Management Discussion and Analysis

For the 3rd quarter and 9-month period ended 30 September 2020

(Unreviewed financial statements)

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in 3Q20: Economic figures in all categories showed slower degree of contraction, reflecting continuous-yet-fragile rebound of Thai economic activities after lockdown relaxation. Private consumption slightly improved in all categories, particularly durable goods which gained temporary supports from market campaign and delayed demands from lockdown period. For non-durable goods and services, they got positive spillovers from long holiday period, domestic tourism campaign 'we travel together' as well as THB5,000 monthly stimulus package which altogether provided supports for shoring up consumption. Regarding foreign demands, the figure of export values excluded gold in August contracted at 14.3% from the same period last year (YoY), representing a slight improvement compared to the second quarter which contracted at 18.8% YoY. This rebound was owing to gradual pick-up in many product categories, especially automobile, machine and electronic goods in accordance with a steady recovery in most trading partners' economies. Moreover, exports of work-from-home related products and infection prevention essentials still expanded at great degree due to many European countries still encountering the second round of COVID-19 outbreak. In the meantime, former lockdown measure has posted persisting impact on foreign tourist disruption since April. With the beginning phase of export's improvement and abundant production capacity, private investment would still in sharp contraction. According to continuing economic improvement but with softer momentum, TMB Analytics estimated Thai economy in the third quarter would contract at 10.3% YoY, better than the sharpest contraction of 12.2% YoY in the second quarter.

Financial market & banking industry: The Monetary Policy Committee (MPC) decided to maintain the policy rate at 0.50% due to gradual improvement of Thai economy following the easing of COVID-19 outbreak containment measure. Extra accommodative monetary policy since the beginning of this year, fiscal policy, financial and credit measures helped alleviate adverse outbreak impacts and support the recovery. According to severe impact of global pandemic outbreak on tourism and merchandise exports, Thai economy is about to take at least 2 years to return to the pre COVID-19 level. Since the MPC decided to hold policy rate constant, deposit and lending rate are about to stay at the same degree as in the second quarter. In the third quarter, Thai baht was on average at 31.33 baht per US dollar, slightly appreciating by 1.9% compared to the average of 31.94 baht per US dollar in the second quarter, in line with improved domestic outbreak situation since April. Moreover, Thai bath's volatility still existed, but was at low degree, in response to present development of domestic outbreak and political movement. Regarding commercial banking, total loan growth at the end of August 2020 grew by 4.8% compared to the same period last year (YoY) and increased by 3.8% from the end of year 2019 (YTD). On the other hand, deposits expanded by 11.4% YoY or 9.8% (YTD) in both types of saving and time deposits. A rapid expansion of deposits was due to economic uncertainties inducing businesses and households to hold more portions of liquid assets.

Economic outlook for 4Q20: Domestic economy is expected to continuously recover with supporting factors as follows; 1) the half-half copayment scheme: government subsidize 50% of the payment but not exceed 3,000 baht for necessary items such as foods and beverage 2) 30,000 baht tax deduction for purchasing products and services 3) 500 baht additional cash handout for welfare card holders for 3 months. These initiatives are altogether projected to inject 200 billion baht into economy. Additionally, due to improved domestic outbreak situation, Thai government has launched tourism scheme via special tourist visa which requires foreign tourists to engage in 14-day quarantine program and allows to stay in Thailand up to 90 days with 2 extension for each of 90 days, totally 270 days. This is however expected to pose no significant impact on generating tourism revenue for this quarter due to the limited numbers of inbound tourists upon restricted pandemic controlling measure. Exports of goods would continue its recovering path but still got downward pressure from fragile domestic demand and global economic uncertainties. TMB Analytics accordingly estimates that annual Thai merchandise exports (include golds) in 2020 would contract at 10.6% and Thai economy in the fourth quarter would contract at a lesser degree, signaling improvement from the previous quarter. For financial market, the policy rate is expected to remain at 0.5% in accordance with high economic uncertainty. Thai baht is forecasted to appreciate slightly from the third quarter due to Thai economy's continuing recovery and US dollar's depreciation trend. The movement of Thai baht is estimated to be within the range of 30.5-31.7 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

Corresponding to 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 September 2020, approximate 20% of total loan portfolio was under the relief program; commercial customer under forbearance accounted for 39% of total commercial loans, and retail customer accounted for 10% of total retail loans respectively. However, commercial customers who entered into the relief program remained stable in September 2020 as debt relief for commercial customers will end in October 2020 while retail segment portion significantly reduced to 10% from 45% as of June 2020. Moreover, the Bank saw positive signs after first batches exited the program and resumed their normal payments. Nonetheless, TMB continued to support customers after the relief measure ends through debt restructuring process in order to provide suitable sequential financial relief to each customer.

Retail	
Auto loan	• Reduce installment by extending tenure (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	• 6-month grace period of principle payment (Pay only interest) or • Reduce 70% of installment for 6 months or • 3-month debt suspension for the principal and interest payment
Unsecured loan	• Reduce 70% of installment 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	• 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 billing cycle onwards • Lower interest rate for credit card to 16% from 18% per year, effective from 1 Aug 2020
Cash card	• 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 billing cycle onwards • Reduce minimum payment from 3% to 1% for 3 months • Lower interest rate for cash card to 25% from 28% per year, effective from 1 Aug 2020
SME	
SME (Juristic and Non-Juristic) with total group limit (based on SLL) <100MB per financial institution	• Loan payment holiday for Term Loan, Overdraft, Promissory Note, Trade Finance for 6 months, starting from 23 Apr 2020 onwards - Loan payment holiday both principle and interest for term loan and all revolving loans for commercial purpose • Provide soft loan to support Liquidity problem or to continue business for reducing impact of unemployment - Maximum limit is 20% of the loan outstanding as of end of December 2019 - Interest rate at 2% p.a. for the period not over 24 months • 12-month TCG's guarantee fee suspension
SME (Juristic and Non-Juristic) with total group limit (based on SLL) <500MB per financial institution	• Provide soft loan to support Liquidity problem or to continue business for reducing impact of unemployment - Maximum limit is 20% of the loan outstanding as of end of December 2019 - Interest rate at 2% p.a. for the period not over 24 months
Large corporate	
	• Long-term lending: Suspension for the principal and extend installment period 6 months • Short-term lending: Extend principal payment for 3 months

Note: The information as of Aug 2020

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

Summary of TMB's operating performance

In the third quarter of 2020, the Bank continued to face challenges as the COVID-19 pandemic has caused an unprecedented disruption. TMB continued to de-risk loan portfolio and further improve quality portfolio to cope with the challenging economy ahead while retail hybrid deposit grew on track building strong deposit franchise. Amid low interest rate environment and soft loan growth, NII and NIM showed a marginal recovery signs from lockdown period while non-interest income remained subdued from non-core revenues. Given the challenging revenue environment, cost synergy realization going as plan, reflected by lower OPEX. The Bank maintained a prudent approach and set aside higher expected credit loss to cope with the uncertain future outlook while NPL ratio was low at 2.33%.

