



Management Discussion and Analysis

For the 4th quarter and 12-month period ended 31 December 2020
(Audited financial statements)

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in 4Q20: Thailand's domestic economy gradually rebounded, particularly private consumption which steadily improved according to the supports from government's stimulus programs such as 1) Half-half copayment scheme which government subsidized 50% of spending amounts but not exceeded 3,000 baht 2) Tax rebate scheme which allowed consumers to deduct spending costs up to 30,000 baht and 3) The increasing amount of financial aid for welfare card holders by 500 baht. Approximately, the stimulus programs could inject liquidity into the economy around 200 billion baht. Regarding external sectors, merchandise exports also improved, reflected by the less contracted figure of export values excluding gold of 3.1% YoY compared to the contraction of 11% YoY in the first half of the year. However, tourism sector still continuously contracted. Even though with the launch of special tourist visa scheme, there were only around 1,000 inbound tourists per month. With respect to the concerns over the pandemic outbreak and reimposing lockdown measures by many countries, the rebound in international tourism therefore became more fragile. According to domestic tourism sector, after gaining supports from the campaign 'we travel together' and special holidays, it recovered with softer momentum in December 2020 as a result of the new round of outbreak in several provinces. With ongoing improvement in economic components, Thai economy in the fourth quarter thus contracted at 4.2% YoY, slightly better than the contraction of 6.4% YoY in the third quarter.

Financial market & banking industry: The Monetary Policy Committee (MPC) decided to maintain the policy rate at 0.50% to support the recovery of Thai economy. In addition, Bank of Thailand amended regulation to provide financial assistance specifically for those targeted individuals and businesses who got adverse impacts. Overall, financial condition would remain accommodative to support economic recovery through 2021. The decision to keep policy rate unchanged in the fourth quarter led to the deposit and lending rate remaining at the same rate as in the third quarter. Regarding Thai baht, it was on average at 30.62 baht per US dollar in the fourth quarter, appreciating by 2.3% compared to the average of 31.33 baht per US dollar in the previous quarter. To be more precise, Thai Baht had significantly appreciated since November 2020 and reached the level of below 30 baht per US dollar in December 2020. This was due to the U.S. presidential election result and successful vaccine developments, causing US Dollar to depreciate significantly. In the meantime, Thai baht's volatility remained moderate. Regarding commercial banking, total loans at the end of November 2020 grew by 5.6% compared to the same period last year (YoY) and increased by 4.4% from the end of year 2019 (YTD). On the other hand, deposits expanded by 10.3% YoY or 9.7% (YTD) in both types of saving and time deposits and increased slightly from the third quarter.

Economic outlook for 2021: Thai economy is projected to continuously recover by 2.4% YoY annually with the main supports from government stimulus programs, either by extending the periods of existing scheme or launching a new program. This is for example the second phase of half-half copayment scheme, the period extension of 'we travel together' campaign as well as the newly launched cash subsidy programs in order to provide cushion for those impacted by a new round of domestic pandemic outbreak. Altogether, these relief packages are expected to sustain private consumption's growth but could barely help accelerating the recovery momentum due to persisting drags from weaker purchasing powers and fragile labor market. With regards to public investment, it is estimated to further proceed, especially the infrastructure projects in EEC which mostly are under ongoing constructions and hence expected to support the recovery of private investment. Merchandise exports are forecasted to turn into positive figures but would be totally at around 3.4% due to uncertainty in global recovery and Thai baht's appreciation. In the meantime, the recovery of tourism sector would still face challenges from slowly opening the border to foreign travelers and slow progress of acquiring vaccine, resulted in a forecast of 3.5 million inbound foreigner tourists for 2021, below the former projection. For financial market, the policy rate is expected to remain at 0.25-0.5% in accordance with ongoing economic recovery and worsening debt quality. Thai baht is forecasted to continue its appreciation trend from the fourth quarter due to US dollar's depreciation and foreign capital inflows and accordingly estimated to move within the range of 29.5-31.0 baht per US dollar.

Research by **TMB Analytics**
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Summary of TMB relief scheme for customers who are affected by COVID-19

At the onset of the COVID-19 pandemic, the Bank has provided its relief measure for all customer segments in the form of payment holiday for principal and interest, a reduction of interest payment, extension of installment period, and soft loan facilities. At the end of December 2020, approximate 15% of total loan portfolio was under the relief program which decreased from 20% as of Sep 20 and 40% as of Jun 20. For those customers remaining in the relief program, most of them were in the 2nd phase of relief measures. As of Dec 2020, commercial customer under forbearance accounted for 25% of total commercial loans and retail customers accounted for 9% of total retail loans respectively. According to the new round of pandemic outbreak, TMB continues to be vigilant and keeps monitoring customers to ensure the Bank's asset quality as well as support customers through pre-emptive debt restructuring to ensure that customers can recover in the long run.

Relief program "Tang Lak round 2"

Retail: TMB extends the relief program for customer until 30 Jun 2021, in response to BOT announcement	
Auto loan	<ul style="list-style-type: none"> Reduce installment by extending tenure or 3-month debt suspension for the principal and interest payment (for new car, used car and cash your car) Reduce 30% of installment for 6 months and cut interest rate not over 22% (for cash your book)
Mortgage loan	<ul style="list-style-type: none"> 6-month grace period of principle payment (Pay only interest) or Reduce installment to 70% for 6 months or 3-month debt suspension for the principal and interest payment
Unsecured loan	<ul style="list-style-type: none"> Reduce installment to 70% for 6 months and cut interest rate not over 22% Lower interest rate for unsecured loan to 25% from 28% per year, effective from 1 Aug 2020 (for new application)
Credit card	<ul style="list-style-type: none"> Convert current outstanding balance to term loan or convert to Installment pay plan (IPP) with interest rate not over 12% and maximum 48 tenors Minimum payment for credit card will be reduced to 5% in 2020-2021, 8% in 2022 and back to 10% in 2023, effective from 20 Apr 2020 billing cycle onwards Lower interest rate for credit card to 16% from 18% per year, effective from 1 Aug 2020
Cash card	<ul style="list-style-type: none"> Convert current outstanding balance to term loan or convert to Installment pay plan (IPP) with interest rate not over 22% and maximum 60 tenors Minimum payment for cash card will be reduced to 3%, effective from 20 Apr 2020 billing cycle onwards Lower interest rate for cash card to 25% from 28% per year, effective from 1 Aug 2020
Commercial: TMB provides the below relief program for customers until 30 June 2021	
SME (Juristic and Non-Juristic)	<ul style="list-style-type: none"> Long-term lending: Reduce the amount of installment payment up to 6 months; plus extend installment period up to 15 months from the approve date Overdraft/Working Capital Lending: Convert Overdraft or Working Capital lending to 10 years Long Term Lending
Large corporate	
	<ul style="list-style-type: none"> Long-term lending: Suspension for the principal for 3 months from the approval date Overdraft/Working Capital Lending: Convert up to 50% of working capital outstanding to 5 years long-term lending

Please find <https://www.tmbbank.com/page/view/loan-covid19.html> for further details

