

TMB Bank Public Company Limited
and its Subsidiaries

Financial statements for the year ended

31 December 2020

and

Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of TMB Bank Public Company Limited

Opinion

I have audited the consolidated and the Bank only financial statements of TMB Bank Public Company Limited and its subsidiaries (the "Group"), and of TMB Bank Public Company Limited (the "Bank"), respectively, which comprise the consolidated and the Bank only statements of financial position as at 31 December 2020, the consolidated and the Bank only statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and the Bank only financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the regulations of the Bank of Thailand.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and the Bank only Financial Statements* section of my report. I am independent of the Group and the Bank in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that are relevant to my audit of the consolidated and the Bank only financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and the Bank only financial statements of the current year. These matters were addressed in the context of my audit of the consolidated and the Bank only financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Allowance for expected credit loss for loans to customers	
For disclosures related to credit risk, loans to customers and allowance for expected credit loss for loans to customers, refer to notes 5, 7, 16 and 17 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
As at 31 December 2020, loans to customers represented 77.5% and 60.21% of the total assets of consolidated and the Bank only, respectively, against which allowances for expected credit losses (“ECL”) of Baht 52,978 million and Baht 31,940 million, respectively were provided. Management's estimation of ECL on loans to customers measured at amortised cost is based on credit models which are dependent on significant management judgements and estimates including establishing the criteria for determining whether credit risk has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL, selection of models used to measure ECL and consideration for post model adjustments. In particular, the ongoing economic situation and relief program provided to the customers resulting from COVID-19 adds further complexity to management's estimation process especially for consideration of post model adjustments. Accordingly, it is considered a Key Audit Matter.	In planning my audit procedures I performed a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors or customer segments, or other factors which could influence the judgments and estimates. I inspected of the Group and the Bank accounting policies and credit risk policy to determine whether this has been set up in accordance with the requirements of TFRS 9, the relevant Bank of Thailand notification and guidance. My audit procedures included testing the design and operating effectiveness of controls over model monitoring and post model adjustments. I sampled loans as identified in my risk assessment to perform credit review procedures, including a detailed review of the individual credit profile and other relevant information, from which I formed my own independent assessment. Selected key technical decisions, assumptions and model methodologies were tested, where appropriate, including involvement of my own credit risk specialists to inspect model documentation, model validation report performed by expert engaged by the Group and the Bank's management and back-testing results. I and my credit specialist assessed assumptions and methodology used by the management in the identification and estimation of post model adjustments. I assessed whether the financial statement disclosures are adequate and appropriately reflect the Bank and its subsidiaries' exposures to credit risk.
Valuation of financial instruments in the statements of financial position	

For disclosures related to financial instruments and fair values, refer to notes 8 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
As at 31 December 2020, financial assets measured at fair value in the consolidated and the Bank only financial statements amounted to Baht 149,477 million and Baht 84,462 million, respectively. Financial liabilities measured at fair value in the consolidated and the Bank only financial statements amounted to Baht 9,700 million and Baht 8,576 million, respectively. Of these amounts, as at 31 December 2020, financial assets and liabilities designated at level 2 and 3 fair value in the consolidated financial statements amounted to Baht 148,567 million and Baht 9,700 million respectively, and in the Bank only financial statements, they amounted to Baht 84,462 million and Baht 8,576 million respectively, for which the fair value is based upon inputs other than quoted prices in active markets or valuation techniques incorporating those inputs. Therefore, judgment is applied in the estimation of fair values. The use of different valuation techniques and assumptions could produce different estimates of fair value. Accordingly, it is considered a Key Audit Matter.	In planning my audit procedures I performed a risk assessment by considering the factors which could affect the fair value of financial instruments, both in terms of the inputs used for valuation and the appropriateness of valuation techniques applied. For financial instruments, I sampled to check for selected pricing inputs that were externally sourced and were correctly input into pricing models. I and my own valuation specialists assessed that the models and assumptions were appropriate and valued a selection of the Group's and the Bank's equity securities, debt securities, and derivative positions and compared their valuation to the Group's and the Bank's valuation on a sample basis. I assessed the adequacy of the disclosure in accordance with Thai Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and the Bank only financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and the Bank only financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and the Bank only financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the Bank only financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

Responsibilities of Management and Those Charged with Governance for the Consolidated and the Bank only Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and the Bank only financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and the Bank only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and the Bank only financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and the Bank only Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and the Bank only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and the Bank only financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and the Bank only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and the Bank only financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and the Bank only financial statements, including the disclosures, and whether the consolidated and the Bank only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and the Bank only financial statements of the current year and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Chanchai Sakulkoedsin)
 Certified Public Accountant
 Registration No. 6827

KPMG Phoomchai Audit Ltd.
 Bangkok
 24 February 2021

TMB Bank Public Company Limited and its subsidiaries
Statements of financial position

Assets	Note	Consolidated		Bank only	
		31 December		31 December	
		2020	2019	2020	2019
		(in thousand Baht)			
Cash		21,942,541	23,852,593	12,836,147	13,426,535
Interbank and money market items, net	12, 37	211,185,009	236,311,431	221,262,755	121,581,398
Financial assets measured at fair value through profit or loss	11	3,787,884	-	1,125,593	-
Derivative assets	13	11,959,166	10,399,080	10,012,947	7,394,611
Investments, net	14	134,350,737	166,264,819	73,322,721	60,507,036
Investments in subsidiaries and associates, net	15	8,599,132	8,953,266	158,851,759	168,062,145
Loans to customers and accrued interest receivables, net	16, 37	1,348,480,119	1,348,630,363	693,774,871	647,478,677
Properties for sale, net	18	6,037,212	4,809,518	3,150,007	2,738,073
Premises and equipment, net	19	24,038,714	23,642,382	13,755,268	13,116,145
Goodwill and other intangible assets, net	20	22,546,343	22,363,484	3,723,844	3,000,545
Deferred tax assets	21	1,980,185	1,495,622	2,818,086	2,331,399
Other assets, net	37	13,424,788	11,467,717	10,770,463	5,706,384
Total assets		1,808,331,830	1,858,190,275	1,205,404,461	1,045,342,948
Liabilities and equity					
Liabilities					
Deposits	22, 37	1,373,407,885	1,398,111,964	815,677,627	663,558,564
Interbank and money market items	23, 37	75,908,760	86,625,985	51,148,970	72,750,828
Liabilities payable on demand		3,894,675	3,382,081	2,897,675	2,361,742
Financial liabilities designated at fair value through profit or loss	24	431,884	417,774	431,884	417,774
Derivative liabilities	13	9,267,833	9,719,225	8,144,190	7,330,647
Debts issued and borrowings	25, 37	88,964,851	108,835,439	88,959,693	77,353,190
Provisions for employee benefits	26	4,366,292	5,149,671	2,517,106	1,727,687
Provisions for other liabilities	27	2,820,668	1,855,094	1,444,693	659,369
Deferred tax liabilities	21	3,500,501	4,729,838	-	-
Deferred revenue	28	20,884,682	18,186,197	19,261,556	16,450,378
Other liabilities	29, 37	20,134,074	26,365,526	11,468,558	11,617,999
Total liabilities		1,603,582,105	1,663,378,794	1,001,951,952	854,228,178

The accompanying notes are an integral part of these financial statements.

TMB Bank Public Company Limited and its subsidiaries
Statements of financial position

		Consolidated		Bank only	
		31 December		31 December	
Liabilities and equity	Note	2020	2019	2020	2019
		(in thousand Baht)			
Equity					
Share capital					
Authorised share capital					
106,223,552,373 ordinary shares of Baht 0.95 each	32	100,912,375	100,912,375	100,912,375	100,912,375
Issued and paid-up share capital					
96,409,416,880 ordinary shares of Baht 0.95 each					
(31 December 2019: 96,359,354,380 ordinary shares of Baht 0.95 each)	32	91,588,946	91,541,387	91,588,946	91,541,387
Premium on share capital		43,321,601	43,217,044	43,321,601	43,217,044
Other reserves		5,797,791	6,041,580	5,761,304	6,008,916
Retained earnings					
Appropriated					
Legal reserve	33, 34	10,091,000	3,360,000	10,091,000	3,360,000
Unappropriated		53,913,289	50,616,859	52,689,658	46,987,423
Equity attributable to equity holders of the Bank		204,712,627	194,776,870	203,452,509	191,114,770
Non-controlling interest		37,098	34,611	-	-
Total equity		204,749,725	194,811,481	203,452,509	191,114,770
Total liabilities and equity		1,808,331,830	1,858,190,275	1,205,404,461	1,045,342,948

Mr. Piti Tantakasem
Chief Executive Officer

Mr. Ekniti Nitithanprapas
Chairman of the Board

The accompanying notes are an integral part of these financial statements.

