Investor Presentation:
1Q21 Performance

April 2021

Executive summary

Under fragile business environment, TMB focuses more on balance sheet quality rather than pushing for aggressive growth figures that could come with risks. This is to preserve and to ensure balance sheet healthiness for our future growth once economic situation allows.

Integration remains on plan, on time, on budget, resulting in synergy realization. With EBT completion in July, limitations on cross-selling will be unlocked and create opportunities for revenue synergy initiatives.

1Q21 performance reflected our strategic priorities - balance sheet quality and integration;

- NII (-4.8% QoQ, -8.1% YoY) : New loans have been selectively grown and shifted toward lower risk areas, coupled with low interest rate environment and more conservative adjustment on accounting estimates.
- NIM at 3.00%: Balance sheet synergy helped reduce funding cost, despite positive momentum on deposit growth. This also lessened impact of low rate environment and lower yields on earning assets.
- C/I at 47% : Cost synergy initiatives were well-executed and helped contain OPEX amid accelerated integration activities before the EBT.
- Credit cost at 160 bps, NPL ratio at 2.75% : The ECL model has been adjusted to reflect real risk level of customers especially those under relief program to ensure sufficient and rational ECL level, reflected by higher % of ECL by stage. Overall, asset quality metrics remained in line with target and our portfolio nature (retail base and secured loans).

Relief Program Update

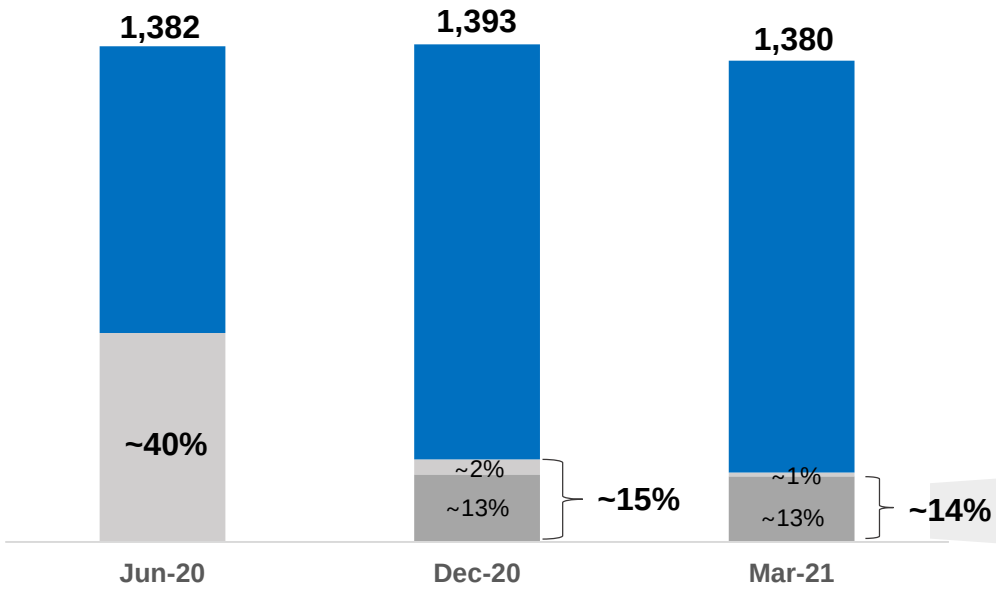
1Q21 Performance & Asset Quality

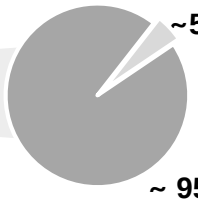
Integration Update

Debt relief profile - % to total loan portfolio

Loans under Relief Program to Total Loans

THB billion





~5% Phase 1 – mostly commercial customers

~ 95% Phase 2 – mainly SMEs, followed by Retail-Mortgage and Retail-HP

Non-Debt Relief (Included Debt Relief Exit)

Debt Relief : Phase 1

Debt Relief : Phase 2 (additional requests with sequential offering)

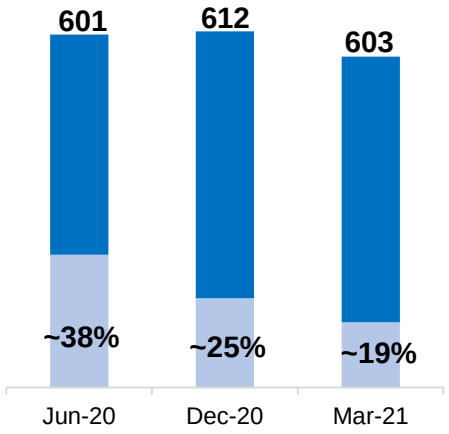
- In Jan-21, BOT announced the extension of relief measures for retail borrowers, medium enterprise and small SMEs.
- As a result, the % of debt relief as of Mar-21 stayed relatively close to last quarter and represented approximately 14% of the Merged bank's total loan portfolio
- Of total debt relief loans, around 95% were in phase 2 (customers asking for additional supports) and the rest were the remaining of phase 1
- Customers in relief program phase 2 (>87%) are under modified terms and able to service their debts (full interest payment)

Note: Loans to customers excluded interbank loans

Debt relief profile - by customer segments and key products

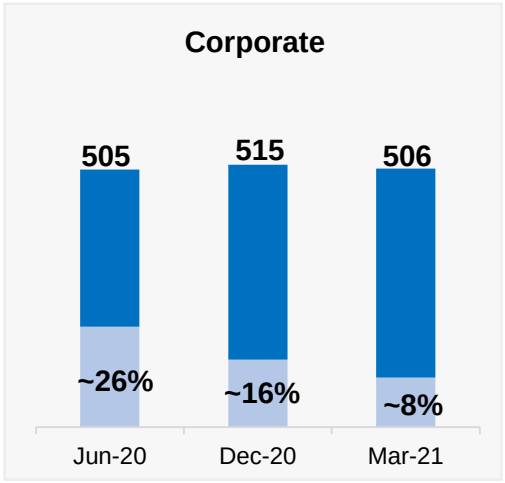
Commercial Loans

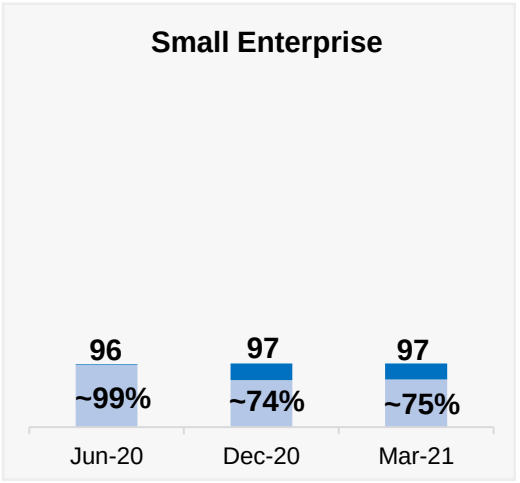
THB billion



Non-Debt Relief (Included Debt Relief Exit)

Loans under Relief Program (Phase 1+2)

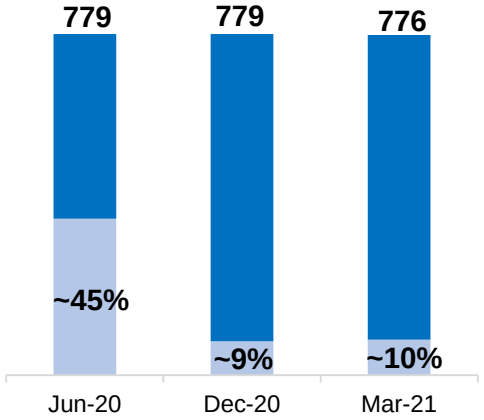


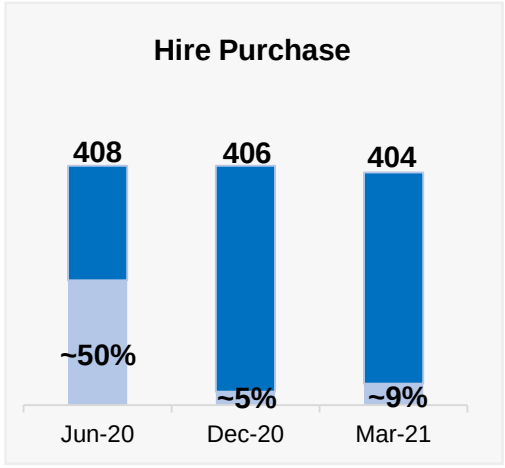


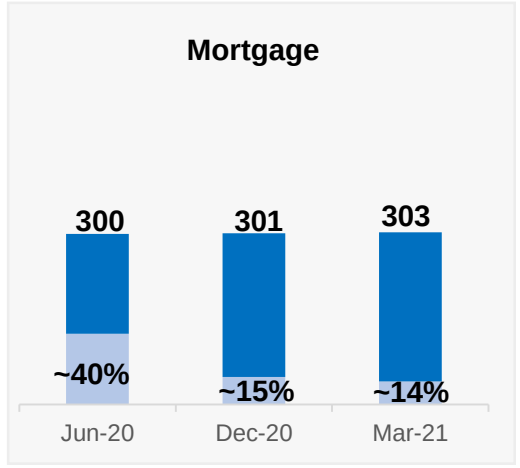
- 19% of commercial loans and 10% of retail loans remained in relief program
- Amid the new COVID-19 outbreak, TMB will remain prudent in risk management and monitor delinquency levels closely
- The latest relief measures of asset warehousing and the BoT special loans give banks more flexibility to support commercial customers, especially the hospitality sectors to withstand the prolong Covid-19 situation. The asset warehousing also allows banks to better manage asset quality and put less pressure on provisioning.