Retail deposit continued to be key leading, boosted by No-Fixed and Ultra Saving: As of September 2020, deposit rose by 0.6% YTD to THB1,406 billion. Deposit YTD growth was broad-based, covering all key products which outweighed a reduction in TD and Certificate Deposit. Retail flagship product continued to be the key leading, boosted by No-Fixed and Ultra Saving grew by 38.5% YTD and +21.5% YTD, respectively while TD and Certificate Deposit significantly dropped by 45.0% YTD, in line with balance sheet optimization for the post-merger. TMB All Free also showed a good momentum by 16.1% YTD growth. As a result, retail deposit grew and represented 76% of total deposit. With strong retail franchise and the substantial volume in hybrid deposits created opportunity in converting retail deposits to other investment and protection products when market appetite and activities normalize.

Continued to focus on quality loan portfolio against economic headwinds: Given the slowly economic activities recovering from the COVID-19 pandemic and further tightening of underwriting criteria to ensure portfolio quality, total loan as of September 2020, therefore, contracted by 2.1% YTD to THB1,363 billion, in line with Merged Bank's B/S optimization strategy to run down low yield portfolio and align its loan policy of Merged Bank in reducing concentration risk. Retail loans declined by 1.2% YTD, backed by auto loan, secured loan, unsecured loan while credit card showed a recovery sign. Corporate loans were down by 2.9% YTD primarily from loan repayments of large corporate customers and run down low yielded loans as plan while small SME loan was slowly recovering from the previous quarter. Post-merger loan portfolio was well-diversified and shifted to retail lending, given retail loans represented 57% of total portfolio and more than 90% of retail loans are secured lending.

NII and NIM maintained in 3Q20: Despite a lower interest rate environment and soften loan growth in the current economic condition, NII grew by 1.4% QoQ to THB13,227 million. In this quarter, NIM marginally rose by 4 bps to 2.92% from 2.88% in 2Q20 despite multiple M-rate cuts and lower effective interest rates (EIR) calculated under customer relief programs. If excluded PPA impact, NIM was 2.83% in 3Q20 and 2.95% in 9M20. NIM was maintained from the previous period reflected by well-managed funding cost and high yielding assets from auto loan. Meanwhile, Non-NII also contracted by 15.3% QoQ to THB2,984 million. Non-NII compression was largely pressured by non-core revenues while net fee and service income showed a sign of recovery from lockdown period, led by mutual fund fee which rose QoQ due mainly to the end of front-end fee waive and new IPOs launch. Bancassurance fee also improved from the previous quarter, thanks to BA auto fee which auto loan new booking continued to recover at a gradual pace after ease of lockdown period. However, customers remained cautions on the investment products as the investment environment remaining volatile.

Stable PPOP reflected cost synergy realization: Given operating income was pressured by the deteriorating in macro-economic factors from COVID-19 impact, operating expenses were well-managed which dropped 4.5% QoQ due to synergy cost saving to self-fund integration cost that being occurred, reflected by improvement in cost-to-income ratio of excluded purchase price allocation (PPA) impact of 43% in 3Q20. As a result, Pre-provision operating profit (PPOP), was relatively stable and recorded at THB8,809 million in 3Q20 and THB27,462 million for the 9-month of 2020.

The Bank maintained prudent approach and set up high expected credit loss: With prudent consideration of various factors in order to cope with economic uncertainties and the current trend on asset quality, TMB has maintained a prudent approach and thus set aside higher expected credit loss from the preceding period of THB 6,863 million, an increase of 38.0% and further NPLs sale of approximately THB2.0 billion in 3Q20. Stage 3 loans, as a result, reduced to THB 36,747 million, representing NPL ratio of 2.33%. The high provisioning reflected the forward-looking Expected Credit Loss (ECL) models and management overlay within the deteriorating economic environment. After provision, TMB reported THB1,619 million of net profit. The figure decreased by 47.7% QoQ 23.3% YoY and represented a return on equity (ROE) of 6.0%.

Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income

(THB million)	3Q20	2Q20	% QoQ	3Q19	% YoY	9M20	9M19	% YoY
Interest income	17,475	17,996	-2.9%	9,216	89.6%	55,076	27,504	100.2%
Interest expenses	4,248	4,950	-14.2%	3,010	41.1%	14,790	8,718	69.6%
Net interest income	**13,227**	**13,045**	**1.4%**	**6,206**	**113.1%**	**40,286**	**18,786**	**114.4%**
Fees and service income	3,789	3,406	11.2%	2,696	40.5%	11,603	7,800	48.8%
Fees and service expenses	1,156	1,248	-7.4%	731	58.2%	3,998	2,204	81.4%
Net fees and service income	**2,633**	**2,158**	**22.0%**	**1,965**	**34.0%**	**7,605**	**5,596**	**35.9%**
Other operating income	352	1,365	-74.2%	2,525	-86.1%	3,084	3,723	-17.2%
Non-interest income	**2,984**	**3,523**	**-15.3%**	**4,490**	**-33.5%**	**10,689**	**9,319**	**14.7%**
Total operating income	**16,212**	**16,569**	**-2.2%**	**10,696**	**51.6%**	**50,975**	**28,105**	**81.4%**
Total other operating expenses	**7,429**	**7,776**	**-4.5%**	**5,131**	**44.8%**	**23,536**	**14,079**	**67.2%**
Impairment loss on loans and debt securities	0	0	N/A	2,893	-100.0%	0	7,222	-100.0%
Expected credit loss	6,863	4,972	38.0%	0	N/A	16,595	0	N/A
Profit before income tax expense	**1,920**	**3,820**	**-49.7%**	**2,673**	**-28.2%**	**10,844**	**6,804**	**59.4%**
Income tax expense	301	724	-58.5%	561	-46.5%	1,965	1,197	64.2%
Profit for the period	**1,619**	**3,096**	**-47.7%**	**2,111**	**-23.3%**	**8,879**	**5,607**	**58.4%**
Profit to non-controlling interest of subsidiaries	**1**	**1**	**-32.7%**	**0**	**N/A**	**2**	**0**	**N/A**
Profit to equity holders of the Bank	**1,619**	**3,095**	**-47.7%**	**2,111**	**-23.3%**	**8,877**	**5,607**	**58.3%**
Other comprehensive income	81	-322	-125.3%	43	87.1%	-258	1,276	-120.2%
Total comprehensive income	**1,701**	**2,774**	**-38.7%**	**2,155**	**-21.1%**	**8,621**	**6,883**	**25.3%**
Basic earnings per share (THB/share)	**0.0168**	**0.0321**	**-47.7%**	**0.0481**	**-65.1%**	**0.0921**	**0.1279**	**-28.0%**