TMB Bank Public Company Limited and its subsidiaries
Statements of profit or loss and other comprehensive income

		Consolidated		Bank only	
		For the year ended		For the year ended	
		31 December		31 December	
	Note	2020	2019	2020	2019
		(in thousand Baht)			
Interest income	37, 40	72,320,505	39,836,787	31,900,177	36,324,503
Interest expenses	37, 41	18,515,133	12,971,567	10,266,296	11,729,913
Net interest income		53,805,372	26,865,220	21,633,881	24,594,590
Fees and service income	37, 42	15,920,822	11,342,976	10,405,452	10,488,314
Fees and service expenses	37, 42	5,345,953	3,245,226	2,824,832	2,952,151
Net fees and service income		10,574,869	8,097,750	7,580,620	7,536,163
Gains on trading and foreign exchange transactions, net	43	-	1,527,702	-	1,488,881
Losses on financial liabilities designated at fair value through profit or loss, net	44	-	(22,070)	-	(22,070)
Gains on financial instruments measured at fair value through profit or loss	45	1,726,164	-	1,396,437	-
Gains on investments, net	46	678,023	1,956,192	582,389	1,949,787
Share of profit from investment using equity method		362,746	324,407	-	-
Other operating income	15, 37	1,644,283	1,072,059	12,864,204	1,112,443
Total operating income		68,791,457	39,821,260	44,057,531	36,659,794
Other operating expenses					
Employee expenses	37	16,535,704	9,628,586	8,831,311	8,790,859
Directors' remuneration	37	66,355	48,443	54,228	48,023
Premises and equipment expenses		6,170,568	3,597,892	3,621,370	3,387,948
Taxes and duties		1,798,940	1,357,633	1,193,456	1,299,987
Others	37	7,050,946	6,041,818	3,859,533	5,477,074
Total other operating expenses		31,622,513	20,674,372	17,559,898	19,003,891
Impairment loss on loans and debt securities	47	-	10,336,853	-	8,985,609
Expected credit loss	48	24,831,331	-	13,433,601	-
Profit from operations before income tax		12,337,613	8,810,035	13,064,032	8,670,294
Income tax	21	2,222,805	1,587,549	209,459	1,571,046
Profit for the year		10,114,808	7,222,486	12,854,573	7,099,248
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Gains on remeasuring available-for-sale investments		-	423,190	-	365,081
Gains on investments in debt instruments at fair value through other comprehensive income		113,841	-	14,191	-
Losses on cash flow hedges		(20,863)	-	(68,422)	-
Losses arising from translating the financial statements of foreign operations		(20,801)	(41,422)	(20,801)	(41,422)
Income tax relating to items that will be reclassified subsequently to profit or loss	21	(14,435)	(76,354)	15,006	(64,732)
		57,742	305,414	(60,026)	258,927
Items that will not be reclassified subsequently to profit or loss					
Change in revaluation surplus on assets		(178,592)	1,338,233	(178,592)	1,338,233
Gains (losses) on investments in equity instruments designated at fair value through other comprehensive income		(186,862)	-	31,653	-
Actuarial gains (losses) on post-employment benefit plan	26	680,381	(111,790)	249,336	(55,826)
Income tax relating to items that will not be reclassified subsequently to profit or loss	21	(62,985)	(245,288)	(20,479)	(256,482)
		251,942	981,155	81,918	1,025,925
Total other comprehensive income for the year, net of income tax		309,684	1,286,569	21,892	1,284,852
Total comprehensive income for the year		10,424,492	8,509,055	12,876,465	8,384,100

The accompanying notes are an integral part of these financial statements.

TMB Bank Public Company Limited and its subsidiaries
Statements of profit or loss and other comprehensive income

Note	Consolidated		Bank only	
	For the year ended		For the year ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>(in thousand Baht)</i>			
Profit attributable to:				
Equity holders of the Bank	10,112,182	7,222,478	12,854,573	7,099,248
Non-controlling interest	2,626	8	-	-
Profit for the year	10,114,808	7,222,486	12,854,573	7,099,248
Total comprehensive income attributable to:				
Equity holders of the Bank	10,421,797	8,509,047	12,876,465	8,384,100
Non-controlling interest	2,695	8	-	-
Total comprehensive income for the year	10,424,492	8,509,055	12,876,465	8,384,100
Earnings per share				
49				
Basic earnings per share <i>(in Baht)</i>	0.1049	0.1485	0.1334	0.1460
Diluted earnings per share <i>(in Baht)</i>	0.1047	0.1485	0.1332	0.1460

Mr. Piti Tantakasem
Chief Executive Officer

Mr. Ekniti Nitithanprapas
Chairman of the Board

TMB Bank Public Company Limited and its subsidiaries

Statements of changes in equity

Consolidated														

The accompanying notes are an integral part of these financial statements.

TMB Bank Public Company Limited and its subsidiaries

Statements of changes in equity

		Bank only										
		Other reserves							Retained earnings			
		Translation adjustment arising from translating the financial statements of foreign operations, net										
		Issued and paid-up share capital	Premium on share capital	Other reserve - share-based payments	Revaluation surplus on assets, net	Revaluation surplus (deficit) on investments, net	Cash flow hedge reserve (effective portion)	Total other reserve	Legal reserve	Unappropriated	Total equity	
Note												
(in thousand Baht)												
Year ended 31 December 2019												
Balance at 1 January 2019		41,659,299	403,596	-	4,828,409	(37,311)	-	19,462	4,810,560	3,000,000	45,368,305	95,241,760
Transactions with owners, recorded directly in equity												
Distribution to owners of the bank												
	Issue of ordinary shares	32	49,882,088	42,813,448	-	-	-	-	-	-	-	92,695,536
	Dividend paid	34	-	-	-	-	-	-	-	(5,206,626)	(5,206,626)	
Total distribution to owners of the bank			49,882,088	42,813,448	-	-	-	-	-	(5,206,626)	87,488,910	
Comprehensive income for the year												
	Profit for the year		-	-	-	-	-	-	-	7,099,248	7,099,248	
	Other comprehensive income		-	-	-	1,070,586	292,064	-	(33,137)	1,329,513	(44,661)	1,284,852
Total comprehensive income for the year			-	-	-	1,070,586	292,064	-	(33,137)	1,329,513	7,054,587	8,384,100
	Transfer to legal reserve		-	-	-	-	-	-	-	360,000	(360,000)	-
	Transfer to retained earnings		-	-	-	(131,157)	-	-	(131,157)	-	131,157	-
Balance at 31 December 2019			91,541,387	43,217,044	-	5,767,838	254,753	-	(13,675)	6,008,916	46,987,423	191,114,770
Year ended 31 December 2020												
Balance at 1 January 2020 - as reported			91,541,387	43,217,044	-	5,767,838	254,753	-	(13,675)	6,008,916	46,987,423	191,114,770
	Impact of changes in accounting policies	3	-	-	-	-	195,053	(79,195)	-	115,858	87,311	203,169
Balance at 1 January 2020 - restated			91,541,387	43,217,044	-	5,767,838	449,806	(79,195)	(13,675)	6,124,774	47,074,734	191,317,939
Transactions with owners, recorded directly in equity												
Contributions by and distribution to owners of the bank												
	Price adjustment from merger	31	-	105,072	-	-	-	-	-	-	-	105,072
	Issued ordinary shares to employees	31	47,559	(515)	69,563	-	-	-	-	69,563	-	116,607
	Dividend paid	34	-	-	-	-	-	-	-	-	(963,574)	(963,574)
Total contributions by and distribution to owners of the bank			47,559	104,557	69,563	-	-	-	-	69,563	(963,574)	(741,895)
Comprehensive income for the year												
	Profit for the year		-	-	-	-	-	-	-	-	12,854,573	12,854,573
	Other comprehensive income		-	-	-	(142,873)	36,675	(54,737)	(16,641)	(177,576)	199,468	21,892
Total comprehensive income for the year			-	-	-	(142,873)	36,675	(54,737)	(16,641)	(177,576)	13,054,041	12,876,465
	Transfer to legal reserve		-	-	-	-	-	-	-	6,731,000	(6,731,000)	-
	Transfer to retained earnings		-	-	-	(255,457)	-	-	-	(255,457)	255,457	-
Balance at 31 December 2020			91,588,946	43,321,601	69,563	5,369,508	486,481	(133,932)	(30,316)	5,761,304	52,689,658	203,452,509

The accompanying notes are an integral part of these financial statements.

