



Management Discussion and Analysis

**For the 2nd quarter and 6-month period ended 30 June 2017
(Unaudited financial statements)**

TMB Bank Public Company Limited

3000 Phahon Yothin Road

Chom Pon, Chatuchak, Bangkok 10900

Website: www.tmbbank.com

Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in 2Q17: Thai economy expanded continually. The main driver remained public spending and tourism as the number of Chinese tourist arrivals rebounded to near pre-zero-dollar-tour-ban level. Moreover, export expansion was evident in various product groups such as electrical appliances, electronics and oil-price-related products, which was consistent with continuous improvement in trading partners' economies. Private consumption expanded steadily supported by improvement in consumer confidence and increase in farm income. Private investment was the engine with slowest recovery as it has been tepid since 2013 and also concentrated in some businesses such as telecommunication, alternative energy and service sector. All in all, Thai economy still maintained positive growth momentum, though not in every economic driver. Thai economy is anticipated to expand at the rate 3.5%, increase from 3.3% in the previous period.

Financial market & banking industry: The policy rate was held at 1.50% as the current level of the policy rate was appropriate for economic recovery. Thai baht was averaged at 34.3 baht per dollar, appreciated by 2.3% from 35.1 baht per dollar in the first quarter as there were concerns about Trump's pro-growth agendas and high Thai current account surplus (12% of GDP). At the end of May 2017, total loans from commercial banks grew 2.6% compared to the same period last year (YoY) and grew by 0.8% from the end of year 2016 (YTD). Deceleration in loan growth stemmed from a slowdown in business loan especially in manufacturing industry, reflecting fragile private investment, while retail loan growth improved as farm households' income increased due to increase in agricultural product prices and the expiry of five-year ownership lock-up period from first-time car buyer scheme. Deposits expanded slightly at 2.5% (YoY) or 1.6% (YTD). This was mainly from an increase in savings deposit, while fixed deposit declined at a decreasing rate, which was mainly from the influx of special time deposits with duration 1 – 2 months.

Economic outlook for 2017: Thai economy is expected to keep its growth momentum with public investment, tourism and exports of goods as main drivers. Merchandise export will play a more important role in driving Thai economy resulting from trading partners' economic recovery. It is expected to expand by 3.7% in 2017. Private consumption tends to expand, though not accelerating. Rebound of durable consumption is more prominent supported by lower level of debt after the expiry of the five-year ownership period of the first-time car buyer scheme and increase in farmers' income. However, it will be softer than the first half of the year. Overall private investment in this year, though supported by export recovery, may not fully recover as businesses' capacity utilization rate remained low. However, it is projected to pick up next year. In sum, as growth engines return to operate more effectively especially export goods, albeit tepid private investment, economic growth in 2017 is anticipated to be at 3.3% in 2017 as previously projected.

Summary of 2Q17 and 1H17 TMB's operating performance

TMB's pre-provision operating profit (PPOP) for 2Q17 was THB5,135 million, an increase of 7.8% QoQ, while PPOP for 1H17 was at THB9,899 million, represented a 9.7% growth from the same period last year. Meanwhile, NPL ratio slightly increased to 2.56%. TMB remained prudent in setting provision and coverage ratio was maintained high at 140%.

Core operating profit remained solid in 2Q17

In 2Q17, TMB posted THB5,135 million of pre-provision profit (PPOP), grew by 7.8% when compared to THB4,764 million in 1Q17. The growth was driven mainly by increase in income. NIM was stable QoQ at 3.20% and net interest income (NII) slightly increased by 0.6% QoQ. Non-interest income improved by 20.9% QoQ backed by a 39.0% growth in net fees and service income.

1H17 PPOP also rose 9.7% YoY

In the first 6 month of 2017, NIM enlarged by 13 bps from 3.06% in 1H16, to 3.19%, and NII increased by 2.1%. Non-NII also grew by 25.4%, which was attributable to growth in net fees and service income from mutual fund and bancassurance. Total income rose by 8.8% while non-interest expenses increased by 6.5%. Therefore, PPOP of 1H17 improved by 9.7% YoY to THB9,899 million.

The bank remained prudent and set up high provision

NPL slightly rose by THB603 million YTD to THB18,208 million in 2Q17. NPL ratio, therefore, slightly increased from 2.53% to 2.56%. TMB remained prudent in its business operation and set aside relatively high provision of THB2,282 million in 2Q17 and THB4,523 million in the six-month which increased 1.8% and 16.7% respectively. Coverage ratio maintained strong at 140% at the end of June 2017.

2Q17 Net profit up 11.2% QoQ and 1H17 profit up 4.3% YoY

After provision, 2Q17 net profit was THB2,330 million, rose 11.2% QoQ and 1H17 net profit was reported at THB4,426 million which rose 4.3% YoY.

The Bank will continue to further increase ability to generate fee income while growing loan selectively based on risk-adjusted return. Asset quality will remain one of the Bank's priorities. The Bank aims to maintain coverage ratio at high level of 140-150%.

Discussion of operating performance

Details of operating performance and financial position are as follows.