Summary of TMB's operating performance

Thai economy for the year 2020 contracted drastically amid the spread of COVID-19. The pace of recovery remained sluggish. TMB continued to grow loan and deposit very selectively to ensure on portfolio quality during the new round of domestic outbreak and fragile macroeconomic recovery. Quality-hybrid deposit grew well amidst lower interest rate environment. NII and NIM improvement was in line with Bank's direction to optimize its balance sheet synergy from post-merger. The operating efficiency and cost synergy realization was reflected by higher PPOP. De-risking loan portfolio remains one of the Merged Bank's priorities. TMB remained prudence with elevated ECL for the uncertainties ahead while NPL ratio was low at 2.50%

Quality-hybrid deposit continued to grow, boosted by No-Fixed and Ultra Saving: TMB continued to focus on deposit-led strategy and build strong deposit franchise as well as proactively optimize deposit mix by running high-cost deposit with CASA and quality-hybrid deposits. As of December 2020, total deposit contracted by 1.8% YTD to THB1,373 billion. Retail flagship product continued its positive momentum, led by No-Fixed (+42.6% YTD), Ultra-saving (+24.0% YTD) and TMB All Free (+23.1% YTD) respectively while TD and Certificate Deposit significantly dropped by 55.4% YTD, in line with balance sheet optimization. As a result, retail deposit represented 76% from 66% of total deposit as of Dec 2019. With strong retail franchise and the substantial growth in hybrid deposits reflected capability to retain and attract affluent segment thru our flagship products.

Continued to focus on quality loan portfolio against economic headwinds: Amidst the slow economic activities recovering from the COVID-19 pandemic and the new round of virus outbreak, TMB continued to grow loan very selectively. Total loan as of December 2020, therefore, was stable YTD at THB1,393 billion, in line with Merged Bank's B/S optimization strategy to run down low yield portfolio and improve loan quality against fragile economic recovery from COVID-19 outbreak. Retail loans marginally declined by 0.6% YTD, backed by unsecured loan and credit card while hire purchase was relatively stable YTD. However, the Bank saw a recovery sign in new auto loan booking especially in new car segment in this quarter. Mortgage continued its moderate growth pace with 0.4% YTD growth. Corporate loans grew 2.2% YTD primarily from government loan granted in 4Q20. Post-merger loan portfolio was well-diversified and shifted to retail lending, given retail loans represented 56% of total portfolio and around 90% of retail loans are secured lending.

Solid core operating profit, driven by top-line growth: Given the challenging economic environment from COVID-19, TMB reported 12M20 net interest income of THB53,805 million, significantly rose by 100.3% YoY, thanks to balance sheet optimization from running down high cost deposit which resulted in lower interest expense for the Merged Bank while NIM improved to 3.00% in 2020 despite the multiple rate cuts during the year and customer relief programs recalculated EIR, resulting from higher yield on earning assets from consolidation with TBANK and optimize its balance sheet. Non-NII increased by 15.7% YoY to THB14,986 million mainly from the broad-based fee recovery in 4Q20, covering all key products. Mutual fund fee continued its growth pace from the previous quarter from an increase in sale volume of high-fee investment product and IPO launches in this quarter while Bancassurance fee also improved mainly from hire purchase business. Commercial fees also showed recovery sign from the preceding quarter. Total operating income, therefore, rose by 72.8% YoY to THB68,791 million in 2020.

With operating efficiency and cost synergy realization, PPOP improved: With the significant progress in balance sheet optimization and cost synergy realization, core operating profit remains a positive momentum amid the pressures on income generation from COVID-19 pandemic. Operating expenses were well-managed with the major cost saving in HR cost and branch rationalization after consolidation with TBANK. Given the optimization plan and well-managed operating expense, cost-to-income ratio excluded purchase price allocation (PPA) impact improved to 45% which achieved financial target in 2020. As a result, Pre-Provision Operating Profit (PPOP), improved by 89.6% YoY to THB37,266 million in 12M20.

Higher expected credit loss was for prudent management and uncertainty ahead: With higher PPOP, TMB continued its prudent management and decided to add more ECL in preparation for the uncertainties arising from COVID-19 outbreak and pressure on asset quality from the post financial relief program. In total, TMB set aside expected credit loss of THB24,831 million in 2020 compared to THB10,337 million in 2019. The Bank's provisioning is kept at an elevated level with sufficient capital cushion and is continuously adjusted to reflect changing environments. Stage 3 loans, as a result, totaled THB 39,594 million, representing NPL ratio of 2.50%. TMB continued to de-risk loan portfolio to clear up headroom ahead for economic uncertainties. After provision, TMB reported THB10,112 million of net profit in 2020. The figure increased by 40.0% YoY and represented a return on equity (ROE) of 5.1%.

Discussion of operating performance

Figure 1. Selected Statement of Comprehensive Income

(THB million)	4Q20	3Q20	% QoQ	4Q19	% YoY	12M20	12M19	% YoY
Interest income	17,244	17,475	-1.3%	12,332	39.8%	72,321	39,837	81.5%
Interest expenses	3,725	4,248	-12.3%	4,254	-12.4%	18,515	12,972	42.7%
Net interest income	13,519	13,227	2.2%	8,079	67.3%	53,805	26,865	100.3%
Fees and service income	4,318	3,789	14.0%	3,543	21.9%	15,921	11,343	40.4%
Fees and service expenses	1,348	1,156	16.6%	1,041	29.5%	5,346	3,245	64.7%
Net fees and service income	2,970	2,633	12.8%	2,502	18.7%	10,575	8,098	30.6%
Other operating income	1,327	352	277.1%	1,135	16.9%	4,411	4,858	-9.2%
Non-interest income	4,297	2,984	44.0%	3,637	18.1%	14,986	12,956	15.7%
Total operating income	17,816	16,212	9.9%	11,716	52.1%	68,791	39,821	72.8%
Total other operating expenses	8,086	7,429	8.8%	6,596	22.6%	31,623	20,674	53.0%
Impairment loss on loans and debt securities	0	0	N/A	3,114	N/A	0	10,337	N/A
Expected credit loss	8,237	6,863	20.0%	0	N/A	24,831	0	N/A
Profit before income tax expense	1,493	1,920	-22.2%	2,006	-25.6%	12,338	8,810	40.0%
Income tax expense	258	301	-14.3%	391	-34.1%	2,223	1,588	40.0%
Profit for the period	1,236	1,619	-23.7%	1,615	-23.5%	10,115	7,222	40.0%
Profit to non-controlling interest of subsidiaries	1	1	45.4%	0	N/A	3	0	N/A
Profit to equity holders of the Bank	1,235	1,619	-23.7%	1,615	-23.5%	10,112	7,222	40.0%
Other comprehensive income	568	81	597.5%	11	5059.7%	310	1,287	-75.9%
Total comprehensive income	1,803	1,701	6.0%	1,626	10.9%	10,424	8,509	22.5%
Basic earnings per share (THB/share)	0.0128	0.0168	-23.9%	0.0257	-50.3%	0.1049	0.1485	-29.4%

Note: Consolidated financial statement

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

For the 4th quarter of 2020: TMB recorded THB13,519 million of net interest income (NII) in 4Q20, 2.2% increase when compared to previous quarter (QoQ) and 67.3% increase from the same period last year (YoY). Details are as follows:

- Interest income declined by 1.3% QoQ but rose by 39.8% YoY to THB17,244 million. QoQ reduction was essentially because higher interest on loan was offset by lower interest income on hire purchase and interbank and money market.
- Interest expenses dropped by 12.3% QoQ and 12.4% YoY to THB3,725 million, primarily due to well-managed funding cost and lower deposit volume during the quarter.