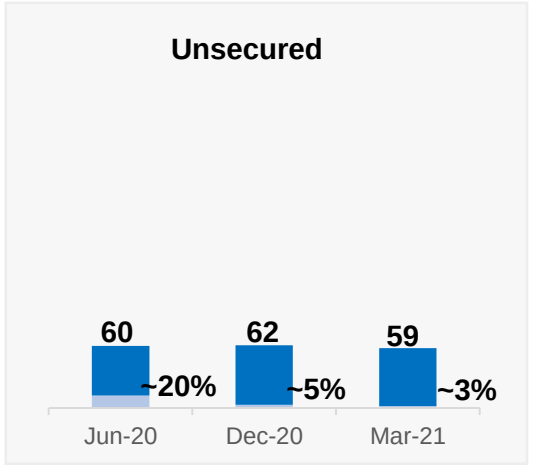
Retail Loans

THB billion





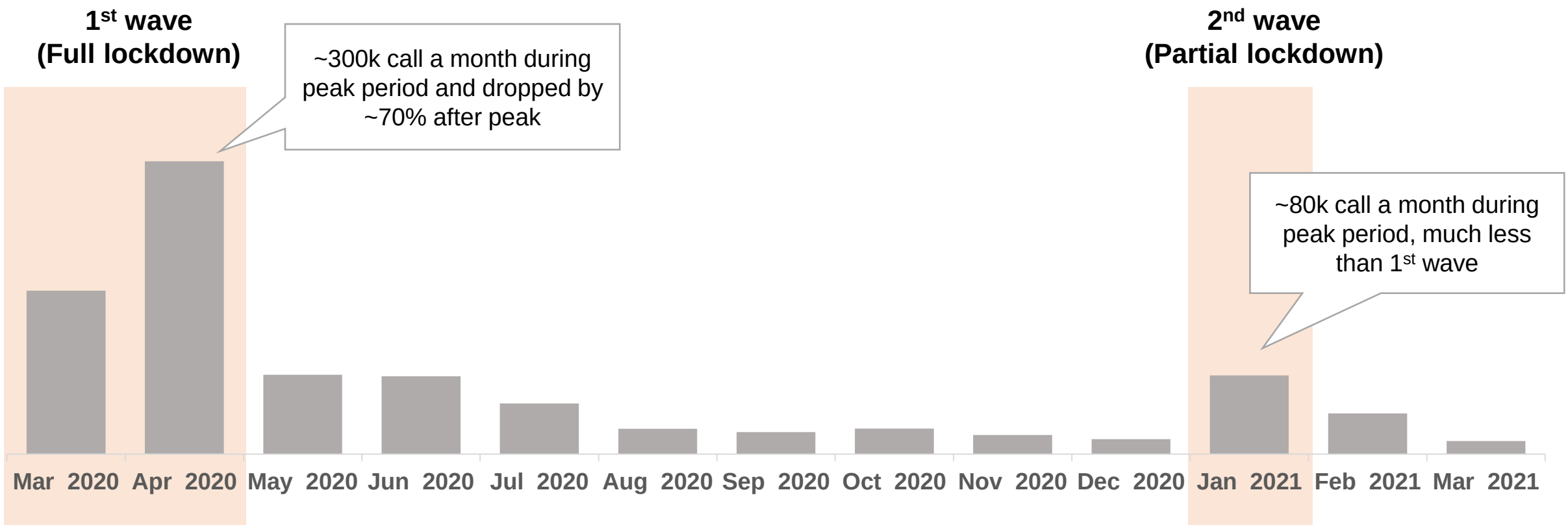




Note: Loans to customers excluded interbank loans / Unsecured : Credit card and personal loans

Covid-19 readiness: Call center and non-voice capacity expansion to support incoming relief requests

Incoming requests from impacted customers



% Loan under relief program (phase 1 & 2) to total loan

~40% ~20% ~15% ~14%

Covid-19 readiness : BoT special loan & Asset warehousing to be leveraged to assist impacted customers

TMB | Thanachart

			Potential eligible exposure
BoT special loan 2021	**Qualification**	Corporate & SME with existing credit line < 500 MB	~ 12 bn
	Purpose	Liquidity for business operations and recovery	
	Tenor	5 years (BoT liquidity support at 0.01% interest)	
	Loan limit	Existing customers: 30% of total existing credit limit New customers: 20 MB	
	Interest rate	2% for first 2 years (EIR not exceeding 5% for 5 years)	
Asset warehousing	**Qualification**	Customers were not be NPL prior to Jan 2020	~ 10 bn
	Purpose	Strong relief package with prolonged recovery period	
	Contract period	3 years with option for 2 years expansion	
	Repurchase price	Not higher than transfer price + carrying cost and maintenance cost and other relevant fees - rental fee	
	Tax & Fee	Exempt relevant taxes for both transfer and repurchase Reduction in registration fee to 0.01%	

Relief Program Update

1Q21 Performance & Asset Quality

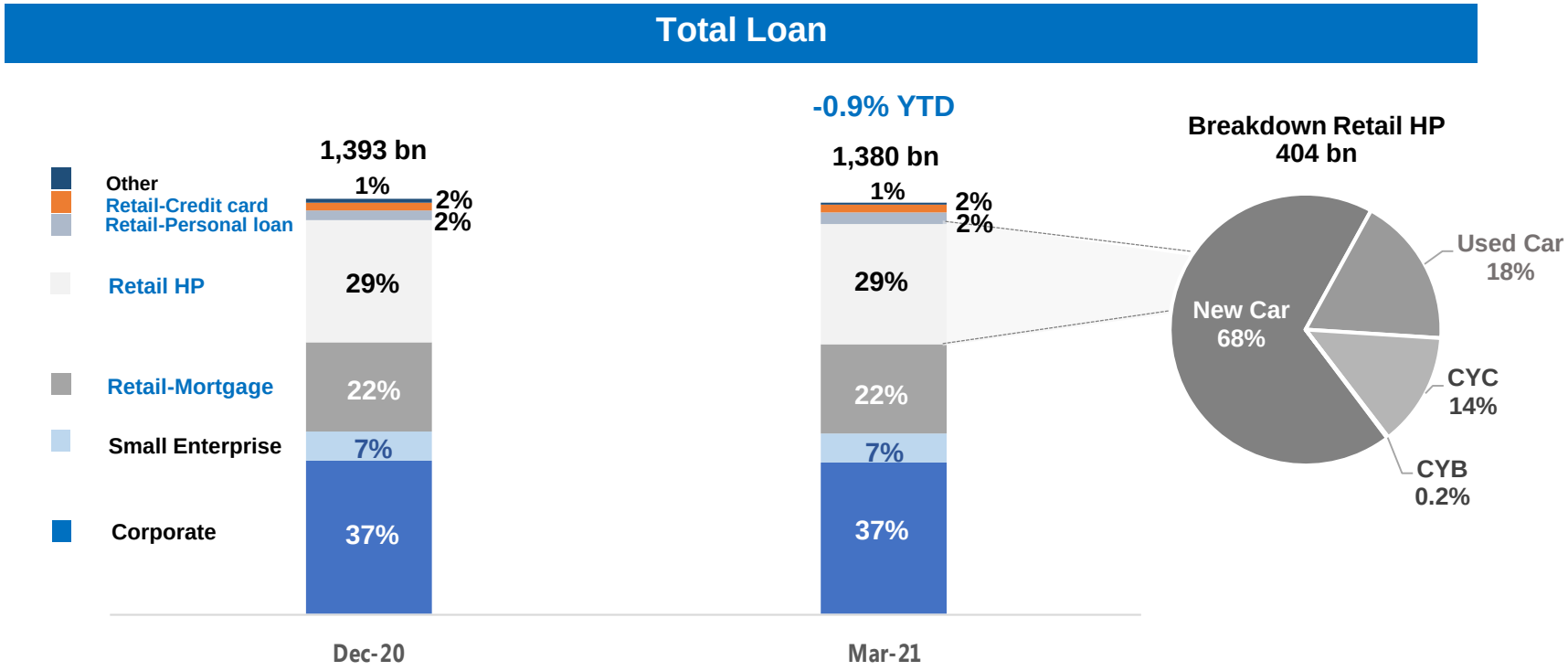
Integration Update

Summary of 1Q21 results

		Targets	Actual 1Q21
Operating performance	Loan Growth	≤Flat	-0.9% YTD
	Deposit Growth	≤Flat	+0.8% YTD
	NIM	Stable	3.00% (3.08%, exclude PPA impact)
	Non-NII/ Total assets	0.80%-0.90%	0.89%
	C/I Ratio	47%-49%	47% (45.6%, exclude PPA impact)
Asset quality	% Stage 3	< 3.6%	2.75%
	Credit cost	160-180 bps	160 bps