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows

	Consolidated		Bank only	
	For the year ended		For the year ended	
	31 December		31 December	
	2020	2019	2020	2019
	(in thousand Baht)			
Cash flows from operating activities				
Profit from operations before income tax	12,337,613	8,810,035	13,064,032	8,670,294
Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities				
Depreciation and amortisation	4,311,547	1,729,516	1,997,087	1,576,892
Impairment loss on loans and debt securities	-	10,336,853	-	8,985,609
Expected credit loss	24,831,331	-	13,433,601	-
Impairment loss on premises and equipment (reversal of)	22,586	(68,020)	22,586	(68,020)
Impairment loss on properties for sale and other assets	3,863	578,615	101,119	587,857
Reversal of impairment loss on intangible assets	(30,365)	-	-	-
Provisions for liabilities	352,612	661,215	223,262	576,987
Impairment losses on investment	-	-	9,300,000	-
Losses (gains) on revaluation of investments measured at FVTPL	(28,702)	-	3,377	-
Gains on revaluation of investments	-	(4,624)	-	(2,900)
Losses on disposal of intangible assets	17,265	14,457	-	14,457
Losses (gains) on disposal of premises and equipment	18,908	(79,811)	(27,608)	(79,957)
Gains on disposal of investments	(678,023)	(1,956,192)	(582,389)	(1,949,787)
Unrealised losses on remeasurement of financial liabilities designated at fair value through profit or loss	-	22,070	-	22,070
Unrealised gains on exchange rate	(288,746)	(289,287)	(228,775)	(282,178)
Expenses in relation to share-based payments	69,563	-	69,563	-
Share of profit from investments accounted for using the equity method	(362,746)	(324,407)	-	-
Deferred revenue	(2,830,754)	(1,939,836)	(1,865,333)	(1,939,492)
Net interest income	(53,805,372)	(26,865,220)	(21,633,881)	(24,594,590)
Dividend income	(83,608)	(260,635)	(20,716,282)	(165,510)
Interest received	65,774,962	38,639,377	26,725,525	35,016,423
Interest paid	(19,955,127)	(11,078,110)	(8,710,009)	(9,954,122)
Income tax paid	(8,340,599)	(2,792,247)	(2,098,367)	(2,770,286)
Profit from operations before changes in operating assets and liabilities	21,336,208	15,133,749	9,077,508	13,643,747
Decrease (increase) in operating assets				
Interbank and money market items	25,540,507	42,463,974	(99,635,174)	(8,036,213)
Financial assets measured at fair value through profit or loss	3,504,828	-	3,924,190	-
Trading investments	-	(3,999,183)	-	(3,572,630)
Loans to customers	(23,733,175)	(9,525,419)	(54,952,084)	(2,518,524)
Properties for sale	4,699,305	778,007	(1,352,747)	14,418
Other assets	1,548,995	(533,496)	292,559	(760,328)
Increase (decrease) in operating liabilities				
Deposits	(24,659,099)	5,193,189	152,087,006	13,966,878
Interbank and money market items	(10,717,225)	(26,658,812)	(21,601,858)	8,484,239
Liabilities payable on demand	512,595	(1,857,380)	535,933	(1,142,998)
Financial liabilities designated at fair value through profit or loss	12,398	(856)	12,398	(856)
Provisions for other liabilities	(2,727,815)	(1,746,120)	(1,322,162)	(1,746,120)
Other accrued expenses	108,918	(807,541)	(208,626)	(836,732)
Other liabilities	1,961,946	1,069,444	3,463,844	744,166
Net cash provided by (used in) operating activities	(2,611,614)	19,509,556	(9,679,213)	18,239,047

The accompanying notes are an integral part of these financial statements.

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows

	Consolidated		Bank only	
	For the year ended		For the year ended	
	31 December		31 December	
	2020	2019	2020	2019
	(in thousand Baht)			
Cash flows from investing activities				
Interest received	2,048,416	1,228,474	843,392	1,134,898
Dividend received	800,487	405,345	20,716,282	165,510
Purchase of investments measured at FVOCI	(160,923,125)	-	(92,967,965)	-
Proceeds from investments measured at FVOCI	186,172,238	-	75,805,272	-
Purchase of available-for-sale investments	-	(78,464,603)	-	(68,206,579)
Proceeds from sales of available-for-sale investments	-	111,714,424	-	98,030,534
Purchase of held to maturity debt securities	-	(18,617,054)	-	(18,455,734)
Proceeds from redemption of matured held to maturity debt securities	-	7,716,086	-	7,716,086
Purchase of general investments	-	(34,175)	-	(34,175)
Proceeds from sales of general investments	-	78,535	-	78,535
Purchase of investments in subsidiaries	(859,445)	(167,070,371)	(859,445)	(167,070,371)
Purchase of premises and equipment	(1,877,279)	(1,249,684)	(1,662,519)	(1,057,873)
Purchase of intangible assets	(1,803,637)	(1,171,024)	(1,598,732)	(1,046,292)
Proceeds from disposals of premises and equipment	1,917,135	206,749	1,918,621	206,222
Net cash provided by (used in) investing activities	25,474,790	(145,257,298)	2,194,906	(148,539,239)
Cash flows from financing activities				
Proceeds from long-term borrowings	12,741	20,000	12,741	20,000
Repayments of long-term borrowings	(10,223)	(13,559)	(10,223)	(13,559)
Interest paid on long-term debts issued and borrowings	(2,324,191)	(1,850,208)	(2,161,887)	(1,850,208)
Cash receipts on debenture issued	14,945,198	59,660,509	14,945,198	59,660,509
Cash paid for redemption of debenture	(36,559,650)	(19,622,490)	(5,059,650)	(16,622,490)
Increase in issued and fully paid-up - ordinary shares	152,116	92,549,470	152,116	92,549,470
Dividend paid to equity holders of the Bank	(968,418)	(5,206,626)	(963,575)	(5,206,626)
Net cash provided by (used in) financing activities	(24,752,427)	125,537,096	6,914,720	128,537,096
Change in translation adjustments of foreign operations	(20,801)	(41,422)	(20,801)	(41,422)
Net decrease in cash	(1,910,052)	(252,068)	(590,388)	(1,804,518)
Cash at 1 January / 4 December for a subsidiary acquisition through business combination	23,852,593	24,104,661	13,426,535	15,231,053
Cash at 31 December	21,942,541	23,852,593	12,836,147	13,426,535

The accompanying notes are an integral part of these financial statements.

TMB Bank Public Company Limited and its subsidiaries

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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 24 February 2021.

1 General information

TMB Bank Public Company Limited, (the “Bank”), is incorporated in Thailand and has its registered office at 3000 Phahonyothin Road, Chomphon, Chatuchak, Bangkok.

The Bank was listed on the Stock Exchange of Thailand on 23 December 1983.

The principal business of the Bank is operating commercial banking businesses. The subsidiaries are incorporated under Thai laws and have been operating in Thailand, with core businesses being commercial banking and provision of asset management. Details of the Bank’s subsidiaries and associates as at 31 December 2020 and 2019 are given in note 15.

2 Basis of preparation of the financial statements

2.1 Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards; guidelines promulgated by the Federation of Accounting Professions and; applicable rules and regulations of the Thai Securities and Exchange Commission and the Bank of Thailand (“BoT”) notification number Sor Nor Sor 21/2561, regarding to *Preparation and Announcement of Financial Statements of a Commercial Bank and a Holding Company that is the Parent Company of a Financial Group*; and other additional BoT notification including the following BoT circular:

- BoT. For Nor Sor. (23) Wor.276/2563 dated 28 Feb 2020, regarding “Debt relief programs for debtors affected by situations having adverse impacts to Thai economy” which details are given in note 5.

The Bank and its subsidiaries have initially applied TFRS 9 *Financial Instruments* (“TFRS 9”) and its relevant financial instruments accounting standards including TFRS 16 *Leases* and disclosed the impact from changes to significant accounting policies in note 3.

In addition, the Bank and its subsidiaries have not early adopted a number of new and revised TFRSs, which are not yet effective for the current period in preparing these financial statements. The Bank and its subsidiaries have assessed the potential initial impact on the financial statements of these new and revised TFRSs and expect that there will be no material impact on the financial statements in the period of initial application.

2.2 *Functional and presentation currency*

The financial statements are prepared and presented in Thai Baht, which is the Bank and its subsidiaries' functional currency. All financial information is presented in Thai Baht and has been rounded to the nearest thousand and in the notes to financial statements to the nearest million unless otherwise stated.

2.3 *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2.3.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

Note 7 Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL), selection and approval of models used to measure ECL and consideration for post model adjustments.

2.3.2 Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 5 and 7 Impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;

Note 8 Measurement of the fair value of financial instruments with significant unobservable inputs.

3 Changes in accounting policies

From 1 January 2020, the Bank and its subsidiaries have initially applied TFRS Financial Instruments standards which comprise TFRS 9 and relevant standards and interpretations, and TFRS 16. The Bank and its subsidiaries adopted TFRS - Financial instruments standards except for the debtors under relief program as mentioned in note 5.