For the 12-month of 2020: TMB reported net interest income of THB53,805 million, an increase of 100.3% from the same period last year. Details are as follows:

- Interest income grew by 81.5% YoY to THB72,321 million, due largely to the recognition of interest on hire purchase and financial lease from TBANK and higher interest income on loans which grew by 32.9% YoY.
- Interest expenses increased by 42.7% to THB18,515 million, mainly owing to substantial inflow of retail hybrid deposit reflected the Bank's strategy to acquire quality deposits and build strong deposit franchise which was offset by lower FIDF contribution fee.

NIM recorded at 3.06% in 4Q20 and 3.00% in 12M20

NIM expanded by 14 bps to 3.06% in 4Q20 from 2.92% in 3Q20. Key contributor was due mainly to lower cost of deposit and higher yield on earning asset from shift in excess liquidity to a better asset yielding. Funding strategy and optimization of balance sheet helped lessen impact of rate cuts. Likewise, NIM for 12M20 improved to 3.00% from 2.81% in 12M19. If excluded PPA impact, NIM was 3.09% in 12M20. NIM enhancement was thanks to higher yield on earning assets from consolidation with TBANK and balance sheet optimization.

Figure 2: Yield and Cost of deposits

Unit: Percentage	4Q20	3Q20	2Q20	1Q20	4Q19	12M20	12M19
Net interest margin	3.06%	2.92%	2.88%	3.12%	2.69%	3.00%	2.81%
Yield on earning assets	3.90%	3.86%	3.97%	4.36%	4.11%	4.04%	4.17%
Yield on loans	4.78%	4.83%	4.88%	5.25%	4.88%	4.93%	4.85%
Cost of funds	0.95%	1.06%	1.23%	1.40%	1.44%	1.17%	1.14%
Cost of deposits	0.84%	0.96%	1.16%	1.29%	1.51%	1.07%	1.43%

Note: Consolidated financial statements

Figure 3: Net interest income (NII)

(THB million)	4Q20	3Q20	% QoQ	4Q19	% YoY	12M20	12M19	% YoY
Interest income	17,244	17,475	-1.3%	12,332	39.8%	72,321	39,837	81.5%
Interest on interbank and money market items	317	398	-20.3%	600	-47.1%	1,922	1,965	-2.2%
Investments and trading transactions	20	24	-14.2%	36	-43.4%	109	131	-16.7%
Investments in debt securities	357	395	-9.7%	373	-4.4%	1,920	1,555	23.5%
Interest on loans	11,054	10,726	3.1%	9,489	16.5%	45,633	34,334	32.9%
Interest on hire purchase and financial lease	5,495	5,931	-7.4%	1,823	201.5%	22,734	1,823	1147.4%
Others	1	1	N/A	12	-90.9%	2	30	-93.7%
Interest expenses	3,725	4,248	-12.3%	4,254	-12.4%	18,515	12,972	42.7%
Interest on deposits	2,122	2,592	-18.1%	2,362	-10.1%	11,553	6,896	67.5%
Interest on interbank and money market items	70	91	-23.5%	166	-58.0%	538	781	-31.1%
Contributions to the Deposit Protection Agency	835	864	-3.5%	1,086	-23.1%	3,445	3,371	2.2%
Interest on debt issued and borrowings	685	688	-0.4%	633	8.3%	2,928	1,900	54.1%
Borrowing fee	9	9	-1.5%	7	22.6%	37	22	71.6%
Others	5	3	49.8%	0	N/A	14	2	812.1%
Net interest income (NII)	13,519	13,227	2.2%	8,079	67.3%	53,805	26,865	100.3%

Note: Consolidated financial statements

Non-interest income (Non-NII)

For the 4th quarter of 2020: The Bank posted THB4,297 million of non-interest income in 4Q20, which increased by 44.0% from the last quarter (QoQ) and 18.1% from the same period last year (YoY). QoQ growth in Non-NII was primarily attributed to an improving in both retail and commercial fees. Details were as follows;

- Net fees and service income was reported at THB2,970 million which grew by 12.8% QoQ and 18.7% YoY. QoQ rise was due mostly to higher fee in mutual fund, resulted from the uptick in sale volume of high-fee investment products in the quarter as the market sentiment started to recover together with new IPOs launch in 4Q20. Fee from bancassurance sale continued to pick-up QoQ driven by a recovery in BA auto fees after a sharp drop in 2Q20, backed by higher volume of new car booking during Nov-Dec 2020 while other BA fees improved QoQ. Commercial fees, however, showed a recovery sign from the previous quarter, supported by trade finance and FX amidst the sluggish market caused by COVID-19 pandemic.

- Share of profit from investment using equity method was recorded at THB66 million.

For the 12-month of 2020: Non-interest income grew by 15.7% to THB14,986 million, from THB12,956 million in the same period last year, due primarily to the higher net fee and service income. Key items were as follows;

- Net fees and service income increased by 30.6% YoY to THB10,575 million, mainly attributed to growth in bancassurance fees from auto businesses and non-auto business and mutual fund fees, outweighed the lower fee income in loan related fee.
- Share of profit from investment using equity method was recorded at THB363 million.

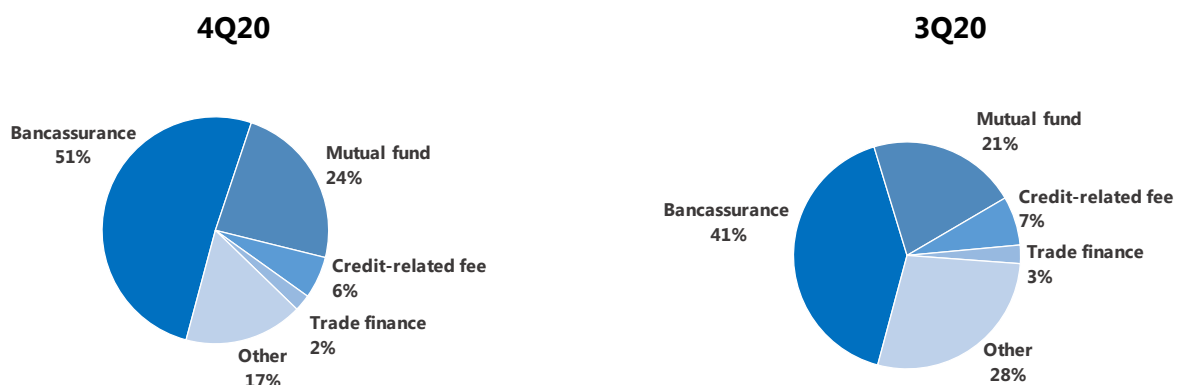
Figure 4: Non-interest income (Non-NII)