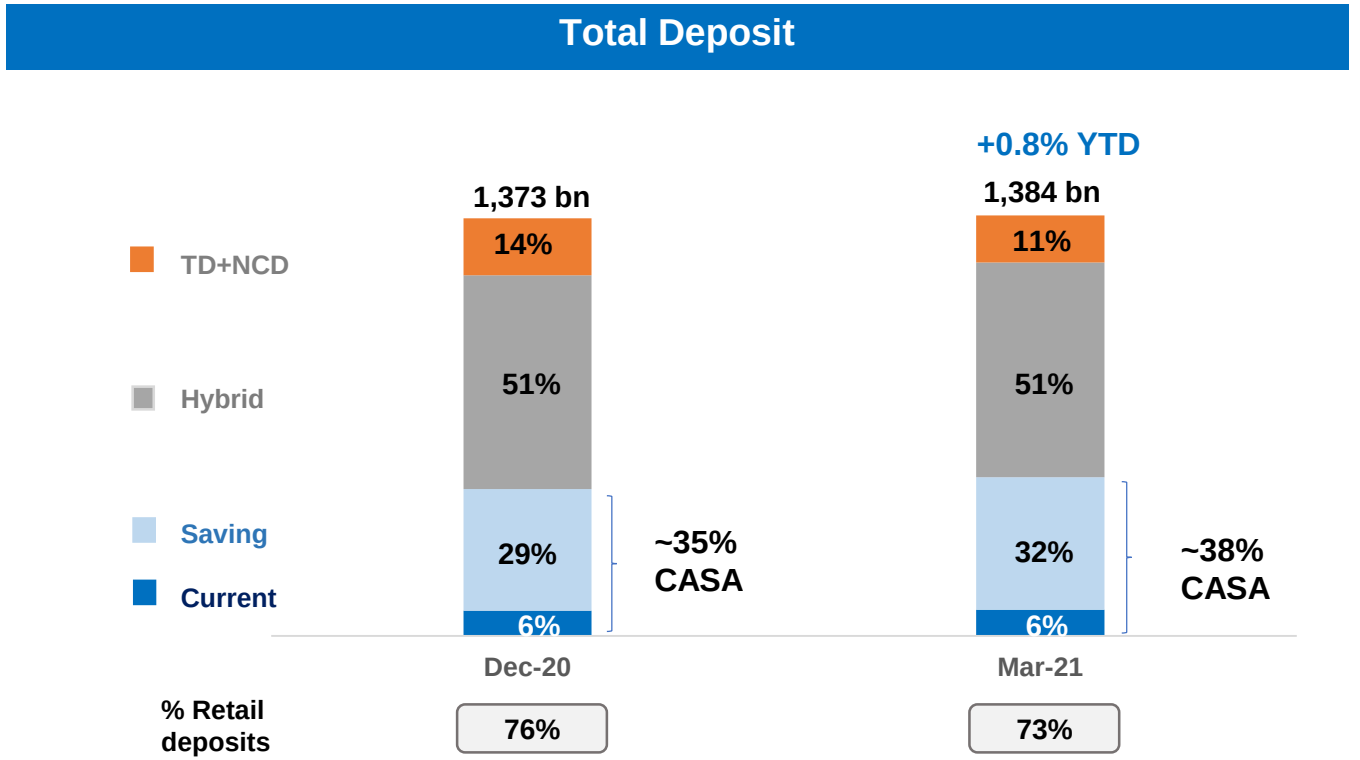
- Balance sheet optimization was well-executed. On the deposit side, we continued to replaced high cost deposit with CASA and our flagship hybrid products. For loans, we strategically shrink low yielding loans and high risk segment with a plan to redeploy them in higher yielding assets when economic situation allows. However, due to COVID-19 situation, new loan will be selectively grown to ensure portfolio quality, despite soften loan yield and NII.
- Although balance sheet synergy allows TMB to maintain high liquidity with lower cost of deposit and cost of fund, NIM is expected to remain under pressure due to low interest rate environment and our loan growth direction. Besides, TMB has made an adjustment on accounting estimates to be more conservative on EIR recognition and to better reflecting competition and payment behavior of customer for mortgage portfolio. As a result, 1Q21 NIM was at 3.00%.
- Non-NII to total assets came in as guidance. Net fee income QoQ growth was due mainly to MF fee, supported by market sentiment in 1Q21. The Bank also saw a recovery in Trade finance and FX as business activities continued to resume after a full-lockdown. And as we reduced our investment position in previous quarters, impact on mark-to-market loss from bond yield fluctuation was limited.
- Well-contained recurrent expenses reflected cost saving synergy realization. In the 1H21, there will be one-time expenses before the EBT date. In this quarter, there was one-time on separation package, followed by rebranding related-expenses in the next quarter. However, with discipline on self-fund, C/I ratio would remain within target.
- As prudent COVID-19 reserve was built in 2020 (THB24.8 Bn), credit cost in 1Q21 ended at 160 bps with stage 3 ratio of 2.75%, in line with guidance. The Bank remains prudent in setting provision and follows “Guiding Principle of Post Relief Risk Schemes”, plus overlay set up. Overall, asset quality has been closely monitor and manageable.

Focusing on loan quality to ensure portfolio healthiness amid economic headwinds



- Amid challenging economic environment, TMB continues its balance sheet optimization strategy and keeps quality loan portfolio.
- Loan structure remained unchanged compared YTD and currently 56% of total port was retail loans, which around 91% of retail loans were collateralized, and 44% was commercial loan.
- As of Mar-21, total loans slightly dropped -0.9% YTD
  - Commercial loans declined -1.5% YTD due to large corporate's working cap repayment while term loan remained its growth momentum.
  - Retail loans slightly dropped -0.5% YTD from unsecured loans (-4.6% YTD) and HP port (-0.4% YTD), offsetting with mortgage loan growth (+0.6% YTD).

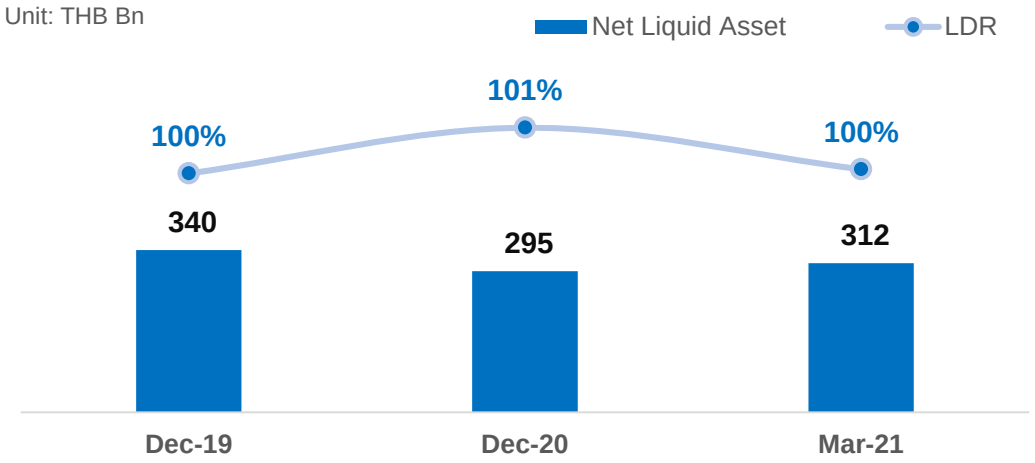
Deposit strategy and optimization remaining on track



- Deposit expanded +0.8% YTD mainly from commercial inflow through CASA and flagship product inflow, while TD & Deposit Certificate still declined aligning with B/S optimization strategy.
    - Surplus liquidity in the market remained high so we still saw the inflow to our flagship products despite the interest rate reduction; All Free +4.8% YTD and No-Fixed +6.8% YTD. Moreover, CASA was growing as planned. Together with high yield saving accounts reduction like TD, this helped we manage cost of deposit more efficiently.
- Even though customers may prefer to keep cash in high yield saving accounts during the volatile market environment, we still pursue our strategy to churn saving to wealth-related products such as mutual fund especially in high net worth customer segment. The maturity of TD caused the balance running down and created opportunity to cross-sell.

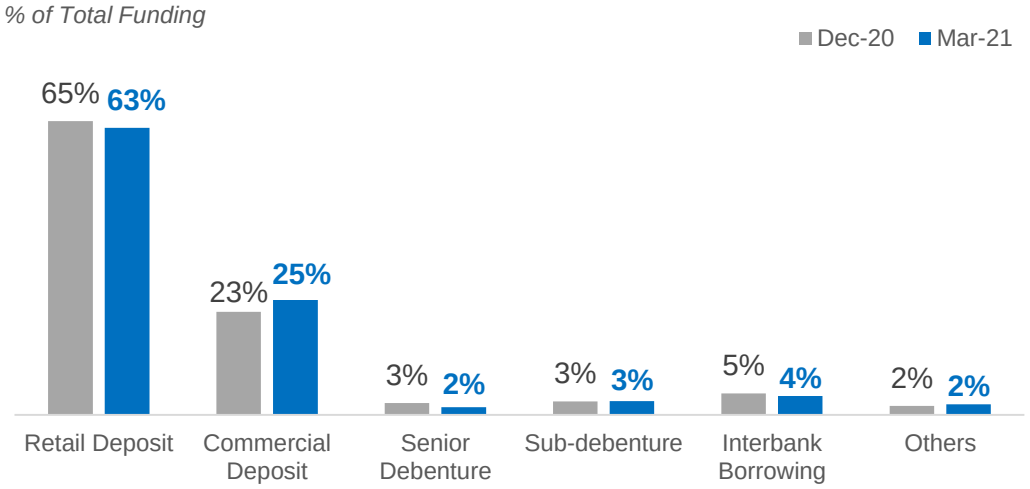
Optimizing balance sheet with healthy liquidity position

Continue Optimized B/S through Liquid Asset Management

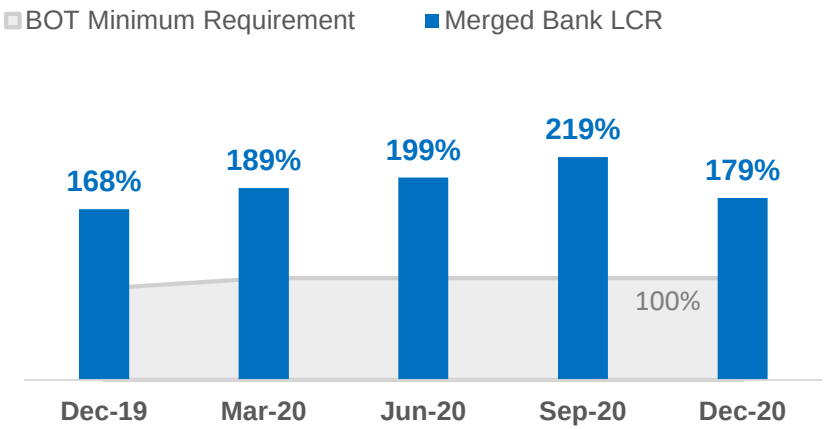


Net Liquid Asset Definition: Cash + Interbank Asset + Investment - Interbank liab.