Impact of changes in accounting policies to the consolidated and Bank only statements of financial position as at 1 January 2020 were as follows:

	Consolidated			
	31 December	TFRS -		1 January
	2019 -	Financial	TFRS 16	2020 -
	as reported	instruments	Leases	as restated
		standards		
		(in million Baht)		
Assets				
Cash	23,853	-	-	23,853
Interbank and money market items, net	236,311	146	-	236,457
Financial assets measured at fair value through profit or loss	-	7,291	-	7,291
Derivative assets	10,399	(70)	-	10,329
Investments, net	166,265	(6,956)	-	159,309
Investments in subsidiaries and associates, net	8,953	-	-	8,953
Loans to customers and accrued interest receivable, net	1,348,630	590	-	1,349,220
Properties for sales, net	4,810	-	-	4,810
Premises and equipment, net	23,642	-	3,145	26,787
Goodwill and other intangible assets, net	22,363	-	112	22,475
Deferred tax assets	1,496	885	-	2,381
Other receivables, net	4,969	(3)	-	4,966
Other assets, net	6,499	304	-	6,803
Total assets	1,858,190	2,187	3,257	1,863,634
Liabilities				
Deposits	1,398,112	-	-	1,398,112
Interbank and money market items	86,626	-	-	86,626
Liabilities payable on demand	3,382	-	-	3,382
Financial liabilities designated at fair value through profit or loss	418	-	-	418
Derivative liabilities	9,719	(34)	-	9,685
Debts issued and borrowings	108,835	50	-	108,885
Provisions for employee benefits	5,150	-	-	5,150
Provisions for other liabilities	1,855	1,151	-	3,006
Deferred tax liabilities	4,730	(55)	-	4,675
Deferred revenue	18,186	-	-	18,186
Other liabilities	26,366	814	3,257	30,437
Total liabilities	1,663,379	1,926	3,257	1,668,562

TMB Bank Public Company Limited and its subsidiaries

Notes to the financial statements

For the year ended 31 December 2020

	31 December 2019 - as reported	Consolidated TFRS - Financial instruments standards TFRS 16 <i>Leases</i> (in million Baht)		1 January 2020 - as restated
Equity				
Issued and paid-up share capital	91,541	-	-	91,541
Premium on share capital	43,217	-	-	43,217
Other reserves	6,041	163	-	6,204
Retained earnings - legal reserve	3,360	-	-	3,360
Retained earnings - unappropriated	50,617	98	-	50,715
Non-controlling interest	35	-	-	35
Total equity	194,811	261	-	195,072
Total liabilities and equity	1,858,190	2,187	3,257	1,863,634

	31 December 2019 - as reported	Bank only TFRS - Financial instruments standards TFRS 16 <i>Leases</i> (in million Baht)		1 January 2020 - as restated
Assets				
Cash	13,427	-	-	13,427
Interbank and money market items, net	121,581	23	-	121,604
Financial assets measured at fair value through profit or loss	-	5,026	-	5,026
Derivative assets	7,395	(68)	-	7,327
Investments, net	60,507	(4,705)	-	55,802
Investments in subsidiaries and associates, net	168,062	-	-	168,062
Loans to customers and accrued interest receivable, net	647,479	645	-	648,124
Properties for sales, net	2,738	-	-	2,738
Premises and equipment, net	13,116	-	1,131	14,247
Goodwill and other intangible assets, net	3,001	-	112	3,113
Deferred tax assets	2,331	885	-	3,216
Other receivables, net	1,640	(3)	-	1,637
Other assets, net	4,066	123	-	4,189
Total assets	1,045,343	1,926	1,243	1,048,512

	Bank only			
	31 December	TFRS -		1 January
	2019 -	Financial	TFRS 16	2020 -
	as reported	instruments	Leases	as restated
		standards		
		(in million Baht)		
Liabilities				
Deposits	663,559	-	-	663,559
Interbank and money market items	72,751	-	-	72,751
Liabilities payable on demand	2,362	-	-	2,362
Financial liabilities designated at fair value through profit or loss	418	-	-	418
Derivative liabilities	7,331	(8)	-	7,323
Debts issued and borrowings	77,353	75	-	77,428
Provisions for employee benefits	1,728	-	-	1,728
Provisions for other liabilities	659	765	-	1,424
Deferred revenue	16,450	-	-	16,450
Other liabilities	11,618	891	1,243	13,752
Total liabilities	854,229	1,723	1,243	857,195
Equity				
Issued and paid-up share capital	91,541	-	-	91,541
Premium on share capital	43,217	-	-	43,217
Other reserves	6,009	116	-	6,125
Retained earnings - legal reserve	3,360	-	-	3,360
Retained earnings - unappropriated	46,987	87	-	47,074
Total equity	191,114	203	-	191,317
Total liabilities and equity	1,045,343	1,926	1,243	1,048,512

3.1 TFRS - Financial instruments standards

The Bank and its subsidiaries have adopted TFRS 9 *Financial Instruments* and relevant financial instruments standards using the cumulative effect, taking into account the effect of initially applying this standard only to financial instruments that were not derecognised before 1 January 2020 as an adjustment to retained earnings or other reserves at 1 January 2020. Therefore, the Bank and its subsidiaries have not restated the information presented for 2019. The disclosure requirements of TFRS for financial instruments have not generally been applied to comparative information.

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. The details of accounting policies are disclosed in note 4.

3.1.1 Classification and measurement of financial assets and financial liabilities

Under TFRS 9, financial assets are classified into three categories: measured at amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification is based on the cash flow characteristics of the financial asset and the business model in which they are managed. However, the Bank and its subsidiaries may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL. TFRS 9 eliminates the previous classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105.

TMB Bank Public Company Limited and its subsidiaries

Notes to the financial statements

For the year ended 31 December 2020

The following table and the accompanying notes below explain the original measurement categories and the new measurement categories under TFRS 9 for each class of the Bank and its subsidiaries' financial assets and financial liabilities as at 1 January 2020.

		Consolidated		
	Classification at 31 December 2019	Classification under TFRS9	Carrying amount at 31 December 2019 (in million Baht)	Carrying amount under TFRS 9 at 1 January 2020
Financial assets				
Cash	-	Amortised cost	23,853	23,853
Interbank and money market items	-	Amortised cost	236,447	236,447
Derivative assets - trading book	FVTPL	FVTPL	9,614	9,614
Derivative assets - banking book	-	FVTPL	785	715
Investment securities - debt	Held-for-trading	FVTPL	6,576	6,576
Investment securities - debt	Available- for-sale	FVOCI	157,264	157,264
Investment securities - debt	Held-to- maturity	Amortised cost	683	683
Investment securities - equity	Available- for-sale	FVTPL - debt	453	453
Investment securities - equity	Available- for-sale	FVTPL	2	2
Investment securities - equity	Available- for-sale	FVOCI	674	674
Investment securities - equity	Cost	FVTPL	259	260
Investment securities - equity	Cost	FVOCI	354	688
Loan to customers and accrued interest receivables	-	Amortised cost	1,392,225	1,391,761
Other financial assets	-	Amortised cost	9,970	10,277
Total financial assets			1,839,159	1,839,267
Financial liabilities				
Deposits	-	Amortised cost	1,398,112	1,398,112
Interbank and money market items	-	Amortised cost	86,626	86,626
Liabilities payable on demand	-	Amortised cost	3,382	3,382
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	418	418
Derivative liabilities - trading book	FVTPL	FVTPL	9,615	9,615
Derivative liabilities - banking book	-	FVTPL	104	70
Debts issued and borrowings	-	Amortised cost	108,835	108,885
Other financial liabilities	-	Amortised cost	26,157	25,955
Total financial liabilities			1,633,249	1,633,063

TMB Bank Public Company Limited and its subsidiaries

Notes to the financial statements

For the year ended 31 December 2020

	Bank only			Carrying amount under TFRS 9 at 1 January 2020
	Classification at 31 December 2019	Classification under TFRS9	Carrying amount at 31 December 2019	
			(in million Baht)	
Financial assets				
Cash	-	Amortised cost	13,427	13,427
Interbank and money market items	-	Amortised cost	121,594	121,594
Derivative assets - trading book	FVTPL	FVTPL	7,309	7,309
Derivative assets - banking book	-	FVTPL	86	18
Investment securities - debt	Held-for-trading	FVTPL	4,868	4,868
Investment securities - debt	Available-for-sale	FVOCI	55,375	55,375
Investment securities - equity	Available-for-sale	FVTPL	2	2
Investment securities - equity	Cost	FVTPL	82	156
Investment securities - equity	Cost	FVOCI	180	427
Loan to customers and accrued interest receivables	-	Amortised cost	671,603	671,480
Other financial assets	-	Amortised cost	4,600	4,723
Total financial assets			879,126	879,379
Financial liabilities				
Deposits	-	Amortised cost	663,559	663,559
Interbank and money market items	-	Amortised cost	72,751	72,751
Liabilities payable on demand	-	Amortised cost	2,362	2,362
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	418	418
Derivative liabilities - trading book	FVTPL	FVTPL	7,281	7,281
Derivative liabilities - banking book	-	FVTPL	50	42
Debts issued and borrowings	-	Amortised cost	77,353	77,428
Other financial liabilities	-	Amortised cost	11,523	11,481
Total financial liabilities			835,297	835,322

3.1.2 Impairment

TFRS 9 introduces lifetime expected credit loss (ECL) model whereas previously the Bank and its subsidiaries estimate allowance for doubtful accounts by analysing payment histories, future expectation of customer payment and compliance with the minimum allowance for doubtful accounts required based on the BoT's guideline. TFRS 9 requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets that are not measured at FVTPL consisted with financial assets that are debt instrument, lease receivables, financial guarantee and loan commitment issued except for investments in equity instruments.