Note: Consolidated financial statement

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

For the 3rd quarter of 2020: TMB recorded THB13,227 million of net interest income (NII) in 3Q20, 1.4% increase when compared to previous quarter (QoQ) and 113.1% increase from the same period last year (YoY). Details are as follows:

- Interest income declined by 2.9% QoQ but rose by 89.6% YoY to THB17,475 million. QoQ reduction was mainly due to the multiple interest rate cuts and loan contraction.
- Interest expenses dropped by 14.2% QoQ but increased by 41.1% YoY to THB4,248 million. Such decline was essentially because of well-managed funding cost and a decrease in deposit volume.

For the 9-month of 2020: TMB reported net interest income of THB40,286 million, an increase of 114.4% from the same period last year. Details are as follows:

- Interest income grew by 100.2% YoY to THB55,076 million, resulting from the recognition of interest on hire purchase and financial lease from TBANK and higher interest income on loans which grew by 39.2% YoY.
- Interest expenses increased by 69.6% to THB14,790 million, mainly owing to substantial volume of retail flagship deposit reflected the Bank's strategy to acquire quality deposits and convert them to investment products which was offset by lower FIDF contribution fee.

NIM recorded at 2.92% in 3Q20 and 2.98% in 9M20

NIM marginally improved by 4 bps to 2.92% in 3Q20 from 2.88% registered in 2Q20 despite M-rate cuts and lower effective interest rates (EIR) recalculated under customer relief programs. If excluded PPA impact, NIM was 2.83% in 3Q20 and 2.95% in 9M20. Well-managed funding cost and optimization of balance sheet helped reduce impact of rate cuts. For 9M20, NIM also widened by 11 bps YoY to 2.98% from 2.87% in 9M19. The improvement in NIM was contributed by higher earning asset yield from auto loan business.

Figure 2: Net interest income (NII)

(THB million)	3Q20	2Q20	% QoQ	3Q19	% YoY	9M20	9M19	% YoY
Interest income	**17,475**	**17,996**	**-2.9%**	**9,216**	**89.6%**	**55,076**	**27,504**	**100.2%**
Interest on interbank and money market items	398	559	-28.8%	455	-12.4%	1,605	1,365	17.6%
Investments and trading transactions	24	26	-10.1%	58	-59.5%	89	95	-6.6%
Investments in debt securities	395	513	-23.0%	351	12.6%	1,564	1,182	32.3%
Interest on loans	10,726	11,337	-5.4%	8,348	28.5%	34,579	24,845	39.2%
Interest on hire purechase and financial lease	5,931	5,560	6.7%	0	N/A	17,239	0	N/A
Others	1	0	N/A	5	-86.7%	1	18	-95.5%
Interest expenses	**4,248**	**4,950**	**-14.2%**	**3,010**	**41.1%**	**14,790**	**8,718**	**69.6%**
Interest on deposits	2,592	3,205	-19.1%	1,531	69.3%	9,430	4,534	108.0%
Interest on interbank and money market items	91	147	-38.2%	183	-50.3%	469	616	-23.9%
Contributions to the Deposit Protection Agency	864	889	-2.8%	758	14.0%	2,610	2,285	14.2%
Interest on debt issued and borrowings	688	696	-1.2%	531	29.5%	2,243	1,267	77.0%
Borrowing fee	9	9	-0.3%	7	38.5%	28	14	96.8%
Others	3	3	2.8%	0	N/A	9	1	723.5%
Net interest income (NII)	**13,227**	**13,045**	**1.4%**	**6,206**	**113.1%**	**40,286**	**18,786**	**114.4%**

Note: Consolidated financial statements

Non-interest income (Non-NII)

For the 3rd quarter of 2020: The Bank posted THB2,984 million of non-interest income in 3Q20, which decreased by 15.3% from the last quarter (QoQ) and 33.5% from the same period last year (YoY). Details were as follows;

- Net fees and service income was reported at THB2,633 million which grew by 22.0% QoQ and 34.0% YoY. Such increase was largely contributed by growth in retail fees especially from mutual fund fee due to end of front-end fee waive and new IPOs launch in this quarter while bancassurance fee slightly expanded from the previous quarter, thanks to higher BA auto fee as the Bank saw a new booking from auto business after easing lockdown period. Commercial fees still slowed down QoQ given the slower economic environment from COVID-19 crisis.
- Share of profit from investment using equity method was recorded at THB78 million.

For the 9-month of 2020: Non-interest income grew by 14.7% to THB10,689 million, from THB9,319 million in the same period last year, due primarily to an increase in net fee and service income. Key items were as follows;

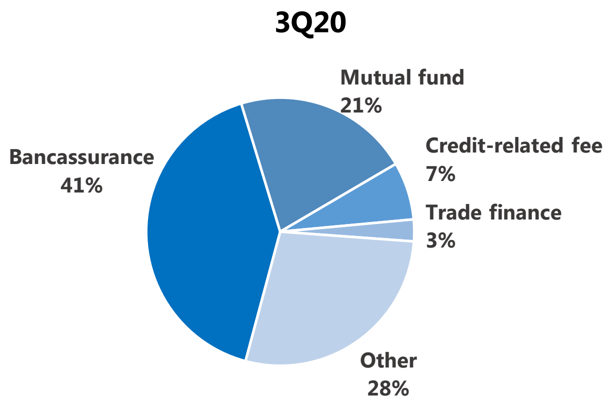
- Net fees and service income increased by 35.9% YoY to THB7,605 million, mainly attributed to growth in bancassurance fees from HP businesses, outweighed the lower fee income in mutual fund and bancassurance sales.
- Share of profit from investment using equity method was recorded at THB296 million.