(THB million)	4Q20	3Q20	% QoQ	4Q19	% YoY	12M20	12M19	% YoY
Fees and service income	4,318	3,789	14.0%	3,543	21.9%	15,921	11,343	40.4%
Acceptance, Aval & Guarantee	148	144	2.7%	117	26.3%	566	362	56.0%
Other fee and service income	4,170	3,644	14.4%	3,426	21.7%	15,355	10,981	39.8%
Fees and service expenses	1,348	1,156	16.6%	1,041	29.5%	5,346	3,245	64.7%
Net fees and service income	2,970	2,633	12.8%	2,502	18.7%	10,575	8,098	30.6%
Gains on financial instrument designated at fair value through profit or loss	582	254	129.3%	379	53.4%	1,726	1,506	14.6%
Gains on investments, net	221	-326	-167.8%	52	325.5%	678	1,956	-65.3%
Share of profit from investment using equity method	66	78	-14.8%	110	-39.9%	363	324	11.8%
Gains on sale of properties foreclosed, assets & other assets	156	15	975.4%	369	-57.7%	222	417	-46.7%
Dividend income	0	18	-99.6%	0	4082.2%	84	26	227.7%
Others	301	314	-3.9%	225	34.0%	1,338	629	112.6%
Non-interest income	4,297	2,984	44.0%	3,637	18.1%	14,986	12,956	15.7%

Note: Consolidated financial statements

Bank-only financial statements: TMB recognized dividend income from TBANK amounted THB20.2 billion in 1Q20. Upon certainty of EBT transaction, investment in subsidiary has been written down by THB9.3 billion based on the adjusted net book value at entire business transfer date. The net amount of THB10.9 billion was presented in other operating income, this is in accordance to accounting treatment, no impact to consolidated financial statement. No impairment of Goodwill considering estimation of business synergies and economic conditions.

Figure 5: Net fees and service income breakdown



Note: Consolidated financial statements

Non-interest expenses

For the 4th quarter of 2020: The Bank recorded THB8,086 million of total non-interest expenses, an increase of 8.8% QoQ and 22.6% YoY. Key items are as follows;

- Employee expenses was relatively flat QoQ and increased by 25.1% YoY to THB3,891 million.

- Premises and equipment expenses rose by 1.2% QoQ and 38.2% YoY to THB1,539 million.
- Other expenses grew by 36.8% QoQ and 9.2% YoY to THB2,159 million. The increase was mainly resulted in higher marketing expense, software rental expense and business promotion for HP business.

For the 12-month of 2020: Non-interest expenses amounted to THB31,623 million, an increase of 53.0% from the same period last year. Key factors are as follows;

- Employee expenses grew by 71.7% YoY to THB16,536 million which largely came from the recognition of employee expenses of TBANK after the consolidation with TBANK.
- Premises and equipment expenses rose by 71.5% YoY to THB6,171 million.
- Other expenses rose by 16.7% YoY to THB7,051 million, due owing to the recognition of other expenses of TBANK, offsetting lower marketing expense from a slowdown in business activities during COVID-19 outbreak.

Figure 6: Non-interest expenses

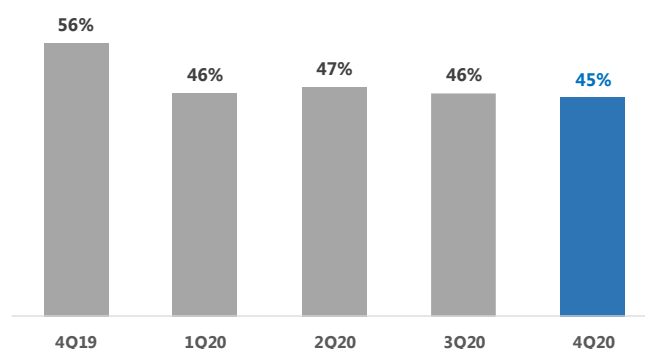
(THB million)	4Q20	3Q20	% QoQ	4Q19	% YoY	12M20	12M19	% YoY
Employee expenses	3,891	3,878	0.4%	3,110	25.1%	16,536	9,629	71.7%
Directors' remuneration	13	29	-53.7%	8	64.7%	66	48	37.0%
Premises and equipment expenses	1,539	1,521	1.2%	1,114	38.2%	6,171	3,598	71.5%
Taxes and duties	483	423	14.1%	386	25.1%	1,799	1,358	32.5%
Other expenses	2,159	1,578	36.8%	1,978	9.2%	7,051	6,042	16.7%
Non-interest expenses	8,086	7,429	8.8%	6,596	22.6%	31,623	20,674	53.0%

Note. Consolidated financial statements

The improvement in cost to income ratio reflected cost synergy realization

In 4Q20, cost to income ratio improved to 45%, compared with 46% in 3Q20 and 56% in 4Q19. Likewise, cost to income ratio for the first 12-month of 2020 dropped to 46% from 51% in the same period last year. If excluded PPA impact, cost to income ratio was 45%. The effort in accelerating cost saving synergies and operating efficiency reflected the improvement in cost to income ratio this year.

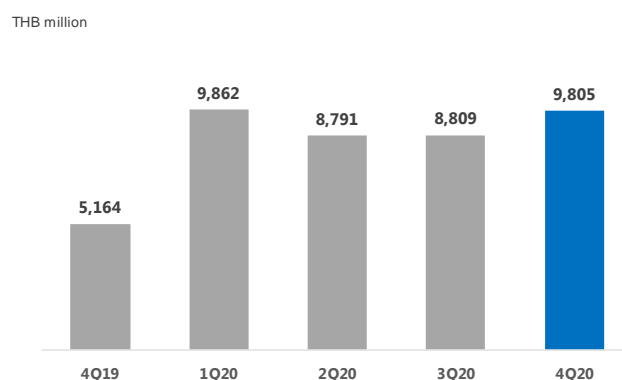
Figure 7: Cost to income ratio



Note. Consolidated financial statements

Operating profit and Expected Credit Loss

Pre-provision operating profit (PPOP): PPOP amounted to THB9,805 million in 4Q20, which increased by 11.3% QoQ and 89.9% YoY. PPOP for the first 12-month of 2020 was reported at THB37,266 million, rose by 89.6% YoY.