Figure 1: Selected statement of profit or loss and other comprehensive income

| (THB million) | 2Q17 | 1Q17 | % QoQ | 2Q16 | % YoY | 1H17 | 1H16 | % YoY |
|---|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Interest income | 8,687 | 8,560 | 1.5% | 8,972 | -3.2% | 17,247 | 18,059 | -4.5% |
| Interest expenses | 2,489 | 2,401 | 3.7% | 2,799 | -11.1% | 4,890 | 5,957 | -17.9% |
| Net interest income | 6,198 | 6,160 | 0.6% | 6,173 | 0.4% | 12,357 | 12,102 | 2.1% |
| Fees and service income | 3,506 | 2,664 | 31.6% | 2,453 | 42.9% | 6,169 | 4,779 | 29.1% |
| Fees and service expenses | 679 | 630 | 7.8% | 538 | 26.2% | 1,309 | 1,021 | 28.2% |
| Net fees and service income | 2,827 | 2,034 | 39.0% | 1,915 | 47.6% | 4,861 | 3,758 | 29.4% |
| Other operating income | 482 | 705 | -31.6% | 427 | 12.9% | 1,187 | 1,064 | 11.6% |
| Non-interest income | 3,309 | 2,738 | 20.9% | 2,343 | 41.2% | 6,048 | 4,822 | 25.4% |
| Total operating income | 9,507 | 8,898 | 6.8% | 8,516 | 11.6% | 18,405 | 16,923 | 8.8% |
| Total other operating expenses | 4,365 | 4,104 | 6.4% | 4,039 | 8.1% | 8,469 | 7,950 | 6.5% |
| Impairment loss on loans and debt securities | 2,282 | 2,241 | 1.8% | 1,998 | 14.2% | 4,523 | 3,875 | 16.7% |
| Profit before income tax expense | 2,860 | 2,553 | 12.0% | 2,478 | 15.4% | 5,413 | 5,098 | 6.2% |
| Income tax expense | 518 | 447 | 15.9% | 325 | 59.4% | 965 | 848 | 13.8% |
| Profit for the period | 2,343 | 2,105 | 11.3% | 2,153 | 8.8% | 4,448 | 4,250 | 4.7% |
| Profit to non-controlling interest of subsidiaries | 13 | 9 | 44.4% | 3 | 333.3% | 22 | 7 | 214.3% |
| Profit to equity holders of the Bank | 2,330 | 2,096 | 11.2% | 2,151 | 8.3% | 4,426 | 4,243 | 4.3% |
| Other comprehensive income | 103 | 109 | -5.5% | 72 | 43.1% | 212 | 1,762 | -88.0% |
| Total comprehensive income | 2,446 | 2,214 | 10.5% | 2,226 | 9.9% | 4,660 | 6,012 | -22.5% |
| Basic earnings per share (THB/share) | 0.0531 | 0.0479 | 10.9% | 0.0491 | 8.1% | 0.1010 | 0.0969 | 4.2% |

Note: Consolidated financial statements

Net interest income and net interest margin

NII improvement, supported by performing loan growth

2nd Quarter, 2017: TMB recorded THB6,198 million of net interest income (NII) in 2Q17, a slight increase of 0.6% QoQ and 0.4% YoY. Details are as follows:

- Interest income rose by 1.5% QoQ but dropped 3.2% YoY to THB8,687 million. The increase in QoQ was a result of performing loan expansion.
- Interest expense increased by 3.7% QoQ but declined by 11.1% YoY to THB2,489 million.

For the first 6-month of 2017, TMB reported NII of THB12,357 million, an increase of 2.1% from the same period last year, mainly owing to well-managed funding cost as the Bank continued to optimize deposit structure and volume.

- Interest income declined by 4.5% YoY to THB17,247 million. The decrease was due largely to lower loan yields resulted from interest rate cuts.
- Interest expenses also dropped by 17.9% YoY to THB4,890 million, due mainly to lower funding cost.

NIM stood at 3.20% in 2Q17 and 3.19% in 1H17

NIM hold up at 3.20% in 2Q17, relatively stable compared to the previous quarter. For 1H17, NIM rose by 13 bps to 3.19% from 3.06% in 1H16. The improvement in NIM reflected well-managed funding cost and optimization of deposit mix.

Figure 2: Net interest income (NII)

| (THB million) | 2Q17 | 1Q17 | % QoQ | 2Q16 | % YoY | 1H17 | 1H16 | % YoY |
|--|--------------|--------------|-------------|--------------|---------------|---------------|---------------|---------------|
| Interest income | 8,687 | 8,560 | 1.5% | 8,972 | -3.2% | 17,247 | 18,059 | -4.5% |
| Interest on interbank and money market items | 421 | 422 | -0.2% | 433 | -2.7% | 842 | 913 | -7.8% |
| Investments and trading transactions | 32 | 16 | 104.4% | 64 | -50.3% | 47 | 137 | -65.6% |
| Investments in debt securities | 326 | 309 | 5.5% | 342 | -4.9% | 635 | 779 | -18.5% |
| Interest on loans | 7,899 | 7,798 | 1.3% | 8,097 | -2.5% | 15,697 | 16,122 | -2.6% |
| Others | 10 | 16 | -34.6% | 35 | -70.6% | 26 | 108 | -75.6% |
| Interest expenses | 2,489 | 2,401 | 3.7% | 2,799 | -11.1% | 4,890 | 5,957 | -17.9% |
| Interest on deposits | 1,241 | 1,151 | 7.9% | 1,649 | -24.7% | 2,392 | 3,585 | -33.3% |
| Interest on interbank and money market items | 175 | 161 | 8.5% | 19 | 834.6% | 336 | 177 | 90.1% |
| Contributions to the Deposit Protection Agency | 712 | 696 | 2.2% | 757 | -6.0% | 1,408 | 1,513 | -7.0% |
| Interest on debt issued and borrowings | 356 | 387 | -8.0% | 368 | -3.3% | 743 | 674 | 10.2% |
| Borrowing fee | 5 | 5 | 0.0% | 5 | -1.5% | 10 | 7 | 40.2% |
| Others | 0 | 0 | N/A | 1 | N/A | 1 | 1 | -40.9% |
| Net interest income (NII) | 6,198 | 6,160 | 0.6% | 6,173 | 0.4% | 12,357 | 12,102 | 2.1% |

Note: Consolidated financial statements

Non-interest income

Non-NII growth was back by net fee and income growth

2nd Quarter, 2017: The Bank recorded THB3,309 million of non-interest income in 2Q17, an increase of 20.9% from last quarter (QoQ) and 41.2% from the 2nd quarter last year (YoY). Details were as follows;

- Gain on trading and FX transaction was THB195 million, lowered by 49.6% QoQ and 27.8% YoY, mainly from lower gain from capital market activities and the closure of retail foreign exchange booths (BDC).
- Net fees and service income was reported at THB2,827 million, increased by 39.0% QoQ and 47.6% YoY. Key factors were;
 - Net fee from mutual fund sale increased by 27% QoQ.
 - Net fee from Bancassurance increased by 123% QoQ, driven by increased fee from Bancassurance sale and access fee from the renewal of life bancassurance collaboration of TMB and FWD.