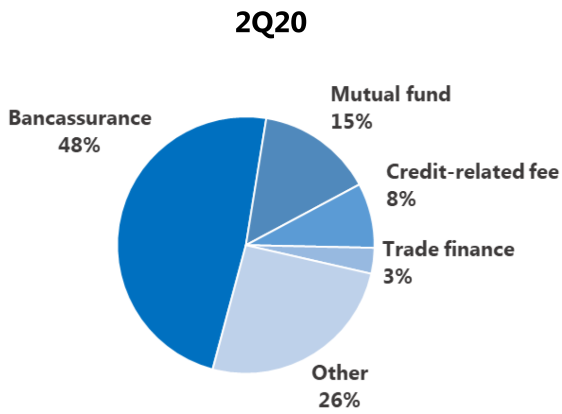
Figure 3: **Non-interest income (Non-NII)**

(THB million)	3Q20	2Q20	% QoQ	3Q19	% YoY	9M20	9M19	% YoY
Fees and service income	**3,789**	**3,406**	**11.2%**	**2,696**	**40.5%**	**11,603**	**7,800**	**48.8%**
Acceptance, Aval & Guarantee	144	145	-0.6%	105	37.6%	417	245	70.3%
Other fee and service income	3,644	3,261	11.8%	2,591	40.6%	11,186	7,555	48.1%
Fees and service expenses	**1,156**	**1,248**	**-7.4%**	**731**	**58.2%**	**3,998**	**2,204**	**81.4%**
Net fees and service income	**2,633**	**2,158**	**22.0%**	**1,965**	**34.0%**	**7,605**	**5,596**	**35.9%**
Gains on financial instrument designated at fair value through profit or loss	254	447	-43.2%	467	-45.7%	1,144	1,126	1.6%
Gains on investments, net	-326	445	-173.2%	1,804	-118.1%	457	1,904	-76.0%
Share of profit from investment using equity method	78	78	-0.4%	79	-1.4%	296	214	38.5%
Gains on sale of properties foreclosed, assets & other assets	15	21	-30.5%	29	-49.8%	66	48	37.7%
Dividend income	18	42	-57.2%	2	667.4%	84	26	227.5%
Others	314	332	-5.5%	143	118.7%	1,037	405	156.2%
Non-interest income	**2,984**	**3,523**	**-15.3%**	**4,490**	**-33.5%**	**10,689**	**9,319**	**14.7%**

Note: Consolidated financial statements

Figure 4: **Net fees and service income breakdown**





Note: Consolidated financial statements, prelim data

Non-interest expenses

For the 3rd quarter of 2020: The Bank recorded THB7,429 million of total non-interest expenses, a decrease of 4.5% QoQ but increase of 44.8% YoY. Main factor was a reduction in HR cost. Key items are as follows;

- Employee expenses contracted by 11.7% QoQ but increased by 88.0% YoY to THB3,878 million. The QoQ decline was a result of lower staff cost from one-time voluntary retirement package in 2Q20.
- Premises and equipment expenses was relatively stable QoQ and rose by 73.9% YoY to THB1,521 million.
- Other expenses grew by 10.3% QoQ but decreased by 15.1% YoY to THB1,578 million. The increase was mainly resulted in higher marketing expense in 3Q20 after easing lockdown period, offsetting lower software rental expense.

For the 9-month of 2020: Non-interest expenses amounted to THB23,536 million, an increase of 67.2% from the same period last year. Key factors are as follows;

- Employee expenses grew by 94.0% YoY to THB12,644 million which largely came from the recognition of employee expenses of TBANK, offsetting lower employee expense of TMB.
- Premises and equipment expenses rose by 86.5% YoY to THB4,631 million.
- Other expenses rose by 20.4% YoY to THB4,892 million, due owing to the recognition of other expenses of TBANK, offsetting lower marketing expense from a slowdown in business activities.

Figure 5: Non-interest expenses

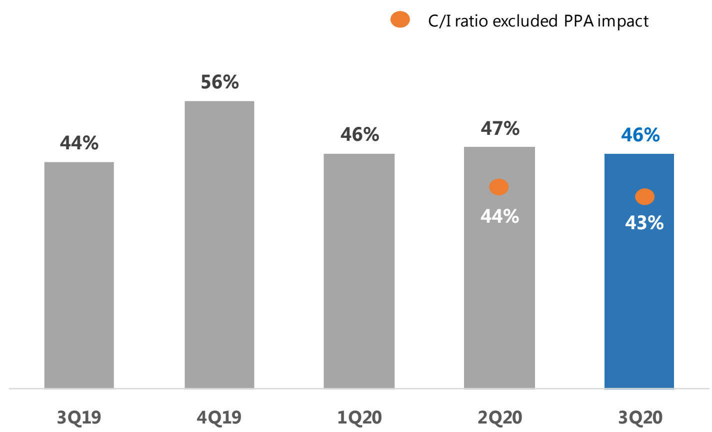
(THB million)	3Q20	2Q20	% QoQ	3Q19	% YoY	9M20	9M19	% YoY
Employee expenses	3,878	4,393	-11.7%	2,062	88.0%	12,644	6,519	94.0%
Directors' remuneration	29	12	135.9%	9	223.6%	53	40	31.4%
Premises and equipment expenses	1,521	1,511	0.7%	875	73.9%	4,631	2,484	86.5%
Taxes and duties	423	429	-1.3%	325	30.0%	1,316	972	35.4%
Other expenses	1,578	1,431	10.3%	1,859	-15.1%	4,892	4,064	20.4%
Non-interest expenses	**7,429**	**7,776**	**-4.5%**	**5,131**	**44.8%**	**23,536**	**14,079**	**67.2%**

Note: Consolidated financial statements

The improvement in cost to income ratio reflected cost synergy realization

In 3Q20, cost to income ratio improved to 46%, compared with 47% in 2Q20 and 44% in 3Q19. Nonetheless, cost to income ratio excluded PPA impact was recorded at 43%. Likewise, cost to income ratio for the first 9-month of 2020 also dropped to 46%, from 48% in the same period last year. If excluded PPA impact, cost to income ratio was 44%. Looking forward, TMB will focus on cost synergies to self-fund other integration cost to maintain cost to income ratio within the target.

Figure 6: Cost to income ratio



Note: Consolidated financial statements
PPA is purchase price allocation, accounting method applied for the consolidation of TBANK

Operating profit and provision

Pre-provision operating profit (PPOP): PPOP amounted to THB8,809 million in 3Q20, which relatively flat QoQ but grew by 47.2% YoY. PPOP for the first 9-month of 2020 was reported at THB27,462 million, rose by 89.5% YoY.