Figure 8: Pre-provision operating profit (PPOP)

Note: Consolidated financial statements

High provisioning for prudent management against economic headwinds

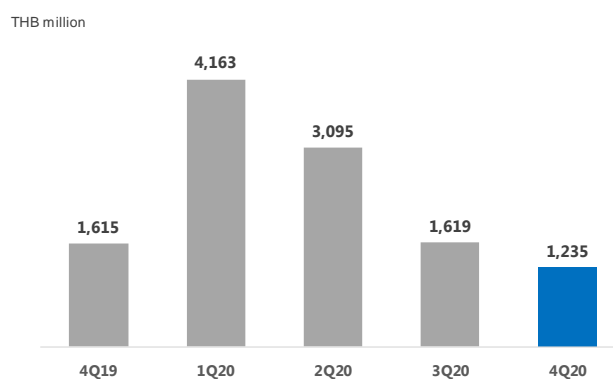
Expected Credit Loss (ECL): Given the sluggish economy caused by the COVID-19 pandemic and pressure on asset quality from the post financial relief program, the Bank remained prudent and set aside higher expected credit loss of THB8,237 million in 4Q20 which increased by 20.0% QoQ and 164.5% YoY. ECL for the first 12-month of 2020 was THB 24,831 million, rose by 140.2% YoY. The higher provision reflected the forward-looking Expected Credit Loss (ECL) models and Management Overlay to cover macro downside risk.

Figure 9: Expected Credit Loss (ECL) and credit cost

(THB million)	4Q20	3Q20	% QoQ	4Q19	% YoY	12M20	12M19	% YoY
ECL/Impairment loss on loans and debt securities	8,237	6,863	20.0%	3,114	164.5%	24,831	10,337	140.2%
Credit cost (bps)	238	199		118		179	125	

Note: Consolidated financial statements

Net profit: After provision and tax, net profit in 4Q20 was THB1,235 million, decreased by 23.7% QoQ and 23.5% from the same period last year. For the first 12-month of 2020, net profit totaled THB10,112 million, grew by 40.0% from the same period of last year and represented the ROE of 5.1%

Figure 10: Net Profit (to equity holder of the Bank)

Note: Consolidated financial statements

Discussion of financial position

Figure 11: Selected financial position

Unit: THB million	Dec-20	Sep-20	%QoQ	Dec-19	%YTD
Cash	21,943	18,921	16.0%	23,853	-8.0%
Interbank and money market items, net	211,185	232,539	-9.2%	236,311	-10.6%
Financial assets measured at fair value through profit or loss	3,788	21,376	-82.3%	-	N/A
Derivative assets	11,959	11,100	7.7%	10,399	15.0%
Investments, net	134,351	156,273	-14.0%	166,265	-19.2%
Investments in subsidiaries and associate, net	8,599	8,533	0.8%	8,953	-4.0%
Total loans to customers	1,392,925	1,363,162	2.2%	1,392,225	0.1%
<i>Add</i> accrued interest receivables and undue interest receivables *	8,533	9,209	-7.3%	1,883	353.2%
<i>Less</i> allowance for expected credit loss	52,978	48,371	9.5%	-	N/A
<i>Less</i> allowance for doubtful accounts & revaluation allowance for debt restructuring	-	-	N/A	45,477	-100.0%
Total loans to customers and accrued interest receivables, net	1,348,480	1,324,000	1.8%	1,348,630	0.0%
Properties for sale, net	6,037	5,631	7.2%	4,810	25.5%
Premises and equipment, net	24,039	24,225	-0.8%	23,642	1.7%
Goodwill and other intangible assets, net	22,546	22,467	0.4%	22,363	0.8%
Deferred tax assets	1,980	2,178	-9.1%	1,496	32.4%
Other assets, net	13,425	13,610	-1.4%	11,468	17.1%
Total Assets	1,808,332	1,840,853	-1.8%	1,858,190	-2.7%
Deposits	1,373,408	1,406,434	-2.3%	1,398,112	-1.8%
Interbank and money market items	75,909	71,961	5.5%	86,626	-12.4%
Financial liabilities designated at fair value through profit or loss	432	430	0.3%	418	3.4%
Debts issued and borrowings, net	88,965	96,033	-7.4%	108,835	-18.3%
Deferred revenue	20,885	21,114	-1.1%	18,186	14.8%
Other liabilities	43,984	41,953	4.8%	51,201	-14.1%
Total Liabilities	1,603,582	1,637,925	-2.1%	1,663,379	-3.6%
Equity attributable to equity holders of the Bank	204,713	202,891	0.9%	194,777	5.1%
Non-controlling interest	37	36	2.1%	35	7.2%
Total equity	204,750	202,928	0.9%	194,811	5.1%
Total liabilities and equity	1,808,332	1,840,853	-1.8%	1,858,190	-2.7%
Book value per share (Baht)	2.12	2.10	0.9%	2.02	5.0%

Note: Consolidated financial statements

* For credit impaired loans to customers presented gross amount before allowances for expected credit loss

Assets

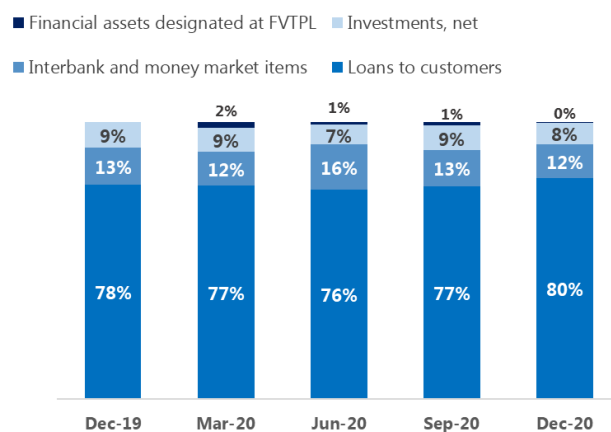
As of 31 December 2020, total assets on consolidated basis was THB1,808,332 million, a decrease of 1.8% QoQ and 2.7% from 31 December 2019 (YTD). Key items are as follows;

- Total loans to customers and accrued interest receivables net increased by 1.8% QoQ and remained stable comparing YTD at THB1,348 billion. (Details in the following section).
- Net interbank and money market items decreased by 9.2% QoQ and 10.6% YTD to THB211,185 million. The drop was in accordance to liquidity management.
- Net investments and financial asset designated at fair value through profit and loss decreased by 22.2% QoQ and 16.9% YTD to THB138,139 million.

- Net properties for sale rose by 7.2% QoQ and 25.5% YTD to THB6,037 million.

After the merger, loans to customers was still the largest portion of earning assets. As of 31 December 2020, loans to customers represented 79.9% of earning assets. This followed by interbank and money market of 12.2%, investment of 7.7% and financial assets designated at fair value through profit or loss 0.2%.