TMB and FWD Life Insurance Public Company Limited have reached a conclusion in the renewal of their collaboration in life bancassurance business, with an initial term of 15 years effective on 1 January 2017 onwards. Subsequent to the renewed collaboration, the Access Fee, in addition to regular variable payments such as commission and incentives, will be recognized over the initial term of 15 years. FWD will continue to gain access to TMB distribution network and work closely with TMB to develop life insurance products that meet needs of TMB customers.

The discussion started from November 2016. As part of the process, TMB has appointed Bank of America Merrill Lynch as a financial advisor and Towers Watson Singapore an actuarial advisor in relation to the renewal of bancassurance collaboration.

For the first 6-month of 2017, non-interest income was THB6,048 million, increased by 25.4% compared with the same period last year. Key items were as follows

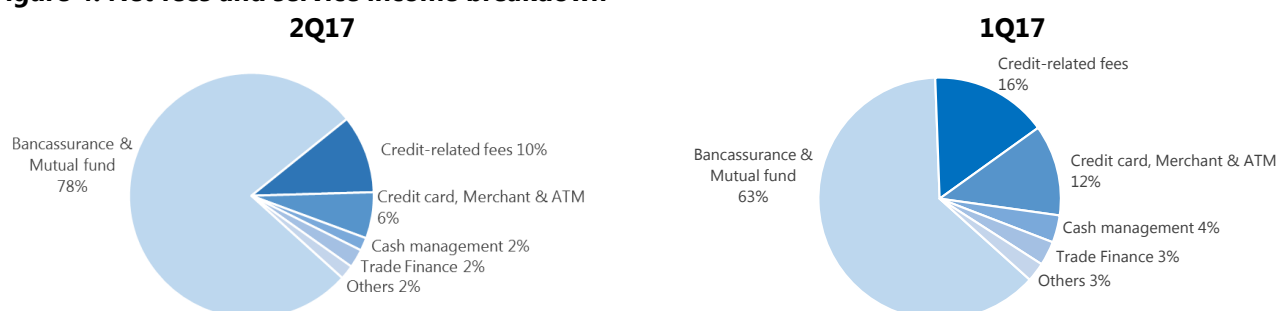
- Gain on trading and foreign exchange transactions was THB583 million, declined by 21.6% YoY. The reduction was mainly from the closure of retail foreign exchange booths and lower foreign exchange transactions.
- Net fees and service income was THB4,861 million, increased by 29.4% YoY. Key factors are;
 - Net fee from mutual fund sale increased by 98% YoY.
 - Net fee from Bancassurance increased by 68% YoY, driven by increased fee from Bancassurance sale and access fee from the renewal of life bancassurance collaboration of TMB and FWD.

Figure 3: Non-interest income

| (THB million) | 2Q17 | 1Q17 | % QoQ | 2Q16 | % YoY | 1H17 | 1H16 | % YoY |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fees and service income | 3,506 | 2,664 | 31.6% | 2,453 | 42.9% | 6,169 | 4,779 | 29.1% |
| Acceptances, aval and guarantees | 131 | 129 | 1.6% | 129 | 1.6% | 260 | 267 | -2.6% |
| Others | 3,375 | 2,534 | 33.2% | 2,324 | 45.2% | 5,910 | 4,512 | 31.0% |
| Fees and service expenses | 679 | 630 | 7.8% | 538 | 26.2% | 1,309 | 1,021 | 28.2% |
| Net fees and service income | 2,827 | 2,034 | 39.0% | 1,915 | 47.6% | 4,861 | 3,758 | 29.4% |
| Gains (losses) on tradings and foreign exchange transactions | 195 | 387 | -49.6% | 270 | -27.8% | 583 | 744 | -21.6% |
| Gains (losses) on financial instrument designated at fair value | -9 | -7 | N/A | -4 | N/A | -16 | -22 | N/A |
| Gains (losses) on investments | 47 | 1 | N/A | 3 | N/A | 49 | 73 | -32.9% |
| Gains on sale of assets | 98 | 68 | 44.1% | 36 | 172.2% | 166 | 59 | 181.4% |
| Dividend income | 23 | 3 | 666.7% | 23 | 0.0% | 26 | 29 | -10.3% |
| Others | 128 | 251 | -49.0% | 99 | 29.3% | 379 | 182 | 108.2% |
| Non-interest income | 3,309 | 2,738 | 20.9% | 2,343 | 41.2% | 6,048 | 4,822 | 25.4% |

Note: Consolidated financial statements

Figure 4: Net fees and service income breakdown



Note: Bank-only financial statements

Non-interest expenses

2nd Quarter, 2017 The Bank recorded THB4,365 million of total non-interest expenses which rose by 6.4% QoQ and 8.1% YoY. Main factors were HR cost from business volume expansion (incentives), marketing expenses, and investment. Key items are as follows;

- Personnel expenses increased by 7.2% QoQ and 14.0% YoY to THB2,186 million, due mainly to HR cost from higher incentives from growing business volume.
- Premises and equipment expenses rose by 1.3% QoQ and 2.9% YoY to THB826 million.
- Other expenses increased by 3.6% QoQ and 5.1% YoY to THB1,008 million, resulting from an increase in marketing expenses and collection expenses.