Retail Deposit is a Major Source of Funds



LCR Well Above Regulatory Requirement

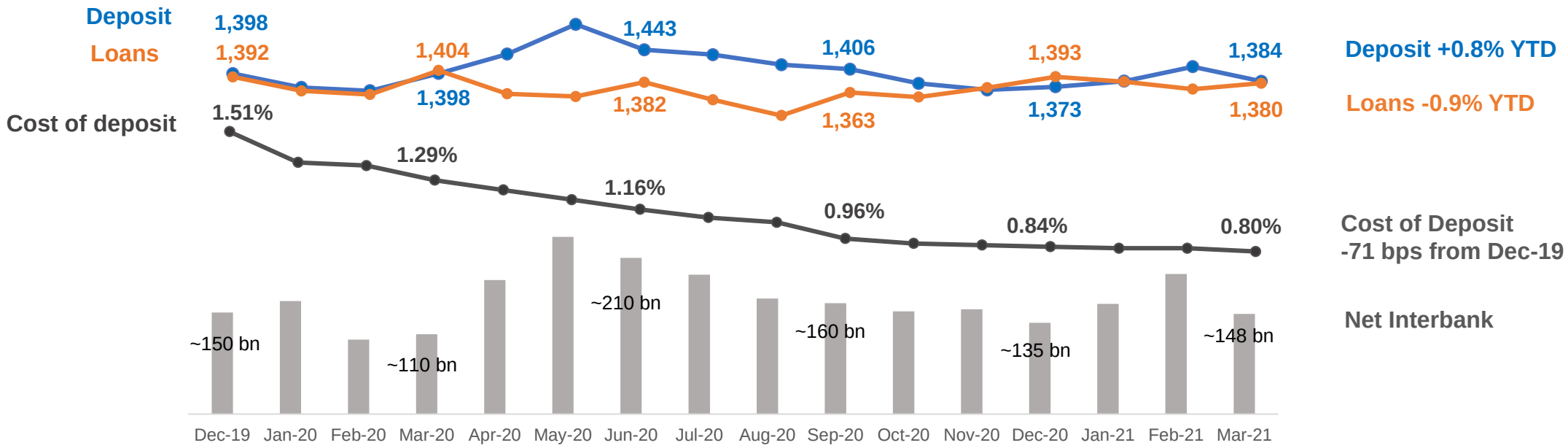


Official Merged bank's LCR as of Mar 20 reported to BOT on May 21

- In line with post-merger plan to optimize B/S, the Bank proactively manages funding cost and enhances return on liquid assets via other investments.
- Deposit is a major source of funds and the Bank strategically builds retail deposit base to ensure stable deposit and less reliance on short-term wholesale funding and the Bank expected the trend to continue with deposit-led strategy and creation of a strong deposit franchise.
- Merged bank's LCR was well above the BOT minimum requirement at 100%.

Maintaining high liquidity together with improving cost of deposit

Strong Liquidity Position

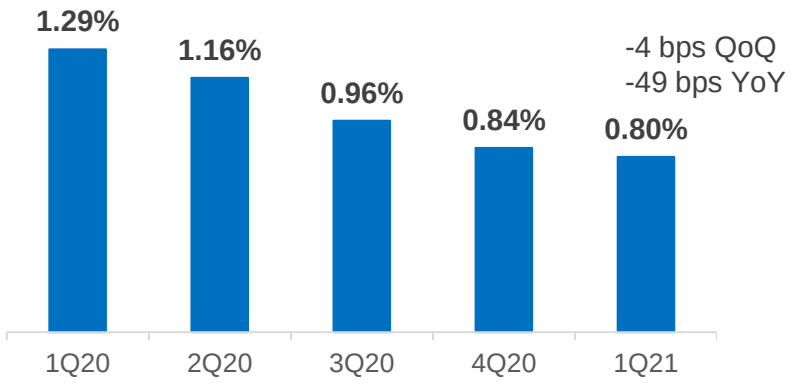


- **Leading deposit franchise in retail banking helps Merged bank in managing cost of deposit in this very low rate environment by**
  - Proactive manage balance sheets by reducing the rate of flagship products and continue to gain deposit volume
  - Optimize balance sheet by running down high cost of deposit from merger position
  - Positive contribution from FIDF cuts

Note: Hybrid deposits include No-Fixed, ME and Ultra saving

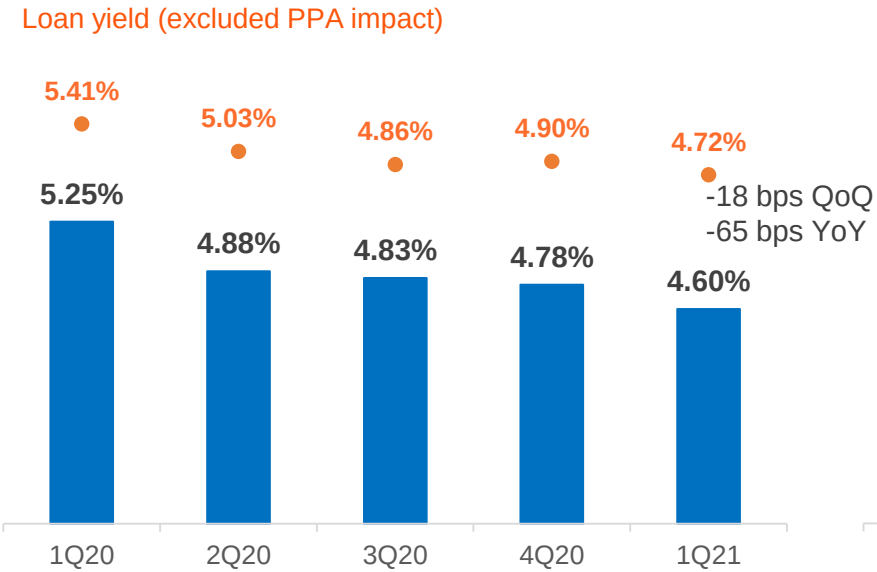
Well-managed cost of fund lowering impact on NIM from yield side

Cost of Deposit



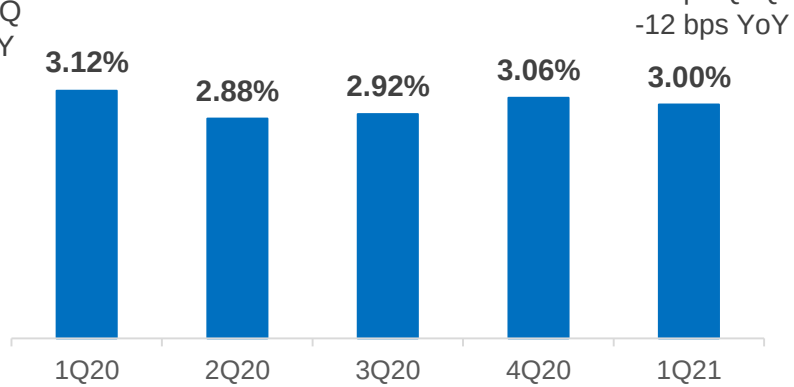
- Balance sheet optimization resulted in lower interest expense for the Merged bank plus proactive balance sheet management on lower funding cost (No-Fixed, Ultra Saving and ME Save), therefore, cost of deposit reduced by 4 bps QoQ and 49 bps YoY
- YoY reduction was partly from lower FIDF from 0.46% to 0.23%

Loan Yield



- Policy rate cuts from 1.25% to 0.5% throughout 2020, as a result, loan yield compressed to 4.60%
- The reduction QoQ came from repricing of new loans, the shift in loan mix and partly EIR impact from change in accounting estimates to be more conservative on EIR recognition and to better reflecting competition and payment behavior of customer for mortgage portfolio
- YoY reduction was mainly from multiple rate cuts

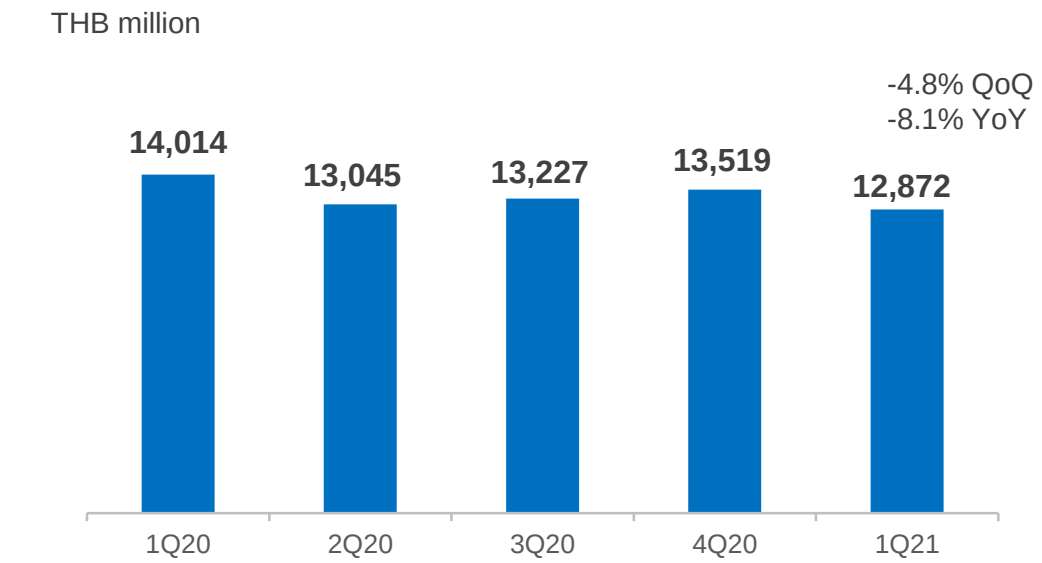
Net Interest Margin (NIM)



- Despite reduction in loan yield, NIM stood at 3.00%, supporting by balance sheet optimization and the effort in proactive manage down funding cost. This also lessened impact of low rate environment and lower yields on earning assets

With the focus on loan quality, NII on pressure

Net Interest Income

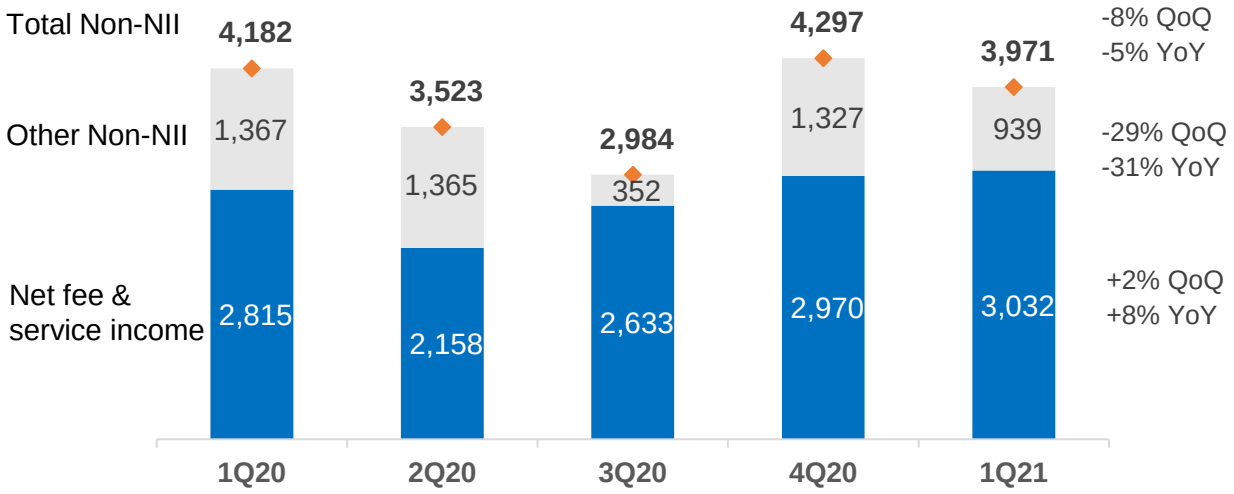


- Q1 NII dropped QoQ and YoY, reflected lower yields and lower in loan volume as we continued to focus on quality amidst challenging environment. The Merged bank selectively grew new loans and shifted towards lower risk areas, coupled with low interest rate environment and more conservative adjustment on accounting estimates.