	31 December 2019	Consolidated Remeasure- ment (in million Baht)	1 January 2020
<i>Financial assets under scope of TFRS 9's impairment</i>			
Interbank and money market items	210	(146)	64
Investments in debt instruments measured at FVOCI and amortised cost	53	58	111
Loans to customers and accrued interest receivables	45,477	(1,054)	44,423
Other financial assets	354	(9)	345
Loan commitments and financial guarantee	338	1,151	1,489
Total	46,432	-	46,432

	31 December 2019	Bank only Remeasure- ment (in million Baht)	1 January 2020
<i>Financial assets under scope of TFRS 9's impairment</i>			
Interbank and money market items	61	(23)	38
Investments in debt instruments measured at FVOCI	53	20	73
Loans to customers and accrued interest receivables	25,409	(768)	24,641
Other financial assets	299	6	305
Loan commitments and financial guarantee	338	765	1,103
Total	26,160	-	26,160

3.2 TFRS 16 Leases

From 1 January 2020, the Bank and its subsidiaries have initially adopted TFRS 16 *Leases* ("TFRS 16") on contracts previously identified as leases according to TAS 17 *Leases* ("TAS 17") and TFRIC 4 *Determining whether an arrangement contains a lease* ("TFRIC 4") using the modified retrospective approach.

Previously, the Bank and its subsidiaries, as a lessee, recognised payments made under operating leases in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Bank and its subsidiaries assess whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Bank and its subsidiaries allocate the consideration in the contract based on stand-alone selling price (transaction price). As at 1 January 2020, the Bank and its subsidiaries recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Bank and its subsidiaries recognised depreciation of right-of-use assets and interest expense on lease liabilities.

The following table shows the measurement of lease liability as at 1 January 2020.

	Consolidated (in million Baht)	Bank only
Operating lease commitments disclosed as at 31 December 2019	3,429	1,272
Recognition exemption for short-term leases	(40)	-
Recognition exemption for leases of low-value assets	(77)	-
Extension and termination options reasonably certain to be exercised	20	-
	<u>3,332</u>	<u>1,272</u>
Discounting using the incremental borrowing rate as at 1 January 2020	(75)	(29)
Lease liabilities recognised as at 1 January 2020	<u>3,257</u>	<u>1,243</u>
Weighted-average incremental borrowing rate (% per annum)	<u>1.71</u>	<u>1.68</u>

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as stated in note 3.

4.1 Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as “the Bank and its subsidiaries”)

Business combinations

The Bank and its subsidiaries’s apply the acquisition method for all business combinations when control is transferred to the Bank and its subsidiaries, as described in subsidiaries section, other than those with entities under common control.

The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any gain on bargain purchase is recognised in profit or loss immediately.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Bank and its subsidiaries to the previous owners of the acquiree, and equity interests issued by the Bank and its subsidiaries. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Bank and its subsidiaries incur in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

Acquisitions from entities under common control

Business combination under common control are accounted for using a method similar to the pooling of interest method. Under that method the acquirer recognizes assets and liabilities of the acquired businesses at their carrying amounts in the consolidated financial statements of the ultimate parent company at the moment of the transaction. The difference between the carrying amount of the acquired net assets and the consideration transferred is recognised as surplus or discount from business combinations under common control in equity. The surplus or discount will be transferred to retained earnings upon divestment or dissolution of the businesses acquired.

The results from operations of the acquired businesses will be included in the consolidated financial statements of the acquirer from the beginning of the comparative period or the moment the businesses came under common control, whichever date is later, until control ceases.

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank and its subsidiaries control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiaries' financial statements are prepared using the same significant accounting policies as the Bank.

Non-controlling interests

At the acquisition date, the Bank and its subsidiaries measure any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Bank and its subsidiaries interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Bank and its subsidiaries lose control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss from loss of control over a subsidiary is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Bank and its subsidiaries' interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Bank and its subsidiaries have significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Bank and its subsidiaries' share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Significant intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Bank and its subsidiaries' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include the accounts of the Head Office, all domestic and overseas branches and the Bank and its subsidiaries. All inter-company transactions and balances within this Group have been eliminated.

4.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate announced by the Bank of Thailand at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Equity investments that have been elected to be measured at FVOCI (from 1 January 2020)
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (from 1 January 2020)
- Qualifying cash flow hedges to the extent that the hedge is effective (from 1 January 2020)

Foreign operations

The assets and liabilities of foreign operations are translated into Thai Baht at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Thai Baht at the exchange rates at the dates of the transactions.

The financial statements of overseas branches are translated into Thai Baht at the reference rates announced by the Bank of Thailand at the reporting dates. Foreign exchange differences arising on translation are recognised in other comprehensive income until dissolution of the branch's business.

4.3 Cash

Cash includes cash in hand and cash on collection.

4.4 Financial instruments

4.4.1 Accounting policies applicable from 1 January 2020

Financial instruments in the statements of financial position include cash, interbank and money market items (assets), derivatives, debt investment, equity investment, loan to customers, deposits, interbank and money market (liabilities), liabilities payable on demand, debts issued and borrowings and other financial assets and liabilities.

4.4.1.1 Recognition and initial measurement

The Bank and its subsidiaries initially recognise financial instruments (including regular-way purchases and sales of financial assets) on the trade date, which is the date on which the Bank and its subsidiaries become a party to the contractual provisions of the instrument except for investment in debt instruments which are recognised on the settlement date.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

4.4.1.2 Derecognition

Derecognition of financial assets

The Bank and its subsidiaries derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank and its subsidiaries neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank and its subsidiaries are recognised as a separate asset or liability.

Disposal of investments

For debt and equity securities, cost of both investments sold and those still held are determined using the weighted average method.

Derecognition of financial liabilities

The Bank and its subsidiaries derecognise a financial liability when its contractual obligations are discharged or cancelled or expire.

4.4.1.3 Classification and measurement of financial instruments

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

Financial assets - debt instruments

Classification of debt instruments included loan and investments in debt securities depend on Business model assessment and assessment of whether contractual cash flows are solely payments of principle and interest.

Business model assessment

The Bank and its subsidiaries make an assessment of the objective of a business model in which an asset is held. The information considered includes:

- the stated policies and objectives for the financial assets and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the financial asset is evaluated and reported to the Bank and its subsidiaries' management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank and its subsidiaries' stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principle and interest

In assessing whether the contractual cash flows are SPPI, the Bank and its subsidiaries consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank and its subsidiaries consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- terms that limit the Bank and its subsidiaries' claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Based on business model and the contractual term of cash flows assessment, there are three categories into which the Bank and subsidiaries classify and measure debt instruments:

Amortised cost

Debt instruments are measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Debt instruments measured at amortised cost is initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method adjusted by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair value through Other Comprehensive income (FVOCI)

Debt instruments are measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

For debt instruments measured at FVOCI, these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Fair value through Profit or loss (FVTPL)

Unless debt instruments are classified as measured at amortised cost or FVOCI, debt instruments are classified as measured at FVTPL.

On initial recognition, the Bank and subsidiaries may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For debt instruments measured at FVTPL, these assets are subsequently measured at fair value. Net gains and losses, including any interest are recognised in profit or loss.

Financial assets - Equity instruments

All equity instruments included equity investment measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Bank and subsidiaries may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Unless equity investments are elected to present subsequent changes in fair value in OCI, equity instruments are classified as measured at FVTPL.

For equity instruments measured at FVTPL, these assets are subsequently measured at fair value. Net gains and losses, including any dividend income are recognised in profit or loss.

For equity instruments measured at FVOCI, these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank and its subsidiaries change its business model for managing financial assets.

Classification of financial liabilities

On initial recognition, financial instrument is classified as financial liability in accordance with the substance of the contractual arrangement.