Figure 12: Earning assets



Note: Consolidated financial statements

Investment Classification

Under TFRS9, investment items are classified into 3 categories; fair value to profit and loss (FVTPL), fair value to other comprehensive income (FVOCI) and measured at amortized cost. As of 31 December 2020, investments were classified as follows:

(THB million)	31 Dec 2020	30 Sep 2020
Financial assets measured at FVTPL	3,788	21,376
Investments in debt securities measured at amortized cost	621	616
Investments in debt securities measured at FVOCI	132,213	154,174
Investments in equity securities measured at FVOCI	1,517	1,483
Net Investment*	134,351	156,273
Total Investment	138,139	177,649

* Net investments comprised of investments measured at amortised cost and measured at FVOCI

Note: Consolidated financial statements

Total loans to customers and accrued interest receivables

In terms of total loan to customers on consolidated basis (excluded allowance for ECL) amounted to THB1,393 billion, expanded by 2.2% QoQ and relatively stable YTD. The increase was mainly from large corporate loans while retail loans slightly grew from the previous quarter, given the slower economic recovery. Details are as follows;

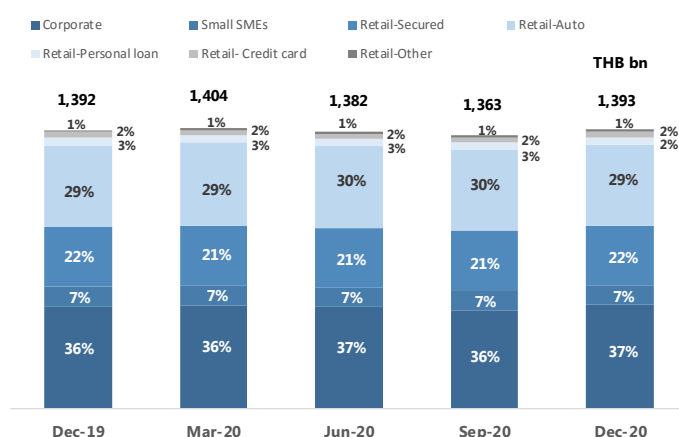
- Retail lending on consolidated basis increased by 0.7% QoQ but contracted by 0.6% YTD. The YTD decline was mainly due to unsecured loans and credit card while hire purchase remained flat QoQ and YTD. However, the Bank saw a recovery sign in new auto loan booking especially in new car segment in this quarter. Mortgage continued its moderate growth rates of 0.8% QoQ and 0.4% YTD as property market continued to recover at a gradual pace. Credit cards also showed a recovery sign from the preceding quarter.
- Corporate lending on consolidated basis increased by 5.2% QoQ and 2.2% YTD mainly from government loan granted in 4Q20 while small SME loans remained contraction against unfavorable business environment. However, the Bank continued to optimize its balance sheet with an aim to run down low yield portfolio and improve loan quality of the Merged Bank.

In terms of loan breakdown by customer segments, the loan portfolio has diversified and shifted to retail segment since the merger. As of 31 December 2020, retail loans accounted for 56% while corporate loans were 37% and small SMEs were 7% of total portfolio.

In terms of key products, 29% of total loan was hire purchase; followed by mortgage of 22%, term loan of 18%, working capital (OD) of 18%, trade finance of 5%, personal loan & credit card of 4% and others 3%.

As of 31 December 2020, HP portfolio consisted of new car 68%, used car 18%, cash your car (CYC) 14%, cash your book (CYB) of 0.2% respectively.

Figure 13: Total loan to customers breakdown by customer segment

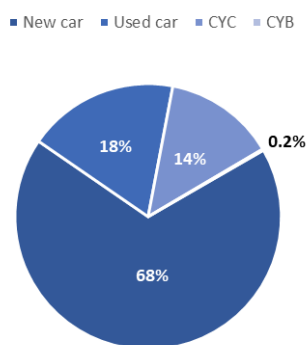


Note: Consolidated financial statements

Corporate loans: customers with annual sales volume more than THB100 million

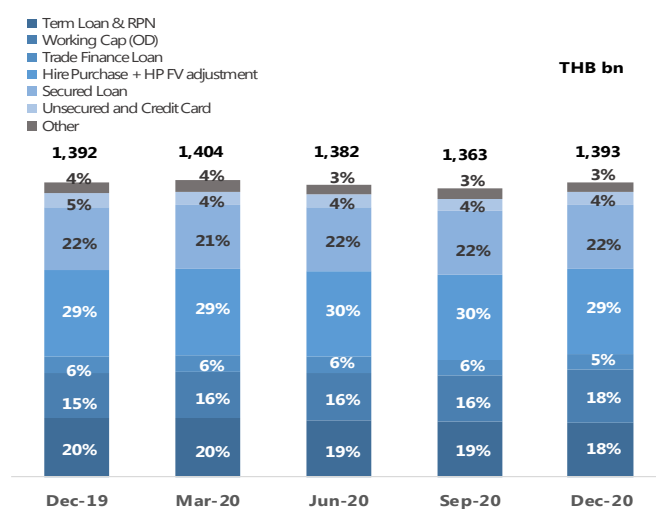
Small SMEs: customer with annual sales volume up to THB100 million, including owner operators

Figure 14: Hire purchase breakdown



Note: Consolidated financial statements

Figure 15: Total loan to customer breakdown by product



Note: Consolidated financial statements

Asset Quality

Under TFRS9, loans are classified into 3 stages based on changes in credit quality identified since initial recognition. The expected credit loss (ECL) framework is based on the requirements of the Thai Financial Reporting Standard No. 9 Financial Instruments (TFRS 9) which became effective from January 1, 2020 onwards.

The Bank calculated and reported impairment based on our ECL model-based calculation which is a probability-weighted estimate of credit loss over the expected life of financial instruments, adjusted with forward looking assumptions to take into account the expectation of future macro-economic outlook and potential impacts on our loan portfolio.

The allowance for ECL of TMB reflected the current loan portfolio mix of the Merged Bank which 51% are retail secured loan. The Bank continued to de-risk SME portfolio, as a result, small SME represented only 7% of total portfolio as of December 2020.

As of 31 December 2020, Loans and allowance for expected credit loss were classified as follows:

Figure 16: Loan and accrued interest receivables classification and Allowance for expected credit loss

(THB million)	31 Dec 2020	
	Loans to customer and accrued interest receivables	Allowance for expected credit Loss
Stage 1 (Performing)	1,237,638	11,126
Stage 2 (Under-performing)	122,135	21,617
Stage 3 (Non-performing)	41,685	20,235
Total	1,401,458	52,978

Note: Consolidated financial statements

(THB million)	30 Sep 2020	
	Loans to customer and accrued interest receivables	Allowance for expected credit Loss
Stage 1 (Performing)	1,201,328	11,313
Stage 2 (Under-performing)	132,807	19,629
Stage 3 (Non-performing)	38,236	17,429
Total	1,372,371	48,371

Note: Consolidated financial statements

Stage 3 loans (Non-performing loan) and NPL ratio, excluded accrued interest receivables

According to the new accounting standard under TFRS9 which implemented on 1 January 2020, non-performing loans is classified as stage 3.

As of 31 December 2020, Stage 3 loans (NPLs), excluded accrued interest receivables on consolidated basis, was reported at THB39,594 million which increased from THB36,747 million at the end of September 2020 and from THB37,746 million as of 31 December 2019. Stage 3 loans (NPLs) on bank-only basis amounted to THB22,005 million, increased from THB18,562 million in September 2020 and from THB18,150 million at the end of 2019. However, the Bank will proactively manage flow to stage 3 and continued to resolve stage 3 loans through sales, write-offs, and the pre-emptive debt restructuring to maintain NPL ratio at relatively low level in preparation for the unforeseen headwinds in the future. In the 4th quarter, the Bank wrote off NPLs amounting to approximately THB4.1 billion and sold THB0.3 billion of NPLs.