MF fee and investment portfolio management supporting overall Non-NII

Total Non-Interest Income (Non-NII)

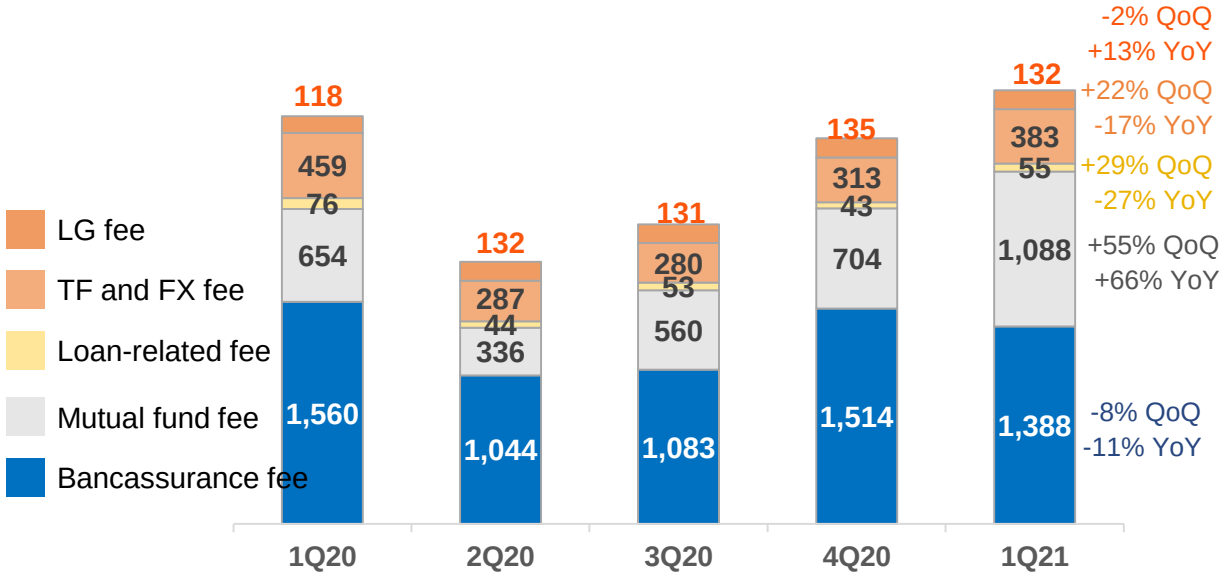
THB million



- Non-NII to avg. assets was at 0.89% in line with the guidance.
- The decrease in Non-NII was due mainly to our investment management. In the previous quarters the Bank strategically sold and reduced investment position to limit impact from unfavorable bond market outlook. As a result, gain on sales of investments was lower QoQ. Nonetheless, the Bank saw limited impact from mark-to-market loss.
- Net fee and service income rose QoQ, boosted by MF fees.

Breakdown Strategic Fee Products

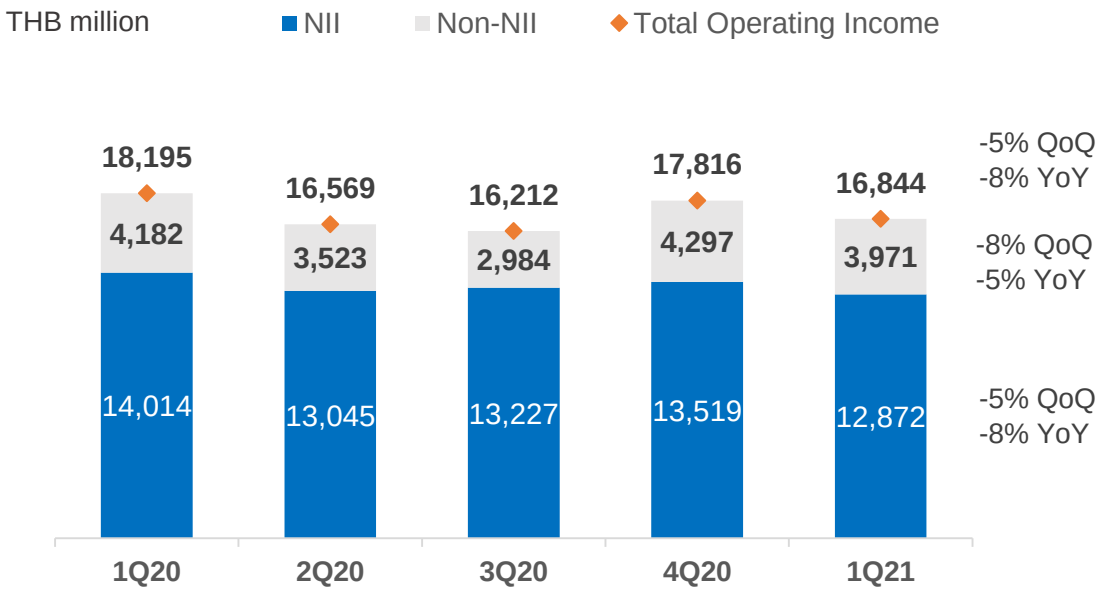
THB million (Prelim data)



- MF fee QoQ and YoY growth was mainly driven by higher high fee investment volumes, as well as market sentiment at the beginning of the year. Other key drivers were new IPO lunches during the quarters.
- Non-auto BA fee was slowdown after the tax season in 4Q20 while Auto BA fee was fairly on track.
- Trade finance and FX gradually increased since 2Q20 as business activities continued to resume after the full lockdown.

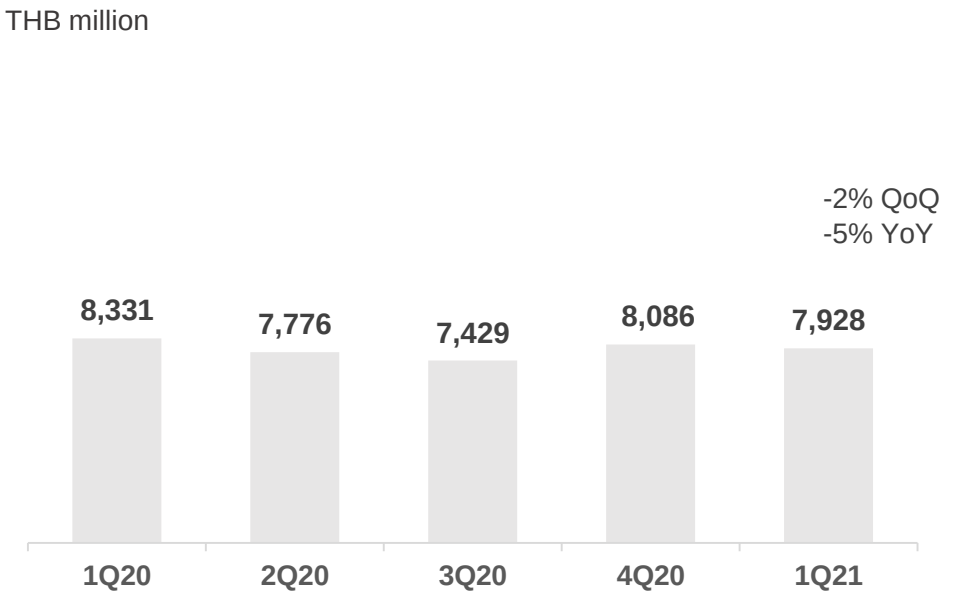
Under challenging revenue environment, cost synergy realization going as plan

Total Operating Income



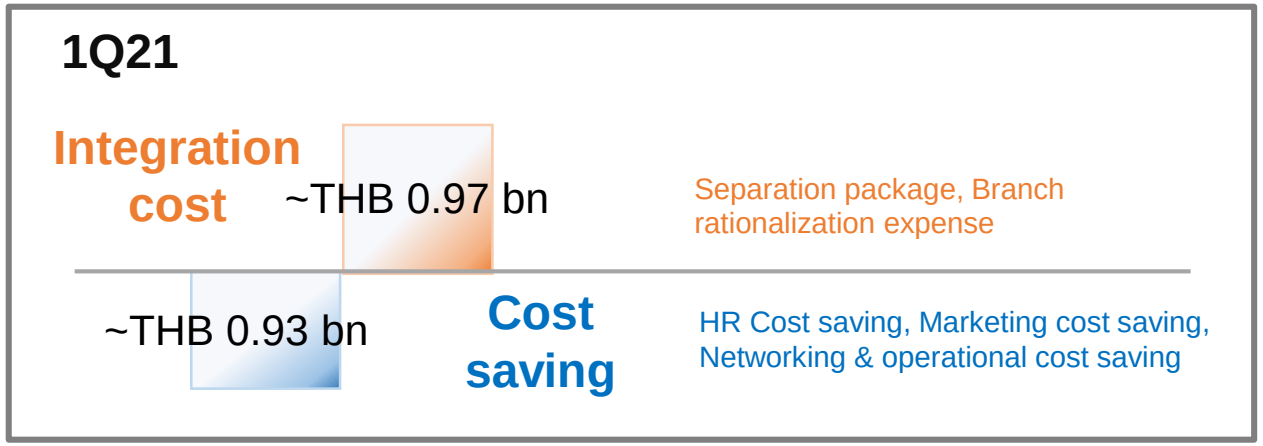
- An economic slowdown from the pandemic resulted in core revenues -5% QoQ and -8% YoY, due to lower NII and Non-NII.

