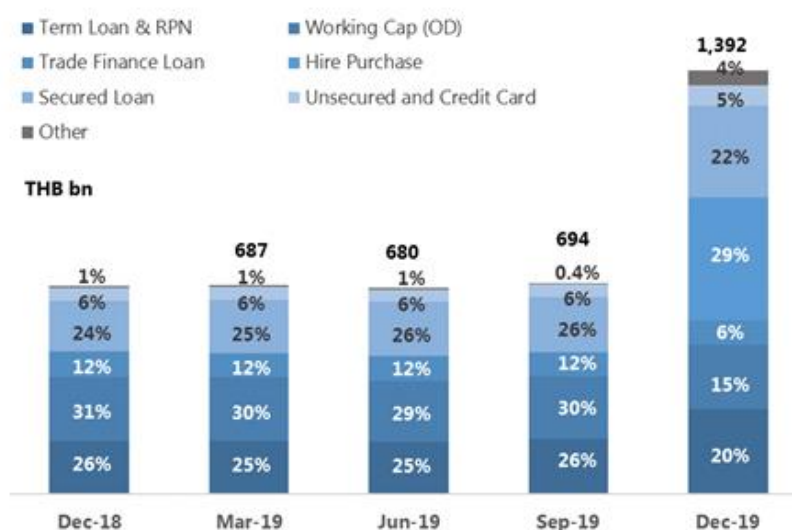
In terms of key products, 29% of total loan was hire purchase; followed by mortgage of 22%, term loan of 20%, working capital (OD) of 15%, trade finance of 6%, unsecured & credit card of 5% and others 4%.

Figure 12: Total loan breakdown by customer segment



Note: Consolidated financial statements

Figure 13: Total loan breakdown by product



Note: Consolidated financial statements

Asset Quality

Figure 14: Loan classification and Allowance for Doubtful Accounts

(THB million)	31 Dec 2019		31 Dec 2018	
	Loans and accrued interest receivables	Allowance for doubtful accounts	Loans and accrued interest receivables	Allowance for doubtful accounts
Pass	1,297,705	10,103	637,138	6,142
Special mention	58,657	3,128	28,157	419
Substandard	7,659	3,294	2,073	1,235
Doubtful	6,768	2,458	1,927	1,065
Doubtful of loss	23,319	8,042	17,720	9,715
Total	1,394,108	27,025	687,015	18,576
Excess allowance		17,513		13,400
Total	1,394,108	44,538	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 31 December 2019, non-performing loans (NPLs) on consolidated basis was reported at THB37,746 million which increased from THB20,302 million as of 30 September 2019 and THB21,720 million as of end- December 2018 due to the consolidation with TBANK.

However, NPLs on bank-only basis amounted to THB18,150 million dropped when compared with THB20,273 million as of 30 September 2019 and THB21,674 million at the end of 2018. As the Bank continued to proactively resolve NPLs through write-off to reduce future downside risks and keep balance sheet clean. In the 4th quarter, the Bank further wrote off amounting to THB4.0 billion. For 2019, TMB made THB15.0 billion of write-off and THB5.0 billion of NPL sale.

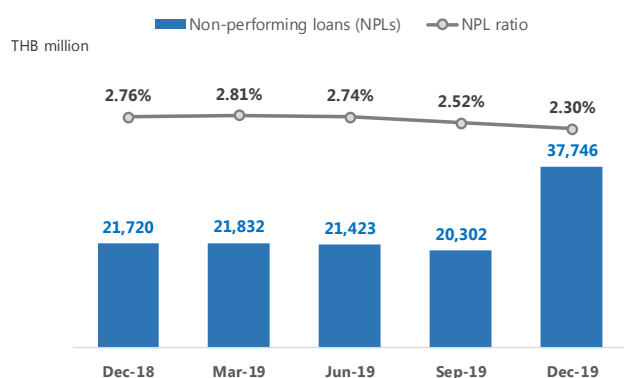
As of 31 December 2019, NPL ratio on consolidated basis was recorded at 2.30%, compared with 2.52% as of 30 September 2019 and 2.76% at the end of 2018. Meanwhile, NPL ratio on bank-only basis stayed at 2.33% when compared with 2.52% as of 30 September 2019 and 2.76% as of 31 December 2018.

Allowance for loan losses

As of 31 December 2019, the Bank and its subsidiary reported the allowance for doubtful accounts and revaluation allowance for debt restructuring of THB45,477 million, which rose by 59.8% QoQ and 37.9% YTD as a result of consolidation of TBANK of which the allowance for loan losses represented THB20 billion.