For the first 6-month of 2017, non-interest expenses amounted to THB8,469 million, an increase of THB519 million or 6.5% YoY from THB7,950 million. Key factors are;

- Personnel expenses rose by 8.3% YoY to THB4,226 million, mainly from annual salary increase and higher incentives from growing business volume.
- Premises and equipment expenses rose by 9.7% YoY to THB1,641 million, due largely to software rental expenses.
- Other expenses increased by 14.0% YoY to THB1,981 million as a result of higher marketing expenses and computer software rental.

Cost to income ratio was at 45.9% in 2Q17 and 46.2% 1H17, still in line with target

In 2Q17, cost to income ratio, improved to 45.9% from 46.5% in 1Q17. Likewise, cost to income ratio for the first 6-month of 2017 stood at 46.2%. TMB will continue to enhance operational efficiency to reduce cost to income ratio further.

Pre-provision operating profit (PPOP) in 2Q17 improved to THB5,135 million or rose by 7.8% QoQ and 15.4% YoY.

For the 6 month period, TMB reported THB9,899 million of PPOP which increased 9.7% when compared with the same period last year.

Figure 5: Non-interest expenses

| (THB million) | 2Q17 | 1Q17 | % QoQ | 2Q16 | % YoY | 1H17 | 1H16 | % YoY |
|---|--------------|--------------|-------------|--------------|-------------|--------------|--------------|-------------|
| Employee expenses | 2,186 | 2,040 | 7.2% | 1,917 | 14.0% | 4,226 | 3,901 | 8.3% |
| Directors' remuneration | 21 | 8 | 162.5% | 20 | 5.0% | 29 | 26 | 11.5% |
| Premises and equipment expenses | 826 | 815 | 1.3% | 803 | 2.9% | 1,641 | 1,496 | 9.7% |
| Taxes and duties | 326 | 298 | 9.4% | 322 | 1.2% | 624 | 636 | -1.9% |
| Loss on impairment of properties foreclosed | -9 | 14 | -164.3% | 2 | -550.0% | 5 | 5 | 0.0% |
| Loss on diminution in value of other assets | 40 | 11 | 263.6% | -1 | N/A | 51 | 4 | 1175.0% |
| Provisions for other liabilities (reversal) | -33 | -55 | N/A | 17 | -294.1% | -88 | 144 | -161.1% |
| Other expenses | 1,008 | 973 | 3.6% | 959 | 5.1% | 1,981 | 1,737 | 14.0% |
| Non-interest expenses | 4,365 | 4,104 | 6.4% | 4,039 | 8.1% | 8,469 | 7,950 | 6.5% |

Note: Consolidated financial statements

THB2,282 million was set for provision with strong level of coverage ratio at 140%

Impairment loss on loans and debt securities

A prudent management of asset quality is one of the Bank's priorities. Therefore, TMB maintained prudent provision and set aside THB2,282 million of provision in 2Q17, which increased from THB2,241 million in 1Q17 and THB1,998 million in 2Q16. Such an increase was mainly to accommodate the proactive NPL write-off, reflected the Bank's objective to reduce future downside risks.

The Bank targets to maintain its coverage ratio at high level. Coverage ratio, therefore, stood at 140% as of Jun-17, compared with 144% as of Mar-17 and 143% as of Dec-16.

Net profit in 2Q17 improved to THB2,330 million or rose by 11.2% QoQ and 8.3% YoY.

For the 6 month period, TMB reported TH4,426 million of net profit which increased 4.3% when compared with the same period last year.

Discussion of financial position

Figure 6: Consolidated financial position

| Unit: THB million | Jun-17 | Mar-17* | %QoQ | Dec-16* | %YTD |
|---|----------------|----------------|--------------|----------------|-------------|
| Cash | 12,848 | 13,739 | -6.5% | 16,531 | -22.3% |
| Interbank and money market items, net | 104,313 | 105,666 | -1.3% | 113,858 | -8.4% |
| Claims on securities and derivative assets | 26,278 | 22,220 | 18.3% | 23,575 | 11.5% |
| Investments | 63,000 | 64,675 | -2.6% | 62,985 | 0.0% |
| Loans to customers (Less deferred revenue) | 616,759 | 598,630 | 3.0% | 593,441 | 3.9% |
| Accrued interest receivables | 919 | 917 | 0.2% | 915 | 0.4% |
| Less allowance for doubtful accounts & Revaluation allowance for debt restructuring | 25,410 | 25,288 | 0.5% | 25,088 | 1.3% |
| Loans and Allowance - net | 592,269 | 574,259 | 3.1% | 569,268 | 4.0% |
| Properties for sale, net | 1,575 | 1,927 | -18.3% | 1,506 | 4.6% |
| Premises and equipment, net | 11,894 | 12,097 | -1.7% | 12,383 | -3.9% |
| Goodwill and other intangible assets, net | 1,826 | 1,714 | 6.5% | 1,704 | 7.2% |
| Deferred tax assets | 765 | 627 | 22.0% | 775 | -1.3% |
| Other receivables - net | 21,345 | 1,587 | 1245.0% | 2,262 | 843.6% |
| Other assets | 4,454 | 4,657 | -4.4% | 5,589 | -20.3% |
| Total Assets | 840,566 | 803,168 | 4.7% | 810,436 | 3.7% |
| Deposits | 601,429 | 587,388 | 2.4% | 598,948 | 0.4% |
| Interbank and money market items | 54,817 | 51,097 | 7.3% | 45,417 | 20.7% |
| Debts issued and borrowings, net | 34,097 | 39,396 | -13.5% | 39,874 | -14.5% |
| Deferred revenue | 19,582 | 171 | N/A | 218 | N/A |
| Other liabilities | 44,763 | 39,046 | 14.6% | 42,130 | 6.2% |
| Total Liabilities | 754,688 | 717,098 | 5.2% | 726,588 | 3.9% |
| Equity attributable to equity holders of the Bank | 85,748 | 85,937 | -0.2% | 83,723 | 2.4% |
| Non-controlling interest | 129 | 134 | -3.7% | 125 | 3.2% |
| Total equity | 85,877 | 86,070 | -0.2% | 83,848 | 2.4% |
| Total liabilities and equity | 840,566 | 803,168 | 4.7% | 810,436 | 3.7% |

Note: Consolidated financial statements.