Total Operating Expense



- Recurrent expenses decline strongly on cost-saving initiatives after merger. OPEX recorded at THB 7.9 bn, down by -2% QoQ and -5% YoY. Total operating expense included one-time separation package and other integration expenses which incurred in 1Q21.
  - As of Mar-21, the Merged bank's headcount went down to 15,742 personnel (-1.3k QoQ), resulting from one-time separation package, plus natural attrition.
  - Branch rationalization continues as plan (reduced by 52 branches QoQ, 203 branches YoY).

Approaching the EBT, integration expenses expected to accelerate but to be self-funded by core cost-saving initiatives



Accumulated net cost saving 1Q21*

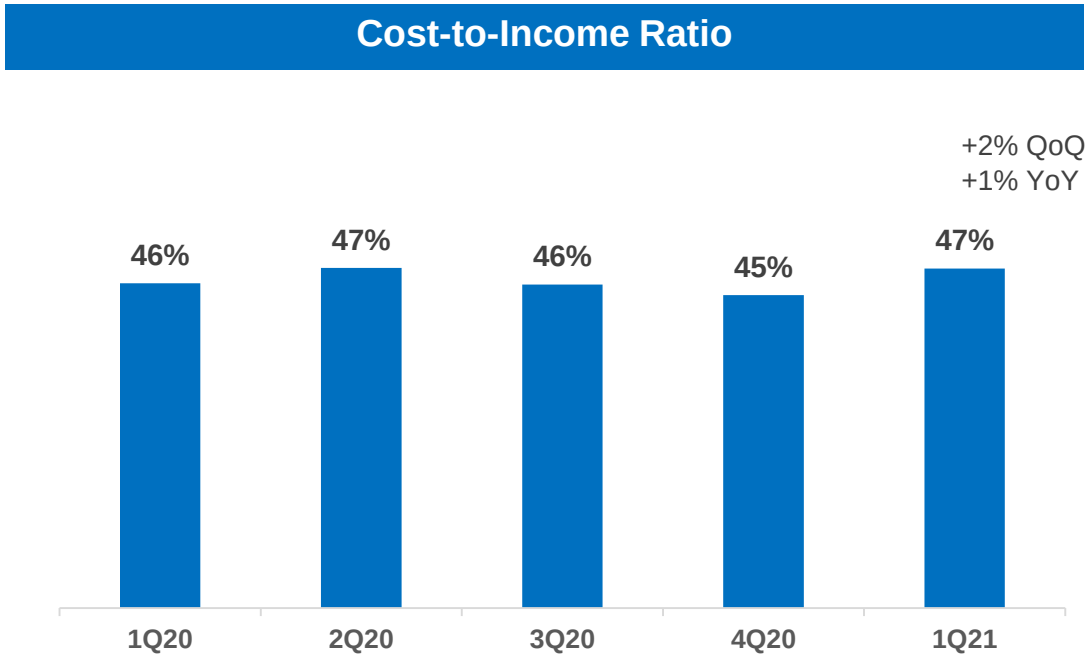
~THB 2 bn

Integration cost ~1.9 bn
vs.
Total cost saving 3.9 bn

- With cost discipline, 1Q21 expenses decreased both QoQ and YoY. Tangible cost saving was around ~THB 2 bn vs. strategic plan of synergies realization.
  - Major accumulated cost saving came from HR cost saving which resulted from initiatives since Y2020. The Merged bank had early retirement (ER) package effective on 1st July and 2nd round offering in Feb-21, so called separation package. The full cost saving impact will show in second quarter for personnel expense. Headcount went down to 15,742 personnel, reduced from the beginning of the merger by approximately 3.7K. This shows the discipline in execution of synergy realization.
  - Branch rationalization & premise cost saving started to kick in in 4Q20. Merged bank currently has 681 branches (Total branches reduced from merger date by 214 branches to 681 branches).
  - While accumulated integration cost was around THB 1.9 bn and this integration cost will be only one-time expense during initial period of post-merger
- After merger, the Merged bank has continued to improve flexibility, scalability and efficiency of people, marketing, branches and IT infrastructures and has aimed to improve C/I ratio to low-40s according to our 5 year-plan.

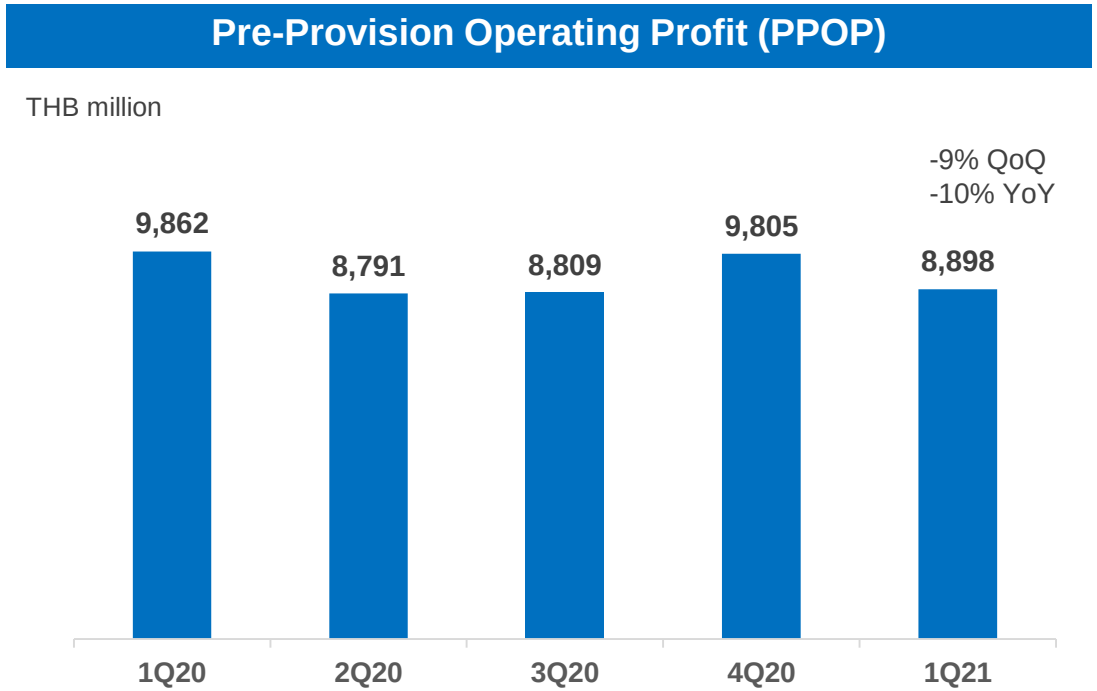
* Accumulative from Y2020 for synergy realization

As a result, C/I ratio in line with target, with long-term aspiration to achieve low-40s



- With the pressure on income affected from Covid-19, C/I ratio was at 47% with the effort in accelerating cost saving synergies to self-fund integration expenses. If excluded PPA impact, cost to income ratio was 46%.
- C/I ratio is expected to remain at high 40s in 2021 due to integration activities before the EBT.

Pre-provision profit reflected our prudent business direction

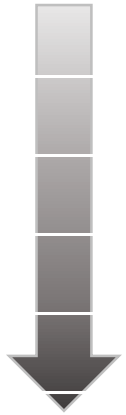


- As a result of our prudent business direction during fragile economic recovery from Covid-19, 1Q21 PPOP was THB 8,898 mn, -9% QoQ and -10% YoY

Principle-based relief schemes and deterioration of asset quality captured by the ECL model

Guiding Principle of Post Relief Risk Schemes

Scheme	Repayment schedule		Minimum Stage	Miminum PD Level
	Interest	Principal		
SC 1	Full	Full	1	Normal
SC 2	Full	Partial	1	
SC 3	Full	Postponed	1	
SC 4	Partial	Postponed	1	
SC 5	Additional skip payment ≤ 6 months		2	
SC 6	Additional skip payment > 6-12 months		2	
SC 7	Additional skip payment > 12 months		3	100%



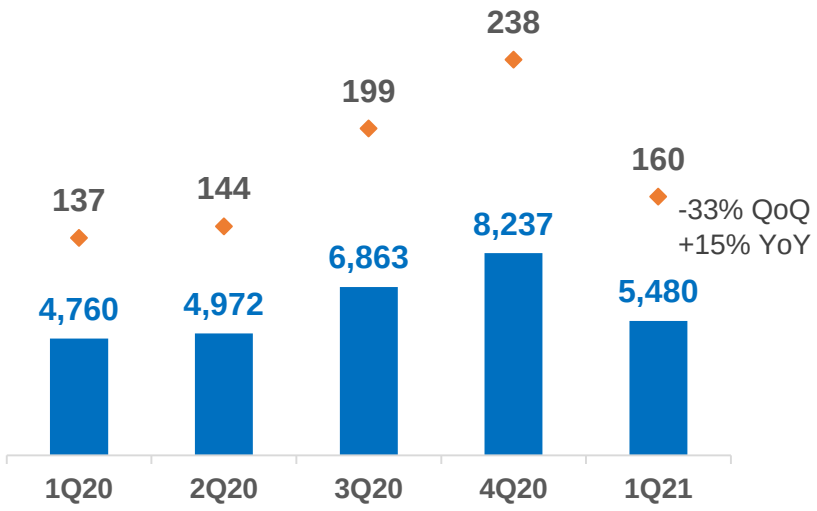
Note: For SC 2-4, loan staging could be classified as stage 1 or 2 depending on customer's pre-Covid19 status (no up-staging took place), to reflect real risk level

- The Bank has provided relief measures to affected customers, ranging from scheme 1-7 (SC1-SC7), based on customer's debt service ability
- The Bank uses BOT approved and externally validated ECL models consistently throughout 2020, with parameters and behavior assumptions which drive PD and LGD and immediately pick up on any portfolio deteriorations also via SICR method.
- On LGD of auto portfolio, we looked back to 2 crisis cycles, the financial crisis and first car sales crisis, to pick up the worst LGD. On top of that we applied a Covid-19 factor.
- The model picks up days past due within stages and imposes bucket and corresponding PD shifts.
- On top of that, we flag customers that selected one of the 7 schemes to reflect real risk level and assign elevated PDs in accordance with the severity of the program.
- Therefore, by continuously updating the actual customer scheme and stage from the real flow, ECL generates provision requirements that reflect the Covid-19 impact, reducing the necessity to maintain management overlay (MO).
- Nevertheless, we set additional MO for the unpaid accrued interest in SC5-6, on top of using 100% LGD and respective customers' PD for all schemes.
- In addition, looking forward and taking into account the 2nd Covid-19, MO has been set aside based on industry/customers' specific needs.