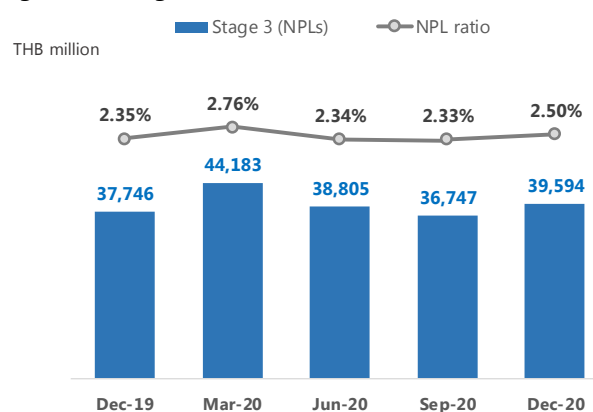
As of 31 December 2020, NPL ratio on consolidated basis was recorded at 2.50%, compared with 2.33% as of 30 September 2020 and 2.35% at the end of 2019. Meanwhile, NPL ratio on bank-only basis stood at 2.38% when compared with 2.08% as of 30 September 2020 and 2.33% as of 31 December 2019.

Allowance for expected credit loss

As of 31 December 2020, the Bank and its subsidiaries reported the allowance for expected credit loss at THB52,978 million, which rose by 9.5% QoQ and 16.5% YoY due to the additional provision buffer set to preemptively limit future downside risk.

Given the current unfavorable economic conditions and heightened uncertainty around COVID-19, the Bank has proactively reviewed and set aside management overlay to cover both Probability of default (PD) and Loss given default (LGD) shift. Moreover, the Bank closely monitors customers under debt relief program and offers further assistance to those in need after the resurgence of COVID-19 cases. Nonetheless, the allowance for expected credit loss was set at the prudent level, preparing for the future uncertainties.

Figure 17: Stage 3 loan (NPLs) and NPL ratio



Note: Consolidated financial statement, Non-performing loans classified as stage 3

Liabilities and Equity

As of 31 December 2020, total liabilities and equity on consolidated basis was reported at THB1,808,332 million, a decline of 1.8% QoQ and 2.7% from the end of December 2019.

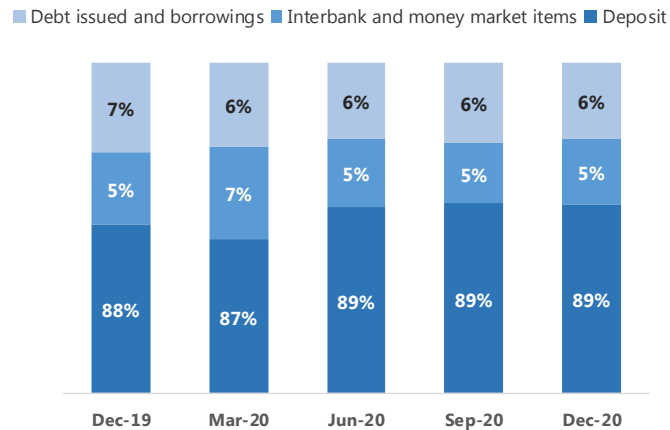
Total consolidated liabilities were THB1,603,582 million, contracted by 2.1% QoQ and 3.6% from 31 December 2019. Details of key figures are as follows;

- Total deposits were THB1,373,408 million which dropped by 2.3% QoQ and 1.8% YTD. (see details in following section)
- Net interbank and money market items amounted to THB75,909 million which rose by 5.5% QoQ but dropped by 12.4% YTD, mainly due to the Bank's liquidity management.
- Borrowings was recorded at THB88,965 million which decreased by 7.4% QoQ and 18.3% YTD. (see details in following section)

The consolidated equity was THB204,750 million, grew by 0.9% QoQ and 5.1% YTD mainly due to the accumulation of the net profit during the period.

Deposits was the largest composition of interest-bearing liabilities. As of 31 December 2020, deposits represented 89% of interest-bearing liabilities. This followed by interbank and money market items of 5% and debt issued and borrowings of 6%.

Figure 18: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

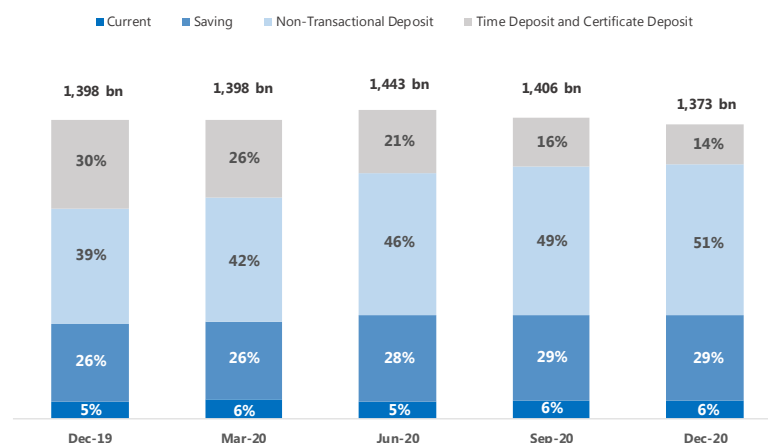
As of 31 December 2020, the Bank and its subsidiaries reported total deposits on consolidated basis of THB1,373,408 million which dropped by 2.3% from the previous quarter and 1.8% from the end of 2019, driven by reduction in TD & Deposit certificate, partly offsetting the increase in hybrid deposits, in line with Bank strategy to optimize deposit mix.

Deposit breakdown by products

TMB continued to focus on deposit-led strategy and build strong deposit franchise as well as proactively optimize deposit mix by running down high-cost deposit with CASA and quality-hybrid deposits. Overall, the deposit was in line with such a direction. The Bank's high-yield deposit products continued to grow despite low interest rate environment and interest rate reduction. This was attributed to TMB No-Fixed which expanded noticeably by 3.0% QoQ and 42.6% YTD while Ultra Saving also rose further by 2.1% QoQ and 24.0% YTD. The Bank's flagship retail transactional deposit, TMB All Free, also grew on track at 6.0% QoQ and 23.1% YTD. Nonetheless, Time Deposit and Certificate Deposit significantly dropped by 18.9% QoQ and 55.4% YTD, in line with balance sheet optimization by replacing high cost deposit with hybrid products. With strong retail franchise and the substantial growth in hybrid deposits reflected capability to retain and attract affluent segment thru our flagship products.

As a result, retail deposit proportion expanded to 76% and commercial deposit represented 24% of total deposit. In terms of deposit structure after merger, the ratio of non-transactional deposit to total deposit was reported at 51.2% while transactional deposit (CASA- excluded No-Fixed, ME Save and Ultra Saving) accounted for 35.2%, Time Deposit and Certificate Deposit accounted for 13.6% respectively.