* Restated Dec-16 to reflect the change in accounting policy for the recognition of the purchase and sale of investments with no impact to profit and loss

Assets

Total asset rose 4.7% QoQ and 3.7% YTD

As of Jun-17, total assets on consolidated basis amounted to THB840,566 million. The figure increased 4.7% from Mar-17 (QoQ) and 3.7% from Dec-16 (YTD). Key items are as follows.

- Total loan to customers (less deferred revenue) rose further from the previous quarter by 3.0% to THB616,759 million and represented a 3.9% growth from Dec-16. (Details in the following section)
- Net interbank and money market items declined by 1.3% QoQ and 8.4% YTD to THB104,313 million as a result of the Bank's liquidity management.
- Net investments were THB63,000 million which slightly dropped 2.6% QoQ and stable YTD.
- Net properties for sale was THB1,575 million which declined by 18.3% QoQ but rose by 4.6% YTD. The changes was in accordance with the Bank's NPA management. (Details in the following section)

- "Other receivables - net" increased in accordance to the access fee received from the renewal of life bancassurance collaboration with FWD.

Total loans

Total loan rose 3.0% QoQ and 3.9% YTD

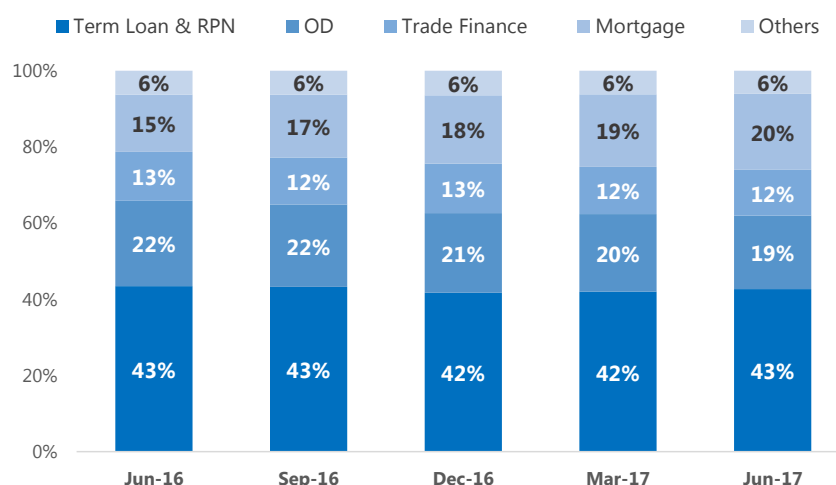
Total loan to customers continued to grow from the first quarter. As of Jun-17, TMB reported total loans to customers (less deferred revenue) on consolidated basis of THB616,759 million, a 3.0% QoQ and 3.9% YTD growth.

On bank-only basis, total loans amounted to THB616,711 million which also rose 3.0% QoQ and 3.9% YTD. In terms of key products, 43% of total loan was term-loan & RPN; followed by mortgage of 20%, working capital (OD) of 19% and Trade Finance of 12%.

Details are as followed.

- Performing loans (bank-only) was recorded at THB598,551 million which grew by 3.0% QoQ and 3.9% YTD
- NPLs (bank-only) was reported at THB18,160 million which increased by 3.5% QoQ and 3.4% YTD.

Figure 7: Total loan breakdown by products



Note: Exclude interbank, Bank-only financial statements

Figure 8: Total loan breakdown by loan type

| (THB million) | Jun-17 | Mar-17 | Dec-16 | %QoQ | % YTD |
|---------------------------------|----------------|---------|---------|------|-------|
| Performing loans | 598,551 | 581,042 | 575,836 | 3.0% | 3.9% |
| Non-performing loans | 18,160 | 17,540 | 17,557 | 3.5% | 3.4% |
| Total loans to customers | 616,711 | 598,582 | 593,393 | 3.0% | 3.9% |

Note: Exclude interbank, Bank-only financial statements

Performing loan

Performing loans continued to grow, + 3.0% QoQ and 3.9% YTD, driven by retail lending

Performing loan continued its positive momentum with growth rates of 3.0% QOQ and 3.9% YTD. Key growth driver was as followed:

Commercial lending growth led by corporate lending.

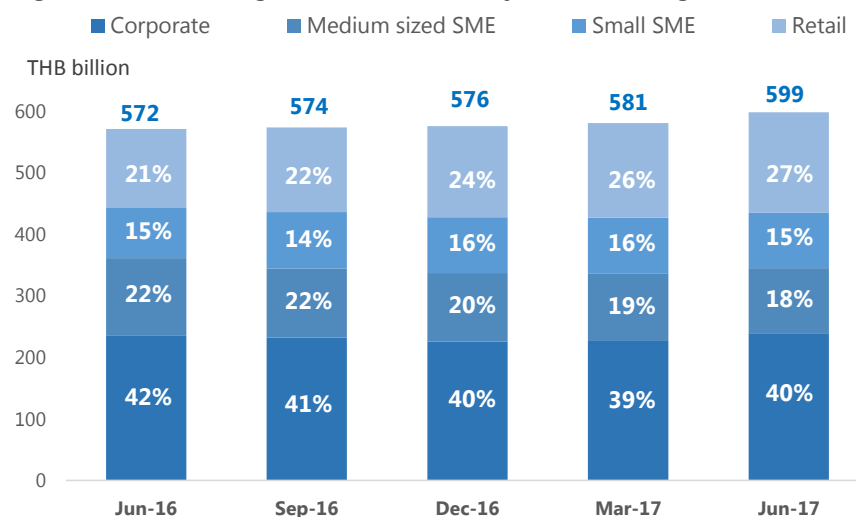
- Corporate loan picked up by 5.6% QoQ and 6.0% YTD.