The Bank and its subsidiaries classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

The Bank and its subsidiaries have designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities designated at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

For financial liabilities measured at amortised cost, these liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

4.4.1.4 Interest recognition

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired financial assets, the Bank and its subsidiaries estimate future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4.4.1.5 Modifications of financial assets and financial liabilities

Modifications of financial assets

If the terms of a financial asset are modified, then the Bank and its subsidiaries evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank and its subsidiaries first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

4.4.1.6 Impairment of financial assets

The Bank and its subsidiaries recognise loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL and no impairment loss is recognised on equity investments.

Measurement of ECL

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information. This includes forward-looking information.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows in accordance with the contract and the cash flows that the Bank and its subsidiaries expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank and its subsidiaries if the commitment is drawn down and the cash flows that the Bank and its subsidiaries expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank and its subsidiaries expect to recover.

Estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD).

Staging

For ECL recognition, financial assets are classified in any of the below 3 stages at each reporting date. A financial asset can move between stages during its lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

- Stage 1: Financial assets that have not had a significant increase in credit risk

Financial assets that have not had a significant increase in credit risk (SICR) since initial recognition (i.e. no Stage 2 or 3 triggers apply) or debt investment that considered to have low credit risk at each reporting date with the exception of purchased or originated credit impaired (POCI) assets. The provision for ECL is 12-month ECL. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

- Stage 2: Financial assets have a SICR

When financial assets have a SICR since initial recognition, expected credit losses are recognised for possible default events over the lifetime of the financial assets. SICR is assessed by using a number of quantitative and qualitative factors that are significant to the increase in credit risk. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

- Stage 3: Lifetime ECL credit impaired

Financial assets that are credit-impaired or in default represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the customers are unlikely to repay on the occurrence of one or more observable events that have a negative impact on the estimated future cash flows of the financial assets.

Expected credit losses of credit-impaired financial assets are determined based on the difference between the present value of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate, discounted with the financial assets' original effective interest rate, and the gross carrying value of the financial assets prior to any credit impairments.

Improvement in credit risk

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

Financial asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired.

Loss allowances for ECL are presented in the statement of financial position

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision; and

- financial assets measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, expected credit loss is recognised in profit or loss.

4.4.1.7 *Derivative held for risk management purposes and hedge accounting*

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank and its subsidiaries designate certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank and its subsidiaries formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank and its subsidiaries makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a specific range. For a cash flow hedge of a forecast transaction, the Bank and its subsidiaries make an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

These hedging relationships are discussed below.

Fair value hedge

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

If the hedged cash flows are no longer expected to occur, then the Bank and its subsidiaries immediately reclassify the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss;

if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Bank and its subsidiaries reclassify the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

Hedge of derivative which not measured at fair value

The Bank and its subsidiaries recognise hedge transactions on an accrual basis. Hedge instrument is recognised on an accrual basis.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank and its subsidiaries account for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form a part of a qualifying cash flow or net investment hedging relationship.

4.4.2 Accounting policies applicable before 1 January 2020

4.4.2.1 Loans

Overdrafts are stated at the principal amounts including accrued interest receivables. Certain overdrafts for which special notice has been served on the borrower and other loans are stated at the principal amount. Unearned discounts received in advance are presented as a deduction from the loans.

Hire purchase and finance lease receivables are stated at the outstanding balance, net of unearned interest income. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of the contracts.

4.4.2.2 Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on relevant BoT's criteria and regulations. The allowance for doubtful accounts includes (a) an allowance determined at the minimum percentage as specified in the BoT's notifications, (b) an allowance in excess of such minimum percentage as specified in the BoT's notifications to cover losses incurred but not yet reported and (c) an additional provision following its business plan and management of non-performing loans. The allowance for doubtful accounts is calculated based on the shortfall between the carrying value of the outstanding debts and the present value of future cash flows expected to be collected from debtors or from the disposal of the underlying collateral, which is determined in accordance with the BoT's notifications.

The allowance in excess of such minimum percentage as specified in the BoT's notifications to cover losses incurred but not yet reported is determined, taking into accounts the relevant factors such as the types of lendings, historical loss, the debtor's credit risk, management's experience and so on. The additional provision is determined, taking into accounts the debtor's payment ability, the expected amount to be collected from the underlying collateral and debt management plan etc.

Any additional allowances for doubtful accounts are charged to expense in each accounting period. The Bank and its subsidiaries write off bad debts against the allowance for doubtful accounts for uncollectible amounts and bad debts recovered (principal portion) are credited to the allowance for doubtful accounts.

Subsidiary operating banking business sets provision for hire purchase receivable - personal using the collective approach, which classifies groups of receivables having similar credit risk characteristics and taking into account the historical loss of loans calculated based on the probability of default and a percentage of the loss given default. Furthermore, subsidiary has set aside an additional provision by taking into consideration the potential additional loss arising from changes in economic circumstances that may impact certain borrowers' ability to pay. This methodology, its parameters and assumptions have been reviewed in detail and will be monitored on an ongoing basis for continued applicability.

4.4.2.3 *Troubled debt restructuring*

Troubled debt restructuring can involve any one of the following: modification of repayment terms, a reduction in the debt amount, asset disposition for debt settlement, asset transfer, and debt to equity swap.

As for modification of repayment terms, the Bank complies the Bank of Thailand's regulations, whereby the Bank is required to use the collateral method to calculate loss and/or the current value of expected future cash flow. Fair value is calculated based on the market interest rate on the troubled debt restructuring date. Losses from troubled debt restructuring are recognised in profit or loss on the date of restructuring.

A reduction in the debt amount, asset disposition for debt settlement, asset transfer, and debt to equity swap may result in a loss from lower principal and accrued interest receivables. The Bank recognises this directly in profit or loss.

For asset transfers and debt to equity swaps, the Bank recognises the asset or transferred equity interests at fair value, less estimated selling expenses. However, the amount must not exceed the pending principal plus interest that the creditor is legally entitled to. Resultant gains or losses are recognised in profit or loss on the transfer date. This is in accordance with TAS 104 (revised 2016).

Subsequent to the troubled debt restructuring, the Bank recalculates the fair value of restructured debt based on the aforementioned discount rates as of the date of the financial statements and makes an adjustment to the valuation of the restructured debt, if the fair value has changed, in accordance with the BOT's criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed its value.

4.4.2.4 *Derivatives*

Recognition of derivatives is as follows:

Derivatives for trading are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Derivatives for hedging: gains or losses resulting from the changes in fair values of contracts are recognised in accordance with the standard accounting treatment for income or expenses on hedged items as follows:

- Where hedged items are measured at fair value, hedging instruments are measured at fair value consistently.
- Where hedged items are measured on an accrual basis, hedging instruments are measured on an accrual basis consistently.

4.4.2.5 *Investments in debt and equity securities*

Debt securities and marketable equity securities held for trading are classified as trading securities and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities that the Bank and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less allowance for impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss.

Investments in (a) non-marketable equity securities, (b) investment units with conditions regarding the return on the investments similar to those of debt securities, (c) equity securities that were received as a result of debt restructuring, or (d) mutual funds, which are not classified as investments in subsidiaries or associate, are classified as general investments and stated at cost less allowance for impairment losses (if any).

Recognition

Purchases and sales of investments in debt securities are recorded on settlement dates.
Purchases and sales of investments in equity securities are recorded on trade dates.

Disposal of investments

For debt and equity securities, cost of both investments sold and those still held are determined using the weighted average method.

4.4.2.6 Interest

Interest income

The Bank and its subsidiaries recognise interest income on loans on an accrual basis, except for loans on which interest has been accrued longer than 3 months, or loans classified as sub-standard, doubtful and doubtful of loss in accordance with the BoT regulations. Interest on these loans is then recognised when received and the Bank and its subsidiaries will reverse all interest income previously accrued for these loans. Interest on these loans will be recognised on an accrual basis once they are restructured and meet all of the following conditions:

1. The loans are qualified to be classified as “pass”.
2. There is no interest receivable and present value loss on debt restructuring outstanding.

Interest income on hire purchase and investment in debt securities is recognised as revenue based on the effective interest rates over the holding periods.

Interest expenses

The Bank and its subsidiaries recognise interest expenses on an accrual basis.

4.5 Securities purchased under resale agreements/Securities sold under repurchase agreements

The Bank and its subsidiaries enter into agreements to purchase securities or to sell securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of "Interbank and money market items, net (assets)" or "Loans to customers", depending upon the type of its counterparty, in the statements of financial position, and the underlying securities are treated as collateral to such receivables. Securities sold subject to repurchase commitments are presented as liabilities under the caption of "Interbank and money market items (liabilities)" or "Debt issued and borrowings, net", depending upon the type of its counterparty, in the statements of financial position, at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The difference between the purchase and sale considerations is recognised as interest income or expenses, as the case may be, over the transaction periods.