Prudent risk management and prudent level of allowances set aside

ECL & Credit Cost

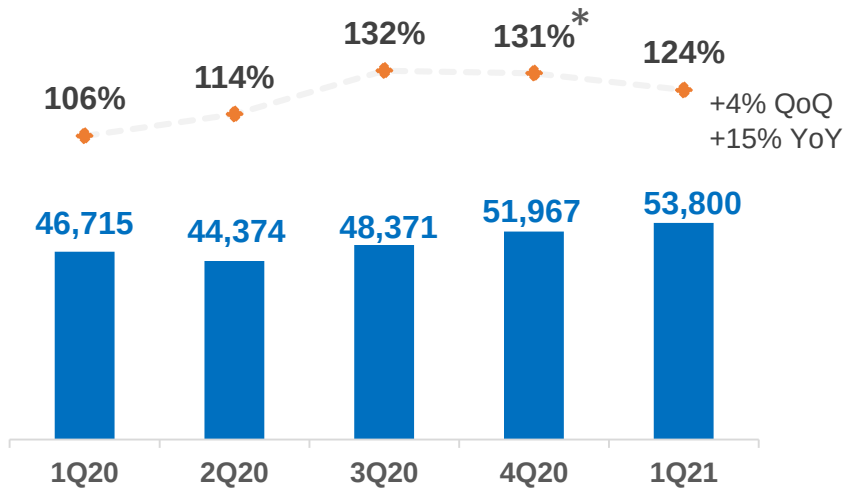
Expected credit loss (ECL) (THB million)
Annualized credit cost (bps)



- The Bank continued to build up provision, by setting aside THB 5.5 bn of ECL in 1Q21 or a credit cost of 160 bps at lower end of the Merged bank's target
- Provision is expected to remain elevated in 2021 due to a pressure on asset quality after debt relief program expired and a longer-than expected Covid-19 situation

Allowance for ECL and LLR Ratio

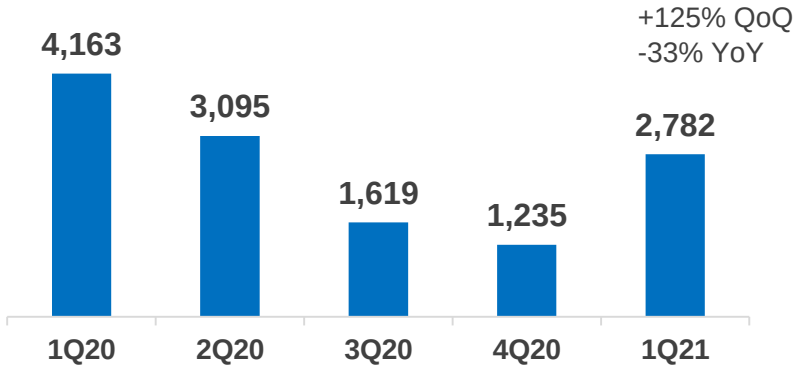
Allowance for ECL (THB million)
% Stage 3 to Allowance for ECL



- Further reinforce COVID-19 reserve, allowance for ECL increased to THB 54 bn as of 1Q21
- With an increase in NPLs in line with management guidance, LLR ratio declined to 124% in Mar-21 from 131% in Dec-2021

Net Profit

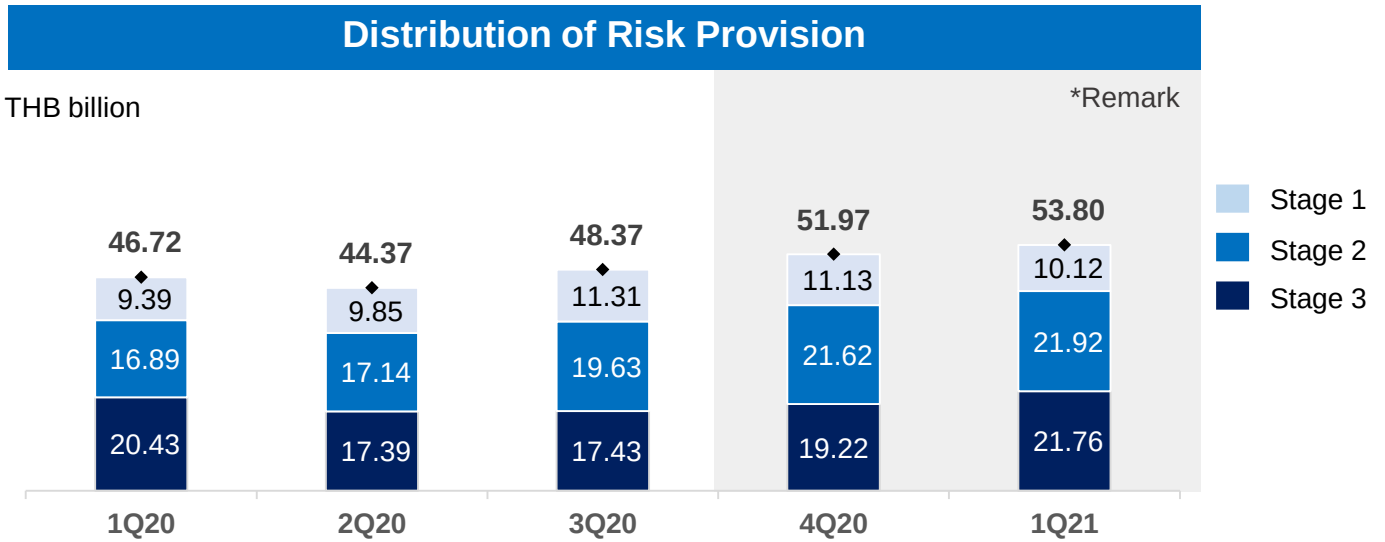
THB million



- As a result of risk managment, YoY net profit reflecting inorganic growth but QoQ performance largely pressured by high ECL set aside for future uncertainties
- Net profit in 1Q21 increased QoQ by 125% due mainly to reduction in ECL, YoY reduction in net profit reflecting the impact in core revenues

* LLR as of Dec-20 at 131% represented changed in accounting report from gross basis to net basis to be in line with the industry

Provision coverage by stage



Coverage by stage

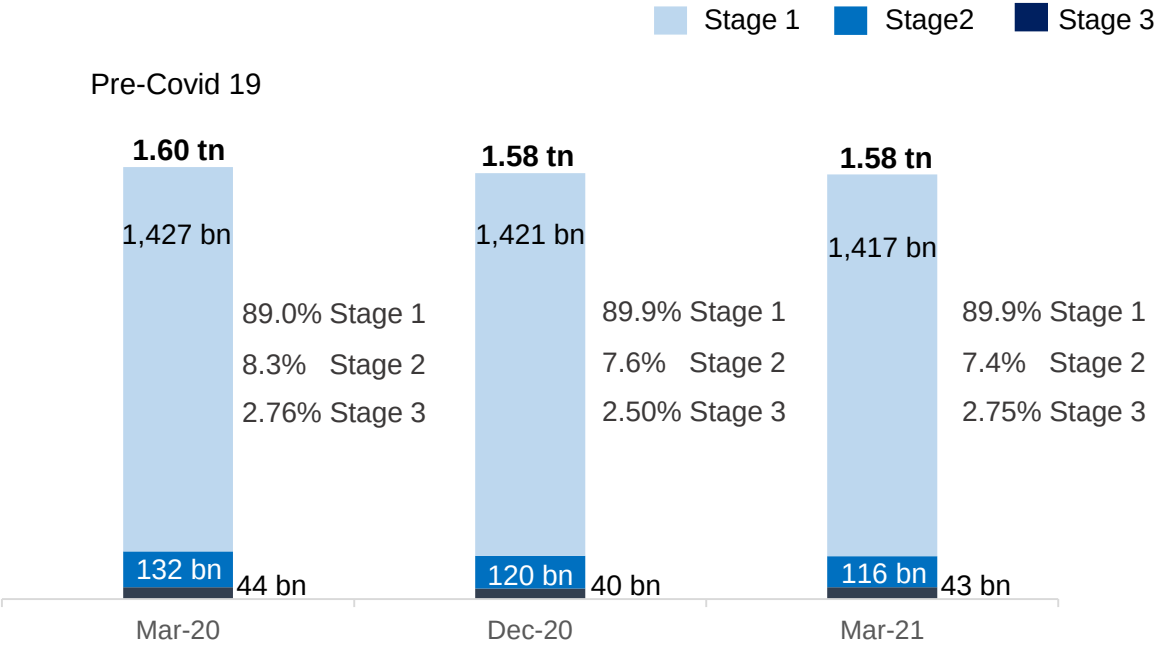
Stage1	**0.76%**	0.81%	0.94%	0.90%	0.83%	**+6 bps from 1Q20**
Stage2	**12.70%**	13.15%	14.78%	17.70%	18.54%	**+585 bps from 1Q20**
Stage3	**45.50%**	43.36%	45.58%	47.26%	49.34%	**+384 bps from 1Q20**

- As of Mar-21, the risk provision or allowance for ECL increased to THB 54 bn, consisting of ECL plus the Merged bank's accumulated Management Overlay.
- Risk provision by stage increased across all stages when compared to pre-COVID19 period, reflecting the Bank's tightening ECL model and prudent risk management.