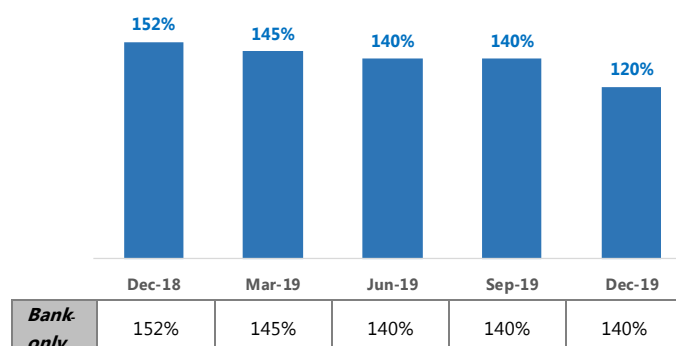
The ratio of allowance for loan loss to NPLs or coverage ratio was maintained at 140% on the bank-only basis. The coverage ratio was still in target range. On consolidated basis, coverage ratio was recorded at 120%. TMB consistently maintained coverage ratio at prudent level.

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

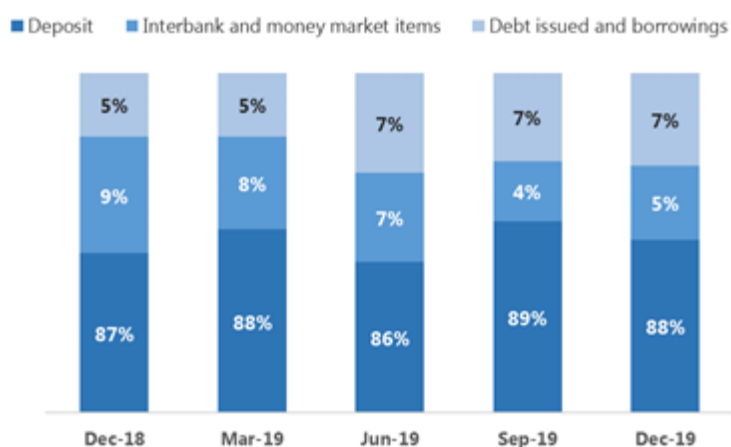
As of 31 December 2019, total liabilities and equity on consolidated basis was reported at THB THB1,864,678 million. As a consequence of business consolidation, total liabilities expanded 109.2% QoQ and 110.6% YTD. Details of key figures are as follows.

- Total deposits were THB1,398,112 million which increased by 107.6% QoQ and 115.2% YTD. The significant increase was mainly resulted from an inflow of TBANK's deposit of THB735 billion. (see details in following section)
- Net interbank and money market items amounted to THB86,626 million which increased by 161.9% QoQ and 34.8% YTD, mainly due to the consolidation of TBANK.
- Borrowings was recorded at THB108,835 million, increased by 120.8% QoQ and 209.9% YTD. (see details in following section)

The consolidated equity was THB194,807 million, grew by 89.9% QoQ and 97.2% YTD due mainly to capital raising for acquiring TBANK.

Deposits was the largest composition of interest-bearing liabilities. As of 31 December 2019, deposits represented 88% of interest-bearing liabilities. This followed by debt issued and borrowings of 7% and interbank and money market items of 5%.

Figure 17: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

As of 31 December 2019, the Bank and its subsidiary reported total deposits on consolidated basis of THB1,398,112 million, increased by 107.6% QoQ and 115.2% YTD. The increase was mainly attributed from consolidating financial statement with TBANK which had deposits amounting THB735 billion while TMB retail flagship products continue to grow further.

As of 31 December 2019, total deposits on bank-only amounted to THB663,558 million, contracted by 1.5% QoQ but rose by 2.1% compared to December 2018. QoQ decline was mainly because of the deposit outflow of large corporates. While YTD growth was primarily driven by retail and large corporates. The growth reaffirms TMB's focus as a market leader in transactional banking. Together with the value

proposition of "Get MORE with TMB", the Bank continuously offers better experiences to customers in order to expand customer base and improve customer loyalty.