➤ SME loan decreased by 3.3% YTD.

Retail lending continued to grow by 6.3% QoQ and 10.7% YTD, driven mainly by mortgage loans.

In terms of loan by customer segment, the mix slightly changed from Dec-16. As of Jun 17, Corporate loan accounted for 40% of total performing loan. This followed by SME of 33% and retail lending of 27%.

Figure 9: Performing loan breakdown by customer segment



Note: Bank-only financial statements

Definition of customer segments are as follows:

1) Corporate: Commercial customers with total annual revenue over THB1 billion

2) SMEs = Medium sized SME + Small SME (SE)

Medium sized SME: Commercial customers with total annual revenue of THB100 million-1 billion

SE: Commercial customers with total annual revenue less than THB100 million, including owner operators

3) Retail: Individuals

Non-performing loan and NPL ratio

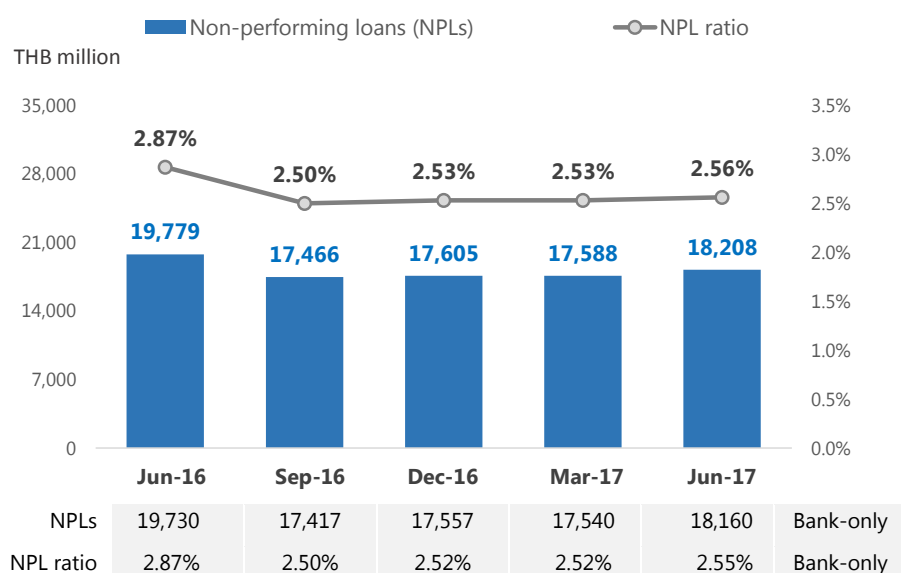
Under current economic conditions, the Bank has put priority on asset quality monitoring and continued to manage NPLs with prudence.

NPL ratio was relatively stable at 2.56%,

As of Jun-17, non-performing loans (NPLs) on consolidated basis was reported at THB18,208 million, slightly increased when compared with THB17,588 million as of Mar-17 and THB17,605 as of Dec-16. While NPLs on bank-only basis was THB18,160 million, slightly rose when compared with THB17,540 million as of Mar-17 and THB17,557 million as of Dec-16.

NPL ratio increased slightly from 2.53% at Dec-16 and Mar-17. NPL ratio on consolidated basis was 2.56% and was 2.55% on bank-only basis.

Figure 10: NPLs and NPL ratio



*Note: Consolidated and bank-only financial statements
NPLs - classified as substandard, doubtful, and doubtful of loss*

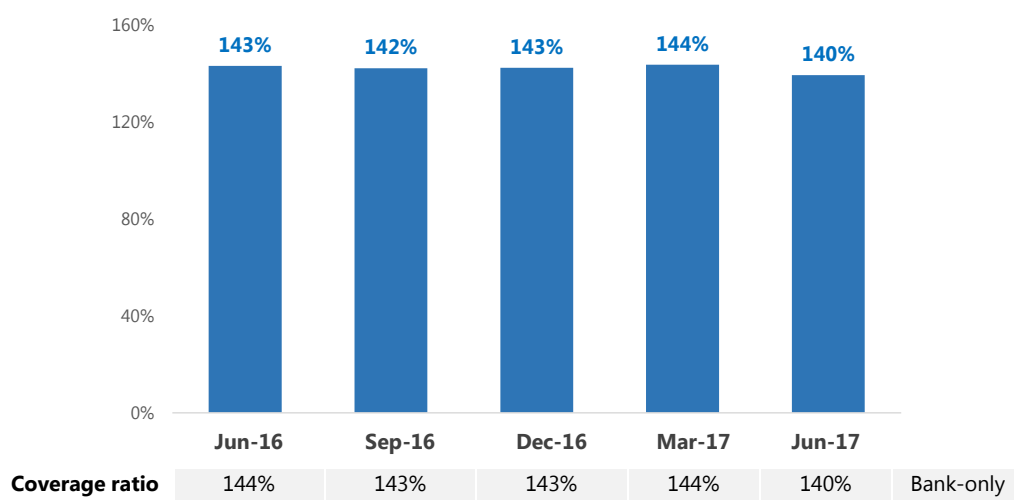
Allowance for loan losses

As of Jun-17, allowance for doubtful accounts and revaluation allowance for debt restructuring was THB25,410 million on consolidated basis. The figure increased slightly by 0.5% QoQ and 1.3% YTD as the Bank continued to proactively resolve NPLs through write-off. In the second quarter, the Bank further wrote off its bad debt by THB2.3 billion with an objective to reduce future downside risks.