4.6 Investments in subsidiaries and associate

Investments in subsidiaries and associate as stated in the Bank only financial statements are accounted for using the cost method less allowance for impairment losses, (if any). Impairment losses are recorded as expenses in profit or loss. Investment in associate in the consolidated financial statements are accounted for using equity method.

If the Bank and its subsidiaries receive shares as a result of debt restructuring of a borrower, which cause them to hold more than 50% or 20% of the paid-up share capital of such company, they will not treat that investee company as a subsidiary or an associate, respectively.

The Bank and its subsidiaries do not treat investments in any mutual funds in which they hold more than 50% or 20% of the issued units of the fund as investments in a subsidiary or an associate, respectively, because the Bank and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund managers in accordance with the details stipulated in the mutual fund prospectus and under the supervision of the Office of Securities and Exchange Commission.

4.7 Bill purchased, trade finance and factoring

The Bank and its subsidiaries classify bill purchased transactions, trade finance transactions by purchasing, discounting or rediscounting bills under letters of credit, and factoring transactions as assets based on the business type of the counterparty whom the Bank and its subsidiaries have their legal recourses. In case that there is acceptance, aval or guarantee by other financial institutions, the Bank and its subsidiaries will classify the recorded transactions as assets, which are presented under the caption of "Interbank and money market items, net (assets)". In case that there is no acceptance, aval or guarantee by other financial institutions, the Bank will classify the recorded transactions as assets, which are presented under the caption of "Loans to customers" or "Interbank and money market items, net (assets)" depending upon the business type of its counterparty.

The Bank and its subsidiaries recognise the difference between purchase price and the face value of bill as unearned discounts which are presented as deductions against "Loans to customers" or "Interbank and money market items, net (assets)" as the case may be and gradually amortises such unearned discounts as interest income using the effective interest rate over the term of discounting or rediscounting periods.

4.8 Properties for sale

Properties for sale are stated at the lower of cost or net realisable value. Impairment losses is recognised as an expense in profit or loss. Gains or losses on disposal is recognised in profit or loss when a disposal is made.

Cost of properties for sale as a result of settlement from a debtor is stated at fair value less estimated direct cost to sell, to the extent that this does not exceed the carrying value of the debt plus non-booked interest receivable to which the Bank and its subsidiaries are legally entitled. Cost of properties for sale through a public auction process is the purchase price plus transfer costs and less estimated direct cost to sell.

The Bank and its subsidiaries consider net realisable value for each unit of properties for sale. Net realisable value is the recoverable value from disposal of properties for sale less estimated selling expenses. The recoverable value from disposal of properties for sale is assessed with reference to the appraisal value of each unit of properties for sale and is adjusted down by varying discount rates, taking into consideration the quality of assets (location, infrastructure and property usage potential), holding period, historical disposal experience and market demand.

4.9 Premises and equipment

Land is measured at revalued amount less allowance for impairment losses (if any), buildings are measured at revalued amount less accumulated depreciation and allowance for impairment losses (if any), and equipment is measured at cost less accumulated depreciation and allowance for impairment losses (if any).

The Bank and its subsidiaries initially record premises and equipment at their costs on the acquisition dates. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

The cost of replacing a part of an item of premises and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its subsidiaries, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of assets are recognised in profit or loss as incurred.

The Bank and its subsidiaries thereafter, arrange to have the independent valuers appraise the land and buildings on a regular basis and records them at the revalued amount (Revalued amounts are determined by the independent valuer using the market approach for land and the depreciated replacement cost approach for buildings) such that the carrying values of such assets as at the end of the reporting period do not materially differ from their fair values.

The Bank and its subsidiaries recognise surplus/deficit arising as a result of revaluation of their assets as follows:

- (1) When an asset's carrying amount is increased as a result of a revaluation of the assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in other reserve under the heading of "Revaluation surplus on assets". However, if the asset is previously devalued and the Bank and its subsidiaries used to recognise such revaluation decrease as an expense in profit or loss, a revaluation increase from this revaluation is then recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- (2) When an asset's carrying amount is decreased as a result of a revaluation of the asset, the decrease is recognised in profit or loss. However, if the asset was previously revalued and an outstanding balance of revaluation surplus remains in other reserve under the heading of "Revaluation surplus on assets", the revaluation decrease is then charged to other comprehensive income to the extent that it does not exceed the amount already held in "Revaluation surplus on assets" in respect of the same asset and the revaluation decrease in excess of the amount already held in "Revaluation surplus on assets" in respect of the same asset is recognised in profit or loss.

Depreciation of buildings and equipment is calculated by reference to their cost or the revalued amounts, on a straight-line basis over the following estimated periods of useful lives. (Depreciation of fixed assets of overseas branches is computed at a rate specified by the applicable laws, which is at the rate of 20% of the cost or the estimated useful life of 5 years.)

Buildings	Appraised by independent professional appraisers (average at 50 years)
Leasehold improvement	6 - 20 years
Equipment	3 - 10 years

Depreciation is charged to profit or loss. No depreciation is determined for land and assets under construction and installation. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The revaluation surplus on assets is amortised, using the straight-line method, over the estimated remaining periods of those assets' estimated useful lives and directly charged to retained earnings. The remaining of revaluation surplus on an item of land and buildings, that is derecognised of, is transferred directly to retained earnings when the asset is derecognised of.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is recognised in profit or loss when the asset is derecognised.

4.10 Leases

Accounting policies applicable from 1 January 2020

At inception of a contract, the Bank and its subsidiaries assess whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Bank and its subsidiaries apply TFRS 15 to allocate the consideration in the contract.

The Bank and its subsidiaries recognise a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which is recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of premises and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank and its subsidiaries' incremental borrowing rate and subsequently at amortised cost using the effective interest method.

The lease liability is remeasured when there is a modification, change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and its subsidiaries present right-of-use assets in premises and equipment/intangible assets and lease liabilities in 'other liabilities' in the statement of financial position.

Accounting policies applicable before 1 January 2020

Operating lease

Lease not transferring a significant portion of the risks and rewards of ownership to lessee are classified as operating lease.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

4.11 Goodwill and other intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 4.1 Subsequent to initial recognition, goodwill is measured at cost less allowance for impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Bank and its subsidiaries and have finite useful lives are measured at cost less accumulated amortisation and allowance for impairment losses.

Other intangible assets include car dealer relationship. These intangible assets were acquired in a business combination. These intangible assets are initially measured at their fair value at the date of acquisition and subsequently stated at cost less accumulated amortisation and allowance for impairment losses.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of computer software and car dealer relationship for the current and comparative years are 3 - 14 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4.12 Impairment

The carrying amounts of the Bank and its subsidiaries' assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.13 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post employment benefits and other long-term employee benefits

Defined contribution plan

The Bank and its subsidiaries and the employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank and its subsidiaries. The fund's assets are held in a separate trust fund and the Bank and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans

The Bank and its subsidiaries treat the severance payments they must make to employees upon retirement under labour law and other benefit (if any) as a post-employment benefit plan and the obligation to provide memorable gifts to employees when the employees have worked for the specified length of years in service as other long-term employee benefit plan.

Provisions for post-employment benefit plan and other long-term employee benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method. These actuarial techniques involve assumptions with reference to various variables such as demographic assumptions (e.g. staff turnover rate, mortality rate, etc.) and financial assumptions (e.g. salary incremental rate, discount rate, etc.).

Actuarial gain or loss arising from a post-employment benefit plan is recognised in other comprehensive income and taken as a part of retained earnings.

Actuarial gain or loss arising from other long-term employee benefit plan is recognised in profit or loss.

Share-based payments

The cost of the TMB Stock Retention Program is recognised when services are rendered by employees. The cost of the share-based payment plan is measured by reference to the fair value of the issued shares on the grant date (date of offering of new ordinary shares to the employees).

The cost of the share-based payment plan is recognised as expenses in profit or loss with a corresponding increase in "Other reserve - share-based payments" in equity over the periods in which the performance and service conditions are fulfilled. The cumulative expenses, which involve the Bank and its subsidiaries' management best estimate of number or ordinary shares that will ultimately vest, is recognised for the share-based payment plan at each reporting period-end until the vesting date. The expenses or reversal of expenses for a period represented the movement in cumulative expenses recognised as at the beginning and at the end of the reporting year.

4.14 Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions for contingent liabilities as a result of obligation having credit risk exposures

The Bank and its subsidiaries provide provisions for those off-balance sheet items having credit risk exposures, such as loan guarantees, avals or commitments irrevocable by financial institutions, or obligation according to letter of guarantee of which the Bank and its subsidiaries were claimed against, using the same criteria and methods applied to allowance for doubtful accounts that are described in note 4.4.1.6 and 4.4.2.2.