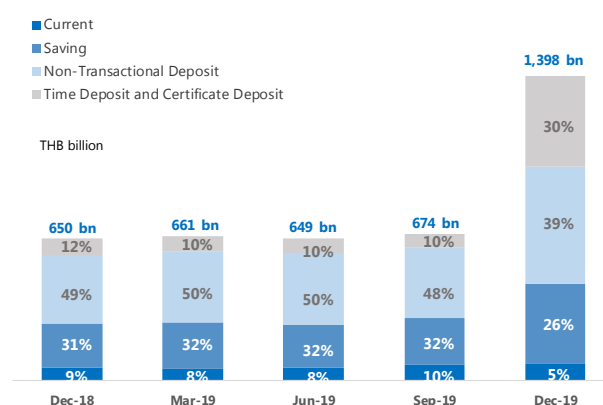
Deposit breakdown by products

Deposit-led strategy remained a key focus of TMB after the consolidation with TBANK. The Bank has continued to expand non-transactional deposits and transactional deposits. Overall, it favorable grew on track. Non-transactional deposit grew by 65.5% QoQ and 69.8% YTD mainly attributable to the inflow of TBANK's saving deposit while TMB No-Fixed continued to show its growth by 1.8% QoQ and 4.4% YTD. ME Save posted 4.0% QoQ and 7.2% YTD growth. Time Deposit (TD) robustly grew by 545.6% QoQ and 456.2% YTD mainly from the inflow of TD and certificate deposit of TBANK. Nevertheless, TMB All Free, retail transactional deposit, continued its growth momentum and expanded further by 3.9% QoQ and 9.2% YTD.

After merger with TBANK, the Bank continues to strategically replace its TD with No-Fixed as well as converting TD to investment products.

In terms of deposit structure after merger, overall, the ratio of non-transactional deposit to total deposit was reported at 38.5% while transactional deposit (CASA-excluded No-Fixed, ME and Ultrasaving) accounted for 31.6%, Time Deposit and Certificate Deposit accounted for 29.9% respectively.

Figure 18: Deposit structure by products



Note: Consolidated financial statement

Remark: Non-transactional deposit consists of "TMB No Fixed", "ME" and "TBANK Ultra Saving".

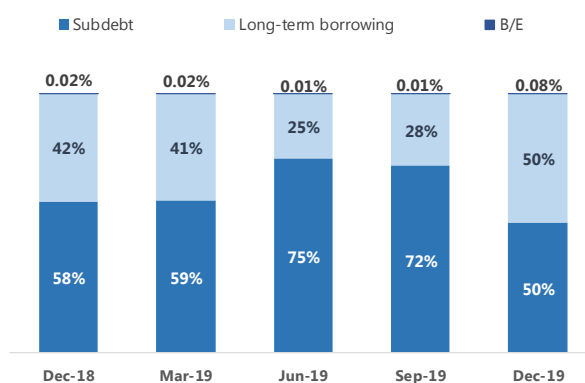
"TMB No Fixed", "ME" and "TBANK Ultra Saving" are classified as savings account as they are not required to maintain minimum balance and have no restriction to term of deposit

Borrowings

As of 31 December 2019, total borrowings of the Bank and subsidiary recorded at THB108,835 million, rose 120.8% QoQ and 209.9% YTD. The increase was mostly from TBANK's borrowings of THB31 billion and TMB's debt issuance to support the acquisition activity of TBANK which comprised of sub-debt of THB30 billion, senior EUR bond of approximately THB17 billion and Additional Tier 1 of approximately THB12 billion, offsetting with buy back and the early redemption of sub-debt of THB15 billion. In terms of borrowing structure, 50% was sub-debt. This followed by long-term borrowing of 50% and BE of 0.01%.

Borrowing increased due to TBANK's consolidation and debt issuing activities by TMB

Figure 19: Borrowings breakdown



Note: Consolidated 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 2019, on consolidated basis, total liquid assets represented 18.9% of the total assets. The liquid assets consisted cash (1.3%), interbank & money market items (12.7%) and short-term investment (4.9%). In terms of loan to deposit ratio (LDR), the ratio, on consolidated basis was at 100%, decreased from 103% as of September 2019 and 106% as of December 2018, respectively.

Figure 20: Liquid asset allocation and loan to deposit ratio

Liquid assets	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
Cash	1.3%	1.2%	1.2%	1.3%	1.7%
Interbank and money market	12.7%	14.5%	12.7%	11.7%	12.7%
Short-term investment	4.9%	5.0%	3.4%	4.0%	3.1%
Liquid assets / Total assets	18.9%	20.7%	17.3%	17.0%	17.5%
Loan to deposit ratio (LDR)	100%	103%	105%	104%	106%