Coverage ratio remained high at 140%

The ratio of allowance for loan loss to NPLs or coverage ratio remained high at 140% on both consolidated and bank-only basis. The coverage ratio was still in target range and TMB consistently maintained high coverage ratio as shown in chart below.

Figure 11: Coverage ratio (Consolidated)



Note : Consolidated and Bank-only financial statements

Properties for sale

As of Jun-17, net properties for sale dropped by 18.2% QoQ but rose 4.6% when compared with Dec-16 to THB1,575 million. The ratio of properties for sale to total assets remained relatively low at 0.19%, compared with 0.24% as of Mar-17 and 0.18% as of Dec-16. The change was due to the Bank's NPA management.

Figure 12: Properties for sale



Note: Consolidated financial statements

Liabilities

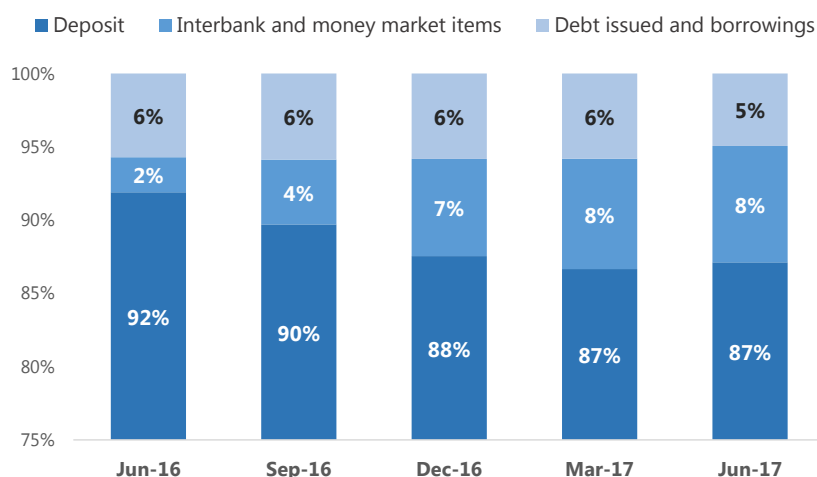
Deposit picked up and as a result, total liability rose 5.2% QoQ

As of Jun-17, total liabilities on consolidated basis was reported at THB754,688 million which increased by 5.2% QoQ and 3.9% YTD. Key reasons for the change in liabilities were deposit expansion and an increase in deferred revenue. Details of key figures are as follows.

- Total deposits amounted to THB601,429 million, a 2.4% QoQ and 0.4 % YTD growth. (see details in following section)
- Net interbank and money market item increased by 7.3% QoQ and 20.7% YTD to THB54,817 million due to liquidity management.
- Borrowings declined by 13.5% QoQ and 14.5% YTD to THB34,097 million from change in sub-debt.
- Deferred revenue increased in accordance to the access fee received from the renewal of life bancassurance collaboration with FWD.

Deposit was the largest composition of interest-bearing liabilities. As of Jun-17, deposits represented 87% of interest-bearing liabilities. This followed by interbank and money market items of 8% and debt issued and borrowings of 5%. The composition was relatively stable QoQ and YTD as shown in the chart below.

Figure 13: Interest-bearing liabilities breakdown



Note : Consolidated financial statements

Deposits

Retail deposit continued to grow, led by the Bank's flagship products

As of Jun-17, total deposits on consolidated basis were THB601,429 million which grew 2.4% QoQ, driven by mainly retail deposit and followed commercial deposit. When compared with Dec-16, deposit rose slightly by 0.4% YTD. Retail deposit was a major driver while commercial deposit declined.

Deposit breakdown by products

The Bank has continued to expand transactional deposit base as well as to strategically replace Time Deposit (TD) with No-Fixed and ME. TMB All Free, retail transactional deposit, continued its growth momentum and expanded further by 11.2% QoQ and 25.9% YTD. No-Fixed posted 7.5% QoQ and 1.01% YTD growth and ME grew by 1.9% QoQ and 8.3% YTD. TD dropped further by 5.4% QoQ and 11.9% YTD.

The ratio of CASA (Current & Saving accounts) to total deposit, remained relatively stable at 38.2% as of Jun-17 compared with 38.7% as of Mar-17. However, CASA dropped when compared with 39.8% as of Dec-16, due mainly to corporate outflow.

Deposit breakdown by segment

Retail deposits remained the largest portion of total deposits. As of Jun-17, retail deposit accounted for 70% of total deposit and commercial deposit accounted for 30%, unchanged from Mar-17.

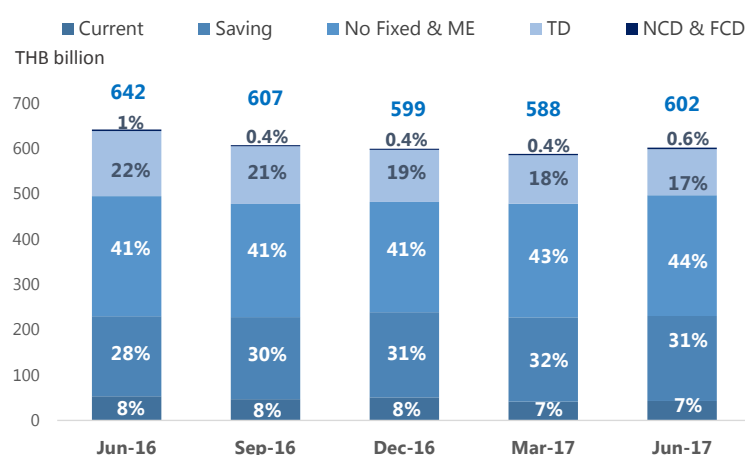
Figure 14: Deposit (bank-only) breakdown by products

| (Unit: THB billion) | Jun-17 | Mar-17 | Dec-16 | Sep-16 | Jun-16 |
|---------------------------|------------|--------|--------|--------|--------|
| Current (CA) | 43 | 41 | 50 | 47 | 53 |
| Saving (SA) | 187 | 186 | 188 | 180 | 177 |
| No Fixed & ME | 267 | 250 | 243 | 250 | 265 |
| Time deposits (TD) | 101 | 107 | 115 | 127 | 143 |
| NCD & FCD | 3.5 | 2.6 | 2.5 | 2.5 | 3.7 |
| Total | 602 | 588 | 599 | 607 | 642 |