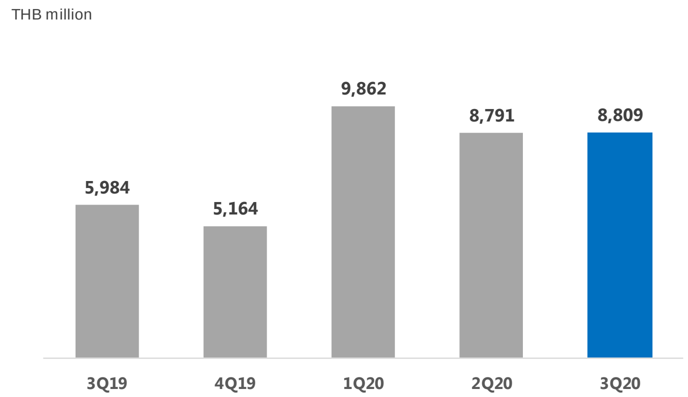
High provisioning for prudent management against economic headwinds

Expected Credit Loss (ECL): To cope with uncertainties from an economic slowdown caused by the COVID-19 pandemic as well as the financial relief programs for customers affected by COVID-19 outbreak from in response to the BoT's measure, the Bank remained prudent and set aside higher expected credit loss of THB6,863 million in 3Q20 which increased by 38.0% QoQ and 137.2% YoY. ECL for the first 9-month of

2020 was THB 16,595 million, rose by 129.8% YoY. The higher provision reflected the forward-looking Expected Credit Loss (ECL) models and management overlay within the deteriorating economic environment.

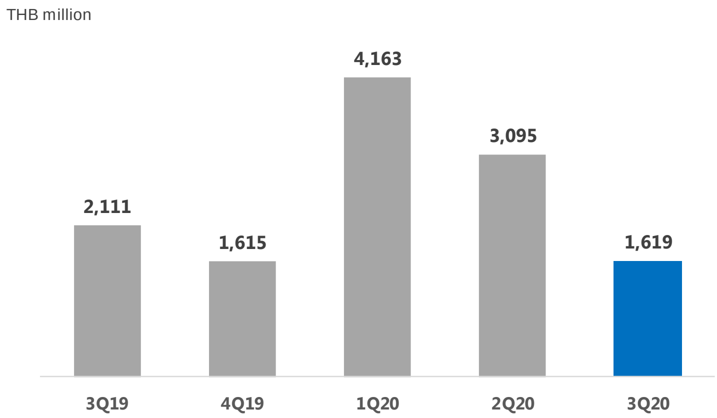
Net profit: After provision and tax, net profit in 3Q20 was THB1,619 million, decreased by 47.7% QoQ and 23.3% from the same period last year. For the first 9-month of 2020, net profit totaled THB8,877 million, grew by 58.3% from the same period of last year and represented ROE of 6.0%.

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



Note: Consolidated financial statement

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



Note: Consolidated financial statements

Discussion of financial position

Figure 9: Selected financial position

Unit: THB million	Sep-20	Jun-20	%QoQ	Dec-19	%YTD
Cash	18,921	18,074	4.7%	23,853	-20.7%
Interbank and money market items, net	232,539	295,871	-21.4%	236,311	-1.6%
Financial assets measured at fair value through profit or loss	21,376	16,504	29.5%	0	N/A
Derivative assets	11,100	12,035	-7.8%	10,399	6.7%
Investments, net	156,273	131,604	18.7%	166,265	-6.0%
Investments in subsidiaries and associate, net	8,533	8,656	-1.4%	8,953	-4.7%
Total loans to customers	1,363,162	1,381,857	-1.4%	1,392,225	-2.1%
Add accrued interest receivables and undue interest receivables	9,209	6,443	42.9%	1,883	389.1%
Less allowance for expected credit loss	48,371	44,374	9.0%	0	N/A
Less allowance for doubtful accounts & revaluation allowance for debt restructuring	0	0	N/A	45,477	-100.0%
Total loans to customers and accrued interest receivables, net	1,324,000	1,343,925	-1.5%	1,348,630	-1.8%
Properties for sale, net	5,631	4,943	13.9%	4,810	17.1%
Premises and equipment, net	24,225	24,948	-2.9%	23,642	2.5%
Goodwill and other intangible assets, net	22,467	22,368	0.4%	22,363	0.5%
Deferred tax assets	2,178	1,826	19.3%	1,496	45.6%
Other receivables, net	1,959	1,758	11.4%	4,969	-60.6%
Other assets, net	11,651	10,641	9.5%	6,499	79.3%
Total Assets	**1,840,853**	**1,893,152**	**-2.8%**	**1,858,190**	**-0.9%**
Deposits	1,406,434	1,442,596	-2.5%	1,398,112	0.6%
Interbank and money market items	71,961	83,928	-14.3%	86,626	-16.9%
Financial liabilities designated at fair value through profit or loss	430	430	0.1%	418	3.0%
Debts issued and borrowings, net	96,033	93,171	3.1%	108,835	-11.8%
Deferred revenue	21,114	21,487	-1.7%	18,186	16.1%
Other liabilities	41,953	50,315	-16.6%	51,201	-18.1%
Total Liabilities	**1,637,925**	**1,691,926**	**-3.2%**	**1,663,379**	**-1.5%**
Equity attributable to equity holders of the Bank	202,891	201,191	0.8%	194,777	4.2%
Non-controlling interest	36	36	1.3%	35	5.0%
Total equity	**202,928**	**201,226**	**0.8%**	**194,811**	**4.2%**
Total liabilities and equity	**1,840,853**	**1,893,152**	**-2.8%**	**1,858,190**	**-0.9%**
Book value per share (Baht)	2.10	2.09	0.8%	2.02	4.1%

Note: Consolidated financial statements

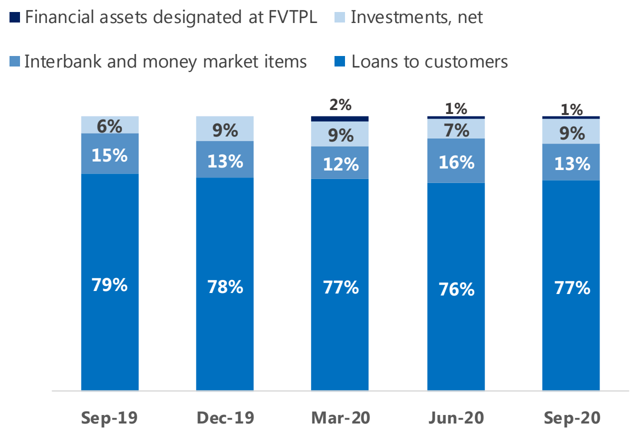
Assets

As of 30 September 2020, total assets on consolidated basis was THB1,840,853 million, a decrease of 2.8% QoQ and 0.9% from 31 December 2019 (YTD). Key items are as follows;

- Total loans to customers and accrued interest receivables net decreased by 1.5% QoQ and 1.8% YTD amounting to THB1,324 billion. (Details in the following section).
- Net interbank and money market items decreased by 21.4% QoQ and 1.6% YTD to THB232,539 million. The drop was in accordance to liquidity management.
- Net investments and financial asset designated at fair value through profit and loss increased by 19.9% QoQ and 6.8% YTD to THB177,649 million.
- Net properties for sale rose by 13.9% QoQ and 17.1% YTD to THB5,631 million.