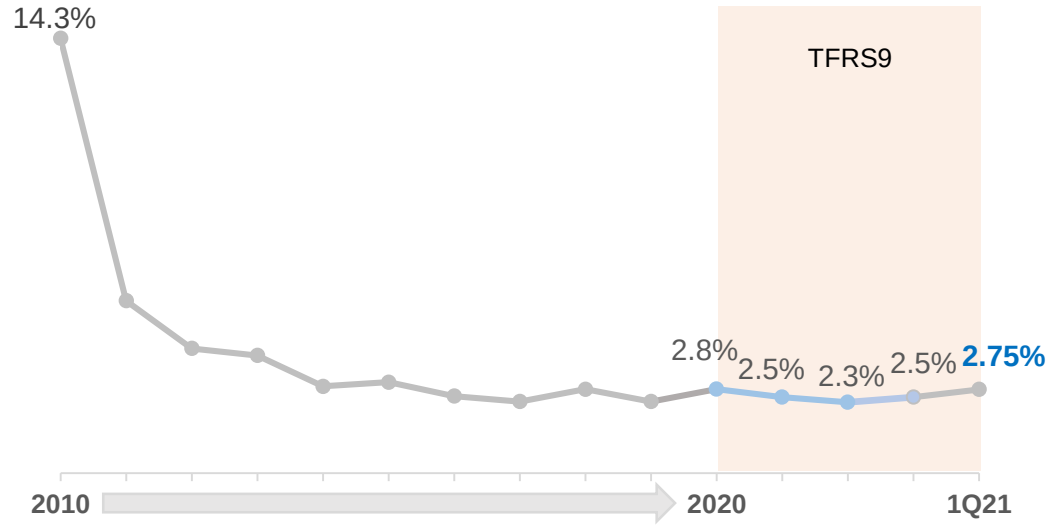
Note: * Allowance of stage 3 is presented on a net basis to be in line with the industry

Prudent actions strengthening loan portfolio quality ahead of economic headwinds

Loan Classification (%)



NPL Ratio/ Stage 3



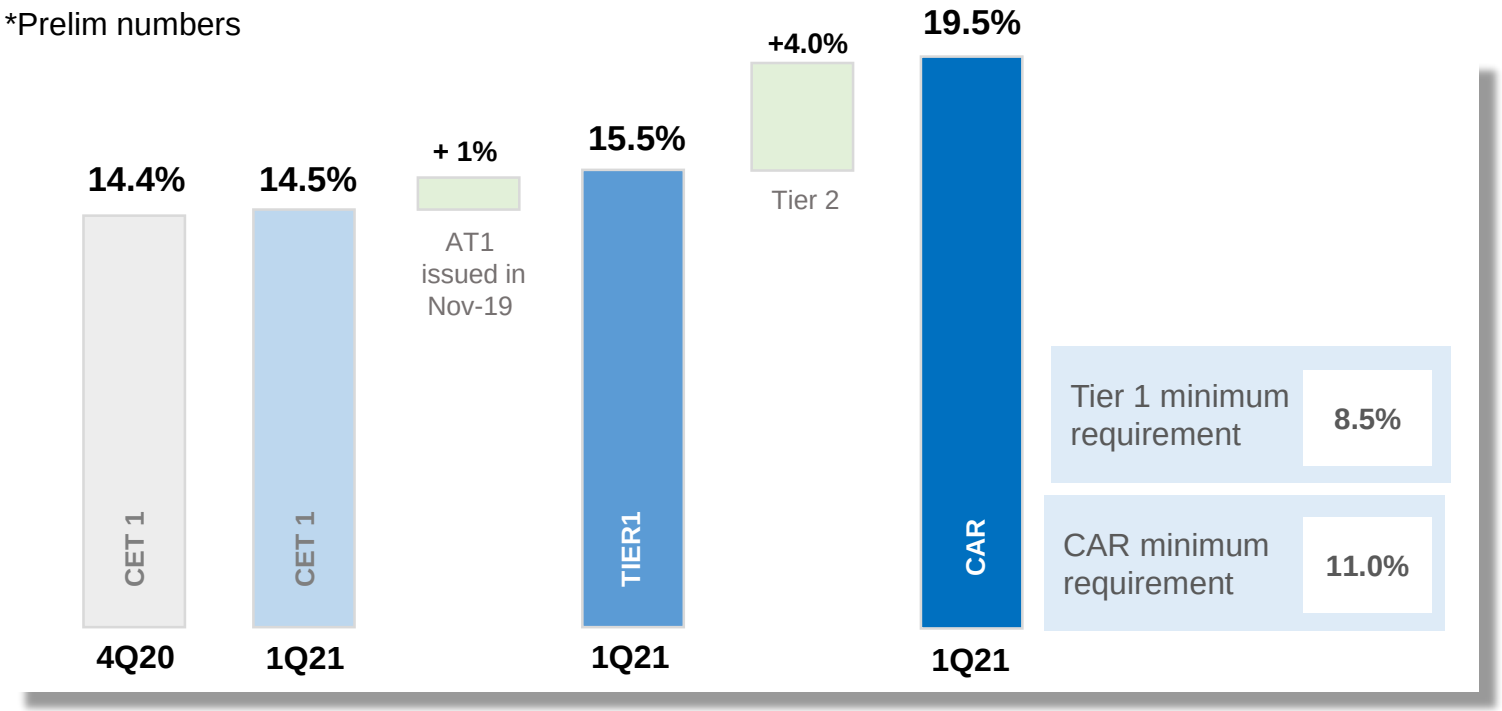
- Last year, TMB proactively resolved NPLs to clear up headroom for 2021 as we expected to see an increase in NPLs after the end of 1st phase relief measures. We also expected slow NPL sales due to an increase in supply in NPL sale market
- As expected, % stage 3 rose slightly to 2.75%, mainly from a flow of SME customers and also due to a slow resolution activities in 1Q21
- The reduction in % stage 2 loan was also from customer upgrade, not solely from stage 2 deterioration

- The current level of stage 3 of 2.75%, in line with guidance. Such a level was relatively low when compared to peers and still has headroom to absorb stage 3 trend
- With the extension of relief measures as well as the new released program of asset warehousing and the BoT special loan would help avoid NPL hiccup in short-term

Reinforce capital position with wider buffer over requirements

Solid Capital with ample buffer over requirement

*Prelim numbers



CET1 THB 166 bn	THB 172 bn
TIER1 THB 178 bn	THB 184 bn
RWA THB 1,217 bn	THB 1,185 bn

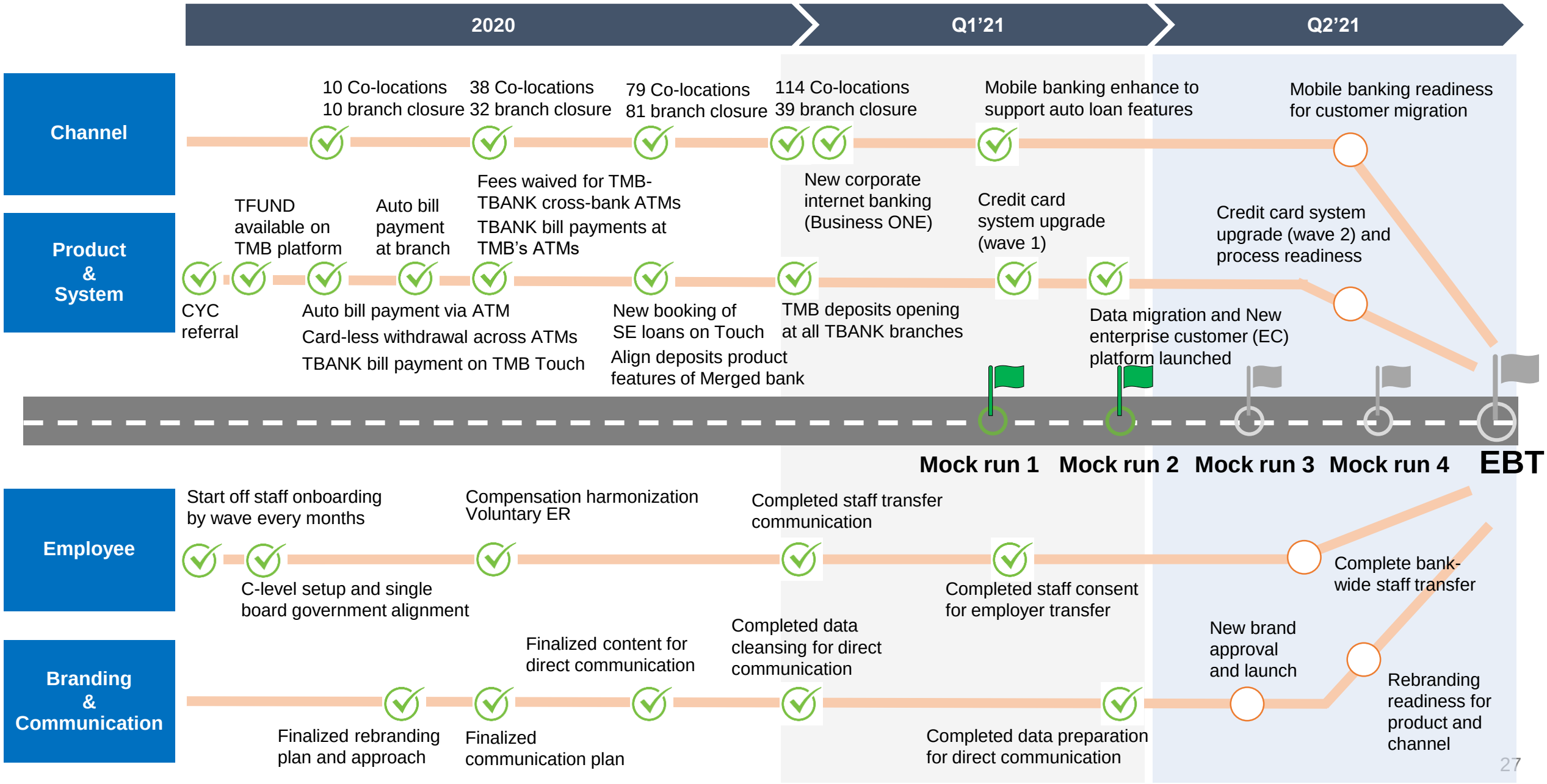
- We remain strongly capitalized, enabling the Bank to withstand the uncertainty ahead
- Due to Economic headwind impacted from COVID-19 pandemic, the Bank reinforced solvency ratio with organic capital generation and balance sheet optimization, reflecting higher buffer Tier1 and lower in credit RWA

Relief Program Update

1Q21 Performance & Asset Quality

Integration Update

Integration roadmap and progress to-date : On plan, on time, on budget



Investor Relations

www.tmbbank.com/ir

ir.tmb@tmbbank.com

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