Note : Bank-only financial statements

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

Figure 15: Deposit structure



Note : Bank-only financial statements

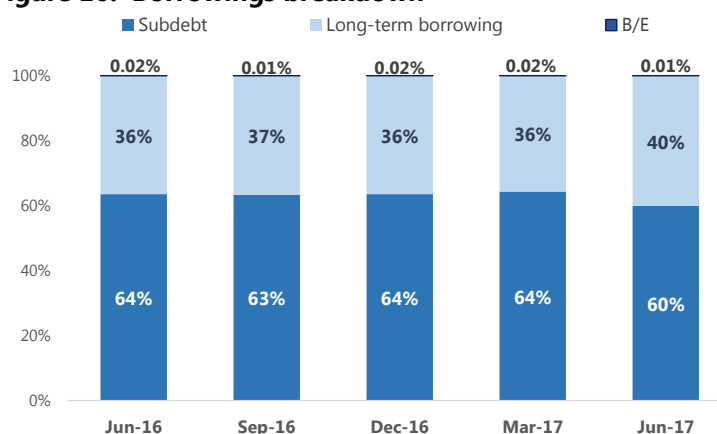
Borrowings

Borrowing decreased due to redeem sub-debt

As of Jun-17, total borrowings of the Bank and subsidiaries declined by 13.5% QoQ and 14.5% YTD to THB34,097 million. The decrease was due to a change in sub-debt. In May-17, the Bank redeemed existing sub-debt by THB10 billion. The decrease then was offset by the new issuance of sub-debt by THB5 billion in the same period.

In terms of borrowing structure, 60% was sub-debt. This followed by long-term borrowing of 40% and BE of 0.01%.

Figure 16: Borrowings breakdown



Note: Bank-only financial statements

Liquidity and loan to deposit ratio

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

As of Jun-17, on consolidated basis, total liquid assets represented 17.7% of the total assets. The liquid assets consisted cash (1.5%), interbank & money market items (12.4%) and short-term investment (3.8%).

Loan to deposit ratio was at 103% as of Jun-17

In terms of loan to deposit ratio (LDR), the ratio, on consolidated basis, increased slightly to 103% from 102% and 99% as of Mar-17 and Dec-16, respectively.

Figure 17: Liquid asset allocation and loan to deposit ratio

| Liquid assets allocation | Jun-17 | Mar-17 | Dec-16 | Sep-16 | Jun-16 |
|-------------------------------------|--------------|--------|--------|--------|--------|
| Cash | 1.5% | 1.7% | 2.0% | 1.6% | 1.5% |
| Interbank & money market items | 12.4% | 13.1% | 13.9% | 14.4% | 13.0% |
| Short-term investment | 3.8% | 3.2% | 2.7% | 3.6% | 6.1% |
| Liquid assets / Total assets | 17.7% | 18.0% | 18.6% | 19.6% | 20.6% |
| Loan to deposit ratio (LDR) | 103% | 102% | 99% | 98% | 92% |

Note: Consolidated financial statements

Capital adequacy

CAR and Tier 1 ratios stayed at 16.5% and 12.3% as of Jun-17

As of Jun-17, the consolidated equity was THB85,877 million which slightly declined by 0.2% from Mar-17 but rose 2.4% YTD from Dec-16.

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of Jun-17, Capital Adequacy Ratio (CAR) of the Bank under Basel III calculation was at 16.5% while CET1 and Tier 1 ratios stayed at 12.3%. Such levels were well above the Bank of Thailand's minimum requirement (including conservation buffer) of 9.75%, 5.75% and 7.25% of CAR, CET 1 and Tier 1 capital ratio, respectively.

Figure 18: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

| | Jun-17 | Mar-17 | Dec-16 | Sep-16 | Jun-16 |
|--|--------|--------|--------|--------|--------|
| CAR (% to risk-weight assets) | 16.5% | 18.2% | 18.1% | 18.4% | 17.9% |
| CET 1 Capital (% to risk-weight assets) | 12.3% | 12.8% | 12.8% | 12.9% | 12.5% |
| Tier 1 Capital (% to risk-weight assets) | 12.3% | 12.8% | 12.8% | 12.9% | 12.5% |

Note: Bank-only financial statements

Figure 19: Credit rating profile

| Standard & Poor's | |
|-----------------------------------|--------|
| International | |
| Long-Term Counterparty | BBB- |
| Short-Term Counterparty | A-3 |
| Senior Unsecured | BBB- |
| Stand-Alone Credit Profile (SACP) | bb+ |
| Outlook | Stable |

| Moody's | |
|-------------------------------------|----------|
| International | |
| Bank Deposits | Baa2/P-2 |
| Baseline Credit Assessment | ba2 |
| Adjusted Baseline Credit Assessment | ba2 |
| Senior Unsecured | (P)Baa2 |
| Outlook | Stable |

| Fitch Rating | |
|------------------------|----------|
| International | |
| Long-Term IDR | BBB- |
| Short-Term IDR | F3 |
| Senior unsecured | BBB- |
| Viability Rating | bbb- |
| Support Rating | 3 |
| Support Rating | BB+ |
| National rating | |
| Long-Term | A+ (tha) |
| Short-Term | F1 (tha) |
| Subordinated Debt | A (tha) |
| Outlook | Stable |



Make **THE** Difference

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