After the merger, loans to customers was still the largest portion of earning assets. As of 30 September 2020, loans to customers represented 77% of earning assets. This followed by interbank and money market of 13%, investment of 9% and financial assets designated at fair value through profit or loss 1%.

Figure 10: 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 30 September 2020, investments were classified as follows:

(THB million)	30 Sep 2020	30 Jun 2020
Financial assets measured at FVTPL	**21,376**	**16,504**
Investments in debt securities measured at amortized cost	616	612
Investments in debt securities measured at FVOCI	154,174	129,387
Investments in equity securities measured at FVOCI	1,483	1,605
Net Investment*	**156,273**	**131,604**
Total Investment	**177,649**	**148,108**

* 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

As of 30 September 2020, TMB recorded total loans to customers and accrued interest receivables-net on consolidated basis of THB1,324 billion, a decline of 1.5% QoQ and 1.8% from the end of December 2019.

In terms of total loan to customers on consolidated basis (excluded allowance for ECL) amounted to THB1,363 billion, contracted by 1.4% QoQ and 2.1% YTD. The decline was mainly from corporate loans while retail loans slightly dropped and small SME registered its growth from the previous quarter given the slow economic recovery from COVID-19. Details are as follows;

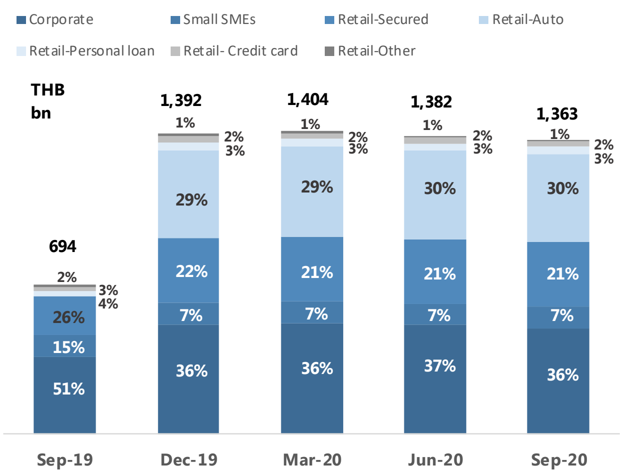
- Retail lending on consolidated basis declined by 0.7% QoQ and 1.2% YTD. Amidst weak demand for cars in the market, the Bank saw uptrend in new auto booking after lock-down period, but with the repayments from post relief customers, hire purchase loans marginally decreased by 0.3% QoQ but increased by 0.2% YTD. Mortgage loan also slightly contracted by 0.3% QoQ and YTD. Personal loans still slowed down while credit cards showed a recovery sign from the preceding quarter.

- Corporate loan on consolidated basis contracted by 3.1% QoQ and 2.9% YTD, due mainly to loan repayment from large corporate customers, running down in low yield portfolio and loan policy alignment of the Merged Bank to reduce loan concentration, in line with balance sheet optimization. Nonetheless, small SME was slowly recovering with 2.2% QoQ growth but contracted by 4.6% YTD.

In terms of loan breakdown by customer segments, the loan portfolio has diversified and shifted to retail segment since the merger. As of 30 September 2020, retail loans accounted for 57% while corporate loans were 36% and small SMEs were 7% of total portfolio.

In terms of key products, 29.8% of total loan was hire purchase; followed by mortgage of 21.9%, term loan of 19.0%, working capital (OD) of 16.1%, trade finance of 5.2%, personal loan & credit card of 4.4% and others 3.4%.

Figure 11: Total loan to customers breakdown by customer segment

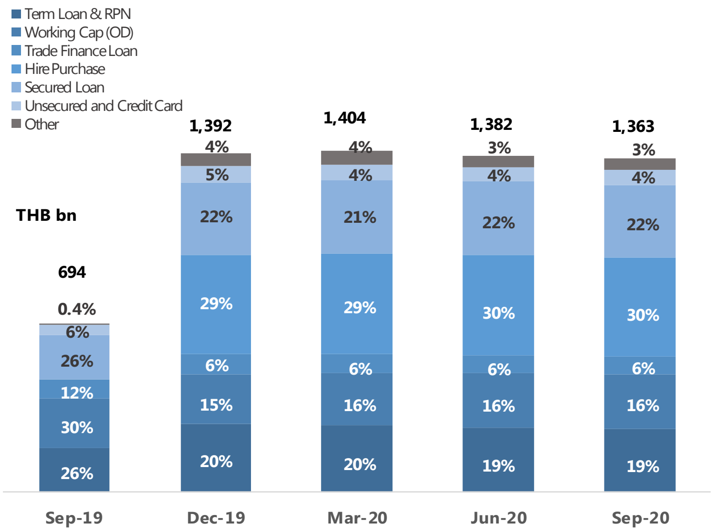


Note: Consolidated financial statements

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 12: 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 52% 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 September 2020.

As of 30 September 2020, Loans and allowance for expected credit loss were classified as follows:

Figure 13: Loan and accrued interest receivables classification and Allowance for expected credit loss

(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

(THB million)	30 Jun 2020	
	Loans to customer and accrued interest receivables	**Allowance for expected credit Loss**
Stage 1 (Performing)	1,217,868	9,850
Stage 2 (Under-performing)	130,327	17,137
Stage 3 (Non-performing)	40,105	17,388
Total	**1,388,300**	**44,375**

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 30 September 2020, Stage 3 loans (NPLs), excluded accrued interest receivables on consolidated basis, was reported at THB36,747 million which decreased from THB38,805 million at the end of June 2020 and declined from THB37,746 million as of 31 December 2019. Stage 3 loans (NPLs) on bank-only basis amounted to THB18,562 million, dropped from THB19,680 million in June 2020, but rose from THB18,150 million at the end of 2019. The QoQ decrease was from the Bank's pro-active management of its NPL portfolio through sales, write-offs, and the pre-emptive debt restructuring following announcement of BOT relief measures. In the 3rd quarter, the Bank wrote off NPLs amounting to approximately THB2.2 billion and sold THB2.0 billion of NPLs in preparation for the uncertain headwinds that would come after the end of debt forbearance program.