Note: Consolidated financial statement

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 31 December 2019, Capital Adequacy Ratio (CAR) on bank-only basis under Basel III calculation was at 29.7%. While CET1 stayed at 23.2% and Tier 1 ratio was at 24.7%. The increase in capita ratios was due essentially to a rise in capital as the Bank completed its equity fund raising and the issuance of AT1 instrument. **However, it expects that Capital Adequacy Ratio (CAR) on consolidated basis will approximately represent at 17%, CET1 will stay approximately at 12% and Tier 1 ratio will be approximately at 13%.** 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)	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
Capital Adequacy Ratio (CAR)	29.7%	19.7%	21.1%	17.5%	17.5%
Core Tier 1 Ratio (CET 1)	23.2%	13.5%	13.9%	13.7%	13.6%
Tier I Ratio (Tier 1)	24.7%	13.5%	13.9%	13.7%	13.6%

Note: Bank-only financial statement

TMB's Financial Summary

(THB million)	4Q19	% QoQ	% YoY	12M19	% YoY
Net interest income (NII)	8,079	30.2%	29.6%	26,865	9.7%
Non-interest income (Non-NII)	3,637	-19.0%	39.0%	12,956	-45.0%
Non-interest expense	6,596	28.6%	39.8%	20,674	18.3%
Pre-provision operating profit (PPOP)	5,164	-13.7%	23.5%	19,658	-35.6%
Impairment loss on loans and debt securities	3,114	7.7%	53.4%	10,337	-35.8%
Net profit to equity holders of the Bank	1,615	-23.5%	-5.0%	7,222	-37.7%

(THB million)	31-Dec-19	30-Sep-19	% QoQ	31-Dec-18	% YTD
Loan to customers (less deferred revenue)	1,392,225	693,568	100.7%	685,707	103.0%
Total assets	1,864,678	900,901	107.0%	891,713	109.1%
Deposit	1,398,112	673,474	107.6%	649,568	115.2%
Total liabilities	1,669,870	798,309	109.2%	792,934	110.6%
Total equity	194,807	102,592	89.9%	98,779	97.2%

Key ratios	4Q19	3Q19	4Q18	12M19	12M18
Net interest margin (NIM)	2.69%	2.80%	2.86%	2.81%	2.94%
Net fee to earning assets*	0.86%	1.11%	1.10%	0.91%	1.30%
Cost to income ratio**	55.9%	44.1%	52.7%	50.6%	48.3%
Return on equity (ROE)	4.4%	8.3%	6.9%	6.5%	12.4%
Return on asset (ROA)	0.5%	0.9%	0.8%	0.7%	1.4%
Gross NPLs (THB mn)	37,746	20,302	21,720	37,746	21,720
NPL ratio	2.30%	2.52%	2.76%	2.30%	2.76%
Credit cost (bps)	118	167	119	125	244
Total allowance to NPLs (Coverage ratio)	120%	140%	152%	120%	152%
Loan to deposit ratio (LDR)	100%	103%	106%	100%	106%
Capital adequacy ratio (CAR)	29.7%	19.7%	17.5%	29.7%	17.5%
Tier 1 capital ratio (Tier 1)	24.7%	13.5%	13.6%	24.7%	13.6%
Core tier 1 capital ratio (CET 1)	23.2%	13.5%	13.6%	23.2%	13.6%
No. of employees (TMB only)	8,135	8,307	8,373	8,135	8,373
No. of branches	401	406	416	401	416
No. of ATMs	2,025	2,049	2,066	2,025	2,066

*Including net gains on trading and foreign exchange transactions

**If include gain on sale of TMBAM stake, cost to income ratio was at 36.4% in 12M18

Additional Information: Credit rating profile

Moody's

	International rating	Outlook
Bank Deposits	Baa1/P-2	
Baseline Credit Assessments (BCAs)	baa3	Positive
Senior Unsecured	(P)Baa2	

Latest Changes: July 30, 2019, Moody's has upgraded TMB's long-term foreign currency deposit rating from Baa2 to Baa1.

Standard & Poor's

	International rating	Outlook
Long-Term Counterparty	BBB-	
Short-Term Counterparty	A-3	Positive
Senior Unsecured	BBB-	
Stand-Alone Credit Profile (SACP)	bb+	

Latest Changes: October 24, 2019, Standard & Poor's has changed its outlook from Watch Positive to Positive.

Fitch Ratings

	International rating	Outlook
Long-Term IDR	BBB-	
Short-Term IDR	F3	
Senior Unsecured	BBB-	Positive
Viability Rating	bbb-	
Support Rating Floor	BBB-	
Support Rating	2	
	National Rating	
Long-Term	AA- (tha)	
Short-Term	F1+(tha)	
Subordinated Debt	A+ (tha)	

Latest Changes: December 23, 2019, Fitch Ratings has revised Support Rating Floor to "BBB-" from "BB+" and upgraded its Support Rating to "2" from "3".

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