Figure 19: Deposit structure by products



Note: Consolidated financial statement

Remark: "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, presented in this graph as Non-transactional deposit.

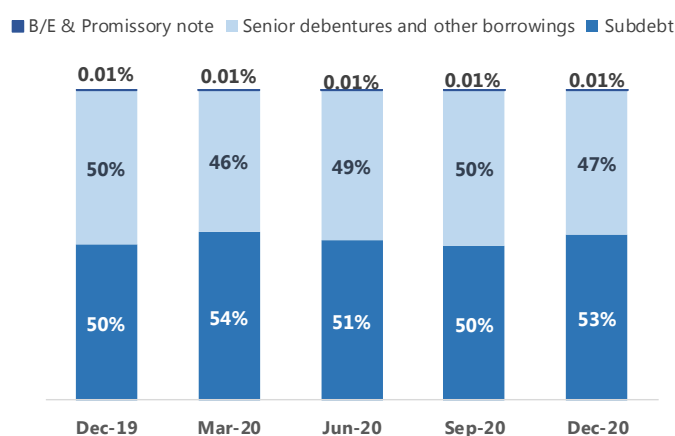
Borrowings

Borrowing dropped due to the redemption of TMB's bond and TBANK's bond, offsetting the issuance of TMB's EUR bond

As of 31 December 2020, total borrowings of the Bank and its subsidiaries recorded at THB88,965 million which contracted by 7.4% QoQ and 18.3% YTD. QoQ decline mainly due to the redemption of TMB's EUR bond, amounting to THB5 billion while YTD change was resulted from the redemption of TBANK's bond, amounting to THB31 billion and TMB's EUR bond, amounting to THB5 billion, offsetting the issuance of TMB's EUR bond, amounting to THB15 billion.

In terms of borrowing structure, 53% was sub-debt. This followed by senior debentures of 47% and BE of 0.01%.

Figure 20: 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 2020, on consolidated basis, total liquid assets represented 14.6% of the total assets. The liquid assets consisted cash (1.2%), interbank & money market items (11.7%), short-term investment (1.5%) and short-term financial assets designated at FVTPL (0.2%). In terms of loan to deposit ratio (LDR), the ratio, on consolidated basis was at 101%, increased from 97% as of September 2020 and from 100% as of December 2019.

Figure 21: Liquid asset allocation and loan to deposit ratio

Liquid assets	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19
Cash	1.2%	1.0%	1.0%	1.1%	1.3%
Interbank and money market	11.7%	12.6%	15.6%	11.6%	12.7%
Short-term investment	1.5%	2.4%	2.3%	3.5%	4.9%
Short-term financial assets at FVTPL	0.2%	1.1%	0.9%	1.9%	-
Liquid assets/Total assets	14.6%	17.2%	19.8%	18.1%	18.9%
Loan to deposit ratio (LDR)	101%	97%	96%	100%	100%

Note: Consolidated financial statement

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 31 December 2020, Capital Adequacy Ratio (CAR) on consolidated basis under Basel III calculation was at 19.6%. While Tier 1 ratio and CET 1 ratio stayed at 15.5% and 14.5% respectively. Such levels were well above the Bank of Thailand's minimum requirement (including conservation buffer) of 11.0%, 8.5% and 7.0% of CAR, Tier 1 ratio and Core Tier 1 ratio respectively.

Figure 22: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

(as % to risk-weighted assets)	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19
Capital Adequacy Ratio (CAR)	19.6%	19.2%	18.6%	18.8%	18.9%
Tier I Ratio (Tier 1)	15.5%	15.2%	14.6%	14.5%	14.6%
Core Tier 1 Ratio (CET1)	14.5%	14.2%	13.6%	13.5%	13.6%

Note: Consolidated financial statement

TMB's Financial Summary

(THB million)	4Q20	% QoQ	% YoY	12M20	%YoY
Net interest income (NII)	13,519	2.2%	67.3%	53,805	100.3%
Non-interest income (Non-NII)	4,297	44.0%	18.1%	14,986	15.7%
Non-interest expenses	8,086	8.8%	22.6%	31,623	53.0%
Pre-provision operating profit (PPOP)	9,805	11.3%	89.9%	37,266	89.6%
Expected credit loss (ECL)	8,237	20.0%	N/A	24,831	N/A
Net profit to equity holders of the Bank	1,235	-23.7%	-23.5%	10,112	40.0%

(THB million)	31-Dec-20	30-Sep-20	% QoQ	31-Dec-19	%YTD
Total loan to customers	1,392,925	1,363,162	2.2%	1,392,225	0.1%
Total assets	1,808,332	1,840,853	-1.8%	1,858,190	-2.7%
Deposit	1,373,408	1,406,434	-2.3%	1,398,112	-1.8%
Debt issued and borrowings, net	88,965	96,033	-7.4%	108,835	-18.3%
Total liabilities	1,603,582	1,637,925	-2.1%	1,663,379	-3.6%
Total equity	204,750	202,928	0.9%	194,811	5.1%

Key ratios	4Q20	3Q20	4Q19	12M20	12M19
Net interest margin (NIM)	3.06%	2.92%	2.69%	3.00%	2.81%
Non-interest income to total assets	0.94%	0.64%	1.05%	0.81%	1.19%
Cost to income ratio	44.8%	45.6%	55.9%	45.8%	50.6%
Return on equity (ROE)	2.4%	3.2%	4.4%	5.1%	6.5%
Return on asset (ROA)	0.3%	0.3%	0.5%	0.5%	0.7%
NPL / Stage 3 (THB mn)	39,594	36,747	37,746	39,594	37,746
NPL ratio	2.50%	2.33%	2.35%	2.50%	2.35%
Credit cost (bps) - annualized	238	199	118	179	125
Loan to deposit ratio (LDR)	101%	97%	100%	101%	100%
LDR + Debt issued & borrowings	95%	91%	92%	95%	92%
Capital adequacy ratio (CAR)	19.6%	19.2%	18.9%	19.6%	18.9%
Tier 1 capital ratio (Tier 1)	15.5%	15.2%	14.6%	15.5%	14.6%
Core tier 1 capital ratio (CET 1)	14.5%	14.2%	13.6%	14.5%	13.6%
No. of employees	17,012	17,443	19,432	17,012	19,432
No. of branches	733	771	895	733	895
No. of ATMs + ADMs	4,372	4,594	4,837	4,372	4,837

Additional Information: Credit rating profile

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

Latest Changes: June 2020, Moody's has affirmed long-term rating and revised outlook to stable.

Standard & Poor's		
	International rating	Outlook
Long-Term Counterparty	BBB	Negative
Short-Term Counterparty	A-2	
Senior Unsecured	BBB	
Stand-Alone Credit Profile (SACP)	bb+	

Latest Changes: August 2020, Standard & Poor's has upgraded long-term rating and revised outlook to negative.

Fitch Ratings		
	International rating	Outlook
Long-Term IDR	BBB-	Stable
Short-Term IDR	F3	
Senior Unsecured	BBB-	
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: May 2020, Fitch Ratings has affirmed Long-term IDR and revised outlook to stable.

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