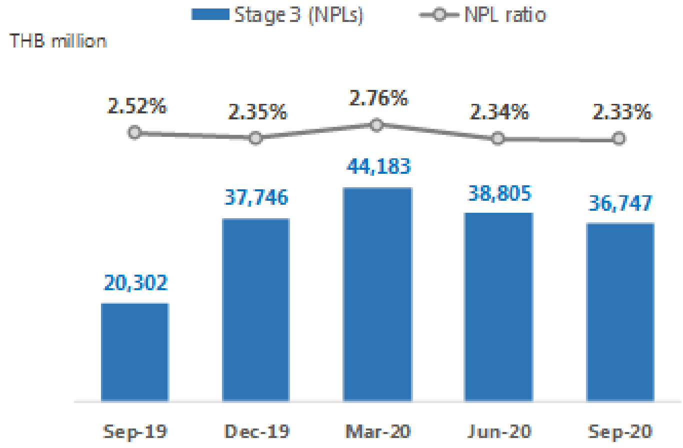
As the result, NPL ratio on consolidated basis was recorded at 2.33% as of 30 September 2020, compared with 2.34% as of 30 June 2020 and 2.35% at the end of 2019. Meanwhile, NPL ratio on bank-only basis stood at 2.08% when compared with 2.21% as of 30 June 2020 and 2.33% as of 31 December 2019.

Allowance for expected credit loss

As of 30 September 2020, the Bank and its subsidiaries reported the allowance for expected credit loss at THB48,371 million, which rose by 9.0% QoQ and 6.4% 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 observed the positive sign of repayment after the first batch resuming. Nonetheless, the allowance for expected credit loss was set at the prudent level, preparing for the future uncertainties.

Figure 14: Stage 3 loan (NPLs) and NPL ratio



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

Liabilities and Equity

As of 30 September 2020, total liabilities and equity on consolidated basis was reported at THB1,840,853 million, a decline of 2.8% QoQ and 0.9% from the end of December 2019.

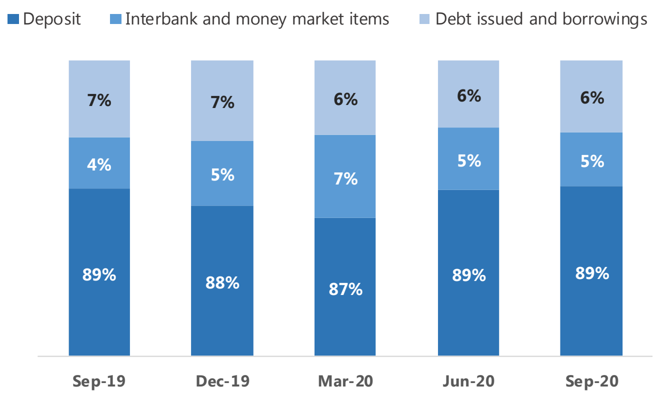
Total consolidated liabilities were THB1,637,925 million, contracting by 3.2% QoQ and 1.5% from 31 December 2019. Details of key figures are as follows;

- Total deposits were THB1,406,434 million which dropped by 2.5% QoQ but rose by 0.6% YTD. (see details in following section)
- Net interbank and money market items amounted to THB71,961 million which declined by 14.3% QoQ and 16.9% YTD, mainly due to the Bank's liquidity management.
- Borrowings was recorded at THB96,033 million which increased by 3.1% QoQ but decreased by 11.8% YTD. (see details in following section)

The consolidated equity was THB202,928 million, grew by 0.8% QoQ and 4.2% YTD mainly due to the accumulation of the net profit during the period.

Deposits was the largest composition of interest-bearing liabilities. As of 30 September 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 15: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

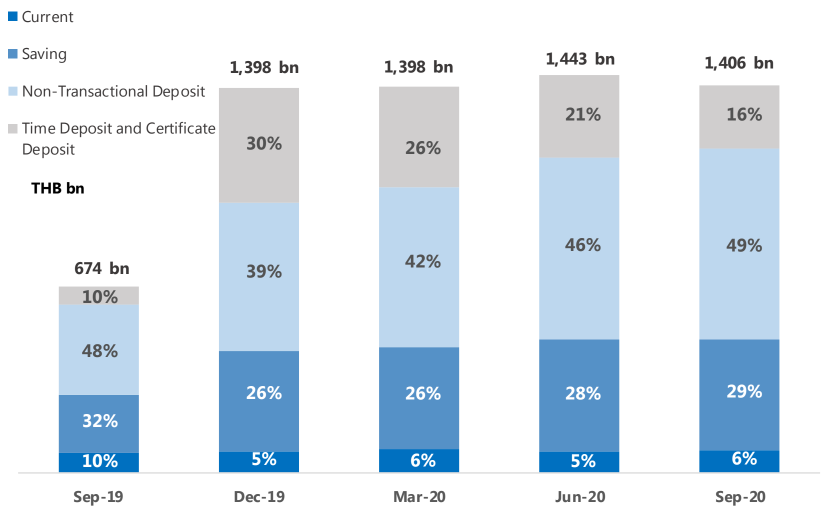
As of 30 September 2020, the Bank and its subsidiaries reported total deposits on consolidated basis of THB1,406,434 million which dropped by 2.5% from the previous quarter but expanded by 0.6% from the end of 2019. The QoQ reduction was mainly from both commercial and retail deposits which declined by 7.8% QoQ and 0.7% QoQ respectively.

Deposit breakdown by products

As of 30 September 2020, retail hybrid deposit continued to be the key leading. This was attributed to TMB No-Fixed which expanded noticeably by 7.3% QoQ and 38.5% YTD while Ultra Saving continued its growth momentum and rose further by 6.5% QoQ and 21.5% YTD. Retail transactional deposit also grew on track, supported by TMB All Free which registered 0.5% QoQ and 16.1% YTD growth. Nonetheless, Time Deposit and Certificate Deposit significantly dropped by 22.6% QoQ and 45.0% YTD, in line with balance sheet optimization by replacing high cost deposit with hybrid products. With the substantial volume in hybrid deposits created opportunity in converting retail deposits to other investment and protection products when market has appetite and activities are normalized.

As a result, retail deposit proportion expanded to 76% and commercial deposit represented 24% of total deposit. In terms of deposit structure after merger, overall, the ratio of non-transactional deposit to total deposit was reported at 49.2% while transactional deposit (CASA-excluded No-Fixed, ME Save and Ultra Saving) accounted for 34.4%, Time Deposit and Certificate Deposit accounted for 16.4% respectively.

Figure 16: Deposit structure by products



Note: Consolidated financial statement

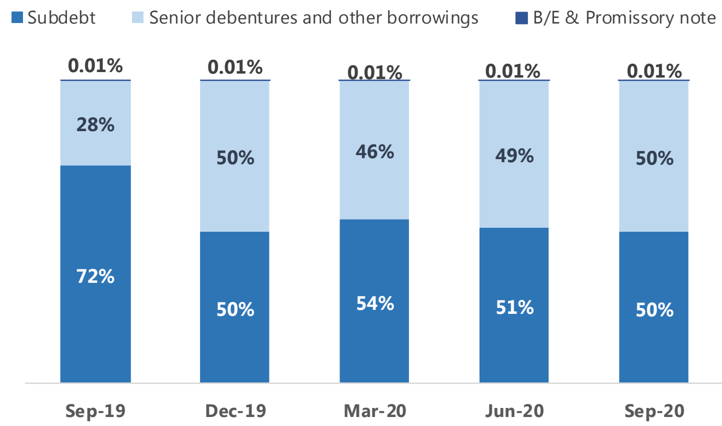
Remark: "TMB No Fixed", "ME" and "TBANK Ultra Saving" are classified as savings account as they are not required to maintain minimum balance and have no restriction to term of deposit, presented in this graph as Non-transactional deposit.

Borrowings

Borrowing increased due to currency translation of foreign denominated bonds

As of 30 September 2020, total borrowings of the Bank and its subsidiaries recorded at THB96,033 million which increased by 3.1% QoQ but dropped by 11.8% YTD. The QoQ increase was resulted from the currency conversion of foreign bonds as Thai Baht was depreciated while YTD change came from the redemption of TBANK's bond, amounting to THB31 billion, offsetting the issuance of TMB's EUR bond, amounting to THB15 billion. In terms of borrowing structure, 50% was sub-debt. This followed by senior debentures of 50% and BE of 0.01%.

Figure 17: 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 30 September 2020, on consolidated basis, total liquid assets represented 17.2% of the total assets. The liquid assets consisted cash (1.0%), interbank & money market items (12.6%), short-term investment (2.4%) and short-term financial assets designated at FVTPL (1.1%). In terms of loan to deposit ratio (LDR), the ratio, on consolidated basis was at 97%, marginally increased from 96% as of June 2020 but dropped from 100% from December 2019.

Figure 18: Liquid asset allocation and loan to deposit ratio

Liquid assets	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19
Cash	1.0%	1.0%	1.1%	1.3%	1.2%
Interbank and money market	12.6%	15.6%	11.6%	12.7%	14.5%
Short-term investment	2.4%	2.3%	3.5%	4.9%	5.0%
Short-term financial assets at FVTPL	1.1%	0.9%	1.9%	-	-
Liquid assets/Total assets	**17.2%**	**19.8%**	**18.1%**	**18.9%**	**20.7%**
Loan to deposit ratio (LDR)	**97%**	**96%**	**100%**	**100%**	**103%**

Note: Consolidated financial statement

Maintain high capital ratios under Basel III

The Bank consistently ensures robust capital base. As of 30 September 2020, Capital Adequacy Ratio (CAR) on consolidated basis under Basel III calculation was at 18.9%. While Tier 1 ratio and CET 1 ratio stayed at 14.8% and 13.8% 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 19: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

(as % to risk-weighted assets)	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19
Capital Adequacy Ratio (CAR)	**18.9%**	18.6%	18.8%	18.9%	20.0%
Tier I Ratio (Tier 1)	**14.8%**	14.6%	14.5%	14.6%	14.0%
Core Tier 1 Ratio (CET1)	**13.8%**	13.6%	13.5%	13.6%	14.0%

Note: Consolidated financial statement, prelim data

TMB's Financial Summary

(THB million)	3Q20	% QoQ	% YoY	9M20	%YoY
Net interest income (NII)	**13,227**	1.4%	113.1%	**40,286**	114.4%
Non-interest income (Non-NII)	**2,984**	-15.3%	-33.5%	**10,689**	14.7%
Non-interest expenses	**7,429**	-4.5%	44.8%	**23,536**	67.2%
Pre-provision operating profit (PPOP)	**8,809**	0.2%	47.2%	**27,462**	89.5%
Expected credit loss (ECL)	**6,863**	38.0%	N/A	**16,595**	N/A
Net profit to equity holders of the Bank	**1,619**	-47.7%	-23.3%	**8,877**	58.3%

(THB million)	30-Sep-20	30-Jun-20	% QoQ	31-Dec-19	%YTD
Total loan to customers	**1,363,162**	1,381,857	-1.4%	1,392,225	-2.1%
Total assets	**1,840,853**	1,893,152	-2.8%	1,858,190	-0.9%
Deposit	**1,406,434**	1,442,596	-2.5%	1,398,112	0.6%
Debt issued and borrowings, net	**96,033**	93,171	3.1%	108,835	-11.8%
Total liabilities	**1,637,925**	1,691,926	-3.2%	1,663,379	-1.5%
Total equity	**202,928**	201,226	0.8%	194,811	4.2%

Key ratios	3Q20	2Q20	3Q19	9M20	9M19
Net interest margin (NIM)	**2.92%**	2.88%	2.80%	**2.98%**	2.87%
Non-interest income to total assets	**0.64%**	0.75%	1.98%	**0.76%**	1.39%
Cost to income ratio	**46%**	47%	44%	**46%**	48%
Return on equity (ROE)	**3.4%**	6.2%	8.3%	**6.0%**	7.5%
Return on asset (ROA)	**0.4%**	0.7%	0.9%	**0.6%**	0.8%
NPL / Stage 3 (THB mn)	**36,747**	38,805	20,302	**36,747**	20,302
NPL ratio	**2.33%**	2.34%	2.52%	**2.33%**	2.52%
Credit cost (bps) - annualized	**199**	144	167	**160**	141
Loan to deposit ratio (LDR)	**97%**	96%	103%	**97%**	103%
LDR + Debt issued & borrowings	**91%**	90%	96%	**91%**	96%
Capital adequacy ratio (CAR)	**18.9%***	18.6%	20.0%	**18.9%***	20.0%
Tier 1 capital ratio (Tier 1)	**14.8%***	14.6%	14.0%	**14.8%***	14.0%
Core tier 1 capital ratio (CET 1)	**13.8%***	13.6%	14.0%	**13.8%***	14.0%
No. of employees	**17,443**	18,912	8,332	**17,443**	8,332
No. of branches	**771**	884	407	**771**	407
No. of ATMs + ADMs	**4,594**	4,706	2,060	**4,594**	2,060

*Note: * prelim data*

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.