4.15 Measurement of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank and its subsidiaries has access at that date. The fair value of a liability reflects its non-performance risk.

The Bank and its subsidiaries have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Bank and its subsidiaries Audit Committee.

When measuring the fair value of an asset or a liability, the Bank and its subsidiaries use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank and its subsidiaries recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4.16 Fee and commission

Accounting Policy applicable from 1 January 2020

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Fees which are not integral to the effective interest rate on a financial asset or financial liability are recognised as revenue on an accrual basis and service income is recognised as revenue when services are rendered, taking into account the stage of completion of the services provided and conditions in the contract. Fee received in advance is recorded as "Deferred revenue" in the statements of financial position and recognised as revenue when services are rendered. In case that the Bank and its subsidiaries provide customer loyalty programmes, such as award points to redeem goods or services, etc. to their customers to motivate them to become their loyal customers, the Bank and its subsidiaries shall allocate the fair value of the award points earned by customers each time they use services of the Bank and its subsidiaries from considerations received on services they provide each time. The amount is recorded as "Deferred revenue" in the statements of financial position and it will be recognised as revenue in profit or loss when the customers redeem the award points.

Fees and service expenses

The Bank and its subsidiaries recognise fees and service expenses which are not integral to the effective interest rate on a financial asset or financial liability on an accrual basis.

Accounting policy applicable before 1 January 2020

Fees and service income

Fees are recognised as revenue on an accrual basis and service income is recognised as revenue when services are rendered, taking into account the stage of completion of the services provided and conditions in the contract. Fee received in advance is recorded as "Deferred revenue" in the statements of financial position and recognised as revenue when services are rendered. In case that the Bank and its subsidiaries provide customer loyalty programmes, such as award points to redeem goods or services, etc. to their customers to motivate them to become their loyal customers, the Bank and its subsidiaries shall allocate the fair value of the award points earned by customers each time they use services of the Bank and its subsidiaries from considerations received on services they provide each time. The amount is recorded as "Deferred revenue" in the statements of financial position and it will be recognised as revenue in profit or loss when the customers redeem the award points.

Fees and service expenses

The Bank and its subsidiaries recognise fees and service expenses on an accrual basis.

4.17 Income from finance lease contracts

The Bank and its subsidiaries recognise income from finance lease contracts based on the effective interest method.

4.18 Dividend income

Dividend income is recognised when the right to receive income is established. Dividend income is presented in other operating income.

4.19 Net trading income and foreign exchange transactions

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes and foreign exchange differences.

Net income on trading and foreign exchange transactions are recognised based on the remeasurement to fair value of the underlying instruments in profit or loss on an accrual basis.

4.20 *Income tax*

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Bank and its subsidiaries take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank and its subsidiaries believe that their accruals for tax liabilities are adequate for all open tax years based on their assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank and its subsidiaries to change their judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Bank and its subsidiaries. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.21 *Earnings per share*

The Bank and its subsidiaries present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of potential ordinary shares from TMB Stock Retention Program.

4.22 *Related parties*

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Bank and its subsidiaries; a person or entity that are under common control or under the same significant influence as the Bank and its subsidiaries; or the Bank and its subsidiaries have direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

4.23 *Segment reporting*

Segment results that are reported to the Bank Executive Committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are not included in reporting segment operating results.

4.24 *Offsetting*

Financial assets and liabilities are offset, and the net amount is reported in the statements of financial position when the Bank and its subsidiaries have a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

5 **Impact of COVID-19**

At the onset of the COVID-19 pandemic, the Bank and its subsidiaries have 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. As at 31 December 2020, the Bank and its subsidiaries had the customers under the relief program representing approximately 15% (*Bank only: 15%*) of the total loan portfolio. The Bank and its subsidiaries continue to monitor and supporting customers to ensure that customers can recover in the long run.

In relation to financial reporting, the Bank and its subsidiaries have adopted accounting relief on the use of new effective interest rate (EIR) at the time contracts are changed. This has been applied for all customers under relief program.

As the COVID-19 pandemic is ongoing, management considered the impact of the COVID-19 to the financial assets based on available information and the potential impact on the initial ECL estimates. As at 31 December 2020, management provided additional ECL as management overlay especially for the customers under relief programs and impact from economic condition.

6 Acquisition of subsidiary

On 7 August 2019, the Board of Directors meeting No. Special 4/2562 resolved to approve, in principle, the entry into a share purchase agreement in relation to the acquisition of shares in Thanachart Bank Public Company Limited (TBANK) and authorise the management of the Bank to negotiate, agree and execute the share purchase agreement with Thanachart Capital Public Company Limited (TCAP) and Scotia Netherlands Holding B.V. (BNS), which is a company in a group of the Bank of Nova Scotia, under the terms and conditions therein.

On 8 August 2019, the Bank and two major shareholders of TBANK, namely TCAP and BNS, entered into a share purchase agreement (the SPA). Under the SPA, the Bank agreed to purchase 6,062,438,397 shares in TBANK (accounting for approximately 99.96% of the total issued and outstanding shares in TBANK) from the said major shareholders and to offer to purchase the remaining 2,423,773 shares (accounting for approximately 0.04% of the total issued and outstanding shares in TBANK) from all other minority shareholders of TBANK.

On 23 September 2019, the Extraordinary General meeting of Shareholders No.1/2019 resolved to approve the Sale and purchase Agreement for Share in Thanachart Bank Public Company Limited (TBANK) (the SPA) as mentioned above.

On 3 December 2019, the Bank has acquired an aggregate of 6,062,438,397 shares, accounting for 99.96% of the total outstanding shares in TBANK, from TCAP and BNS and paid on an initial amount of Baht 167,044 million. As a result, TBANK is currently a subsidiary of the Bank. On 20 February 2020, the final price of the acquired share was approved and concluded by the Bank at Baht 27.70 per share in a total amount of Baht 167,903 million.

The following summarises recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	Fair value (in million Baht)
Cash		8,870
Interbank and money market items, net		165,209
Derivative assets		3,122
Investment, net		108,490
Loans to customers and accrued interest receivables, net		696,443
Properties for sale, net	18	2,111
Investment in associate		6,300
Land, premises, and equipment, net	19	10,402
Intangible assets, net	20	5,247
Other assets, net		3,743
Deposits		(743,345)
Interbank and money market items		(49,018)
Liabilities payable on demand		(1,735)
Derivative liabilities		(2,513)
Debt issued and borrowings, net		(34,439)
Provisions for employee benefits	26	(3,347)
Provisions for other liabilities	27	(1,139)
Deferred tax liabilities	21	(4,969)
Other liabilities		(15,573)
Net identifiable assets acquired and liabilities assumed		153,859
Non-controlling interest		(61)
Net identifiable assets acquired and liabilities assumed		153,798
Goodwill	20	14,105
Total consideration		167,903

7 Risk management

Risk management approach

Risk management is an integral part of the Bank and its subsidiaries' business activities and strategic planning with the objective to optimize risks and returns and create sustainable shareholder value. The Bank and its subsidiaries establish a solid risk governance framework which serves as the foundation for the consistent and effective risk management. Risk governance framework mainly consists of risk appetite, risk management policies and strategies, risk culture, risk management processes and system which can address the overall risk and significant risks of the Bank and its subsidiaries i.e. credit, market, non-financial, liquidity, reputational and strategic risks.

The Board of Directors holds the ultimate responsibility of overall risk management and ensure that all risk governance framework is well communicated through the whole organisation. For effective risk oversight, the Risk Oversight Committee (ROC) has been delegated by the Board of Directors to review and oversee the management of all risks across the Bank and its subsidiaries are authorised to approve certain parts of the Bank and its subsidiaries' risk management policies, guidelines, strategies, frameworks and standards. Other risk committees which oversee specific risk areas holds the responsibility to assure that each risk area is well-managed in alignment with overall risk management.

Business Units which are the 1st line of defense, are primarily responsible for managing risks and applying appropriate risk mitigation within their responsible portfolio. Risk management functions which serve as the 2nd line of defense under the stewardship of the Chief Risk Officer (CRO) are mainly responsible for managing each significant risks of the Bank and its subsidiaries including establishing risk appetite, risk management policies and guidelines, formulating risk management strategies, developing tools/systems and providing oversight 1st line of defense. Internal audit function independent from the 1st and 2nd line of defense serves as the 3rd line of defense by providing independent and objective assurance on the effectiveness of controls and recommends improvements to the governance, risk and control framework.

Market Conduct Risk Management (MCRM) has been established as a dedicated 2nd line of defense function governing the overall market conduct standard covering all 9 Pillars in line with Bank of Thailand's guidelines consisting of Corporate culture and role & responsibilities of Board of directors and senior management, Product development and client segmentation, Remuneration scheme, Sales process, Communication & training, Data protection, Problem solving and complaint handling, Three lines of defense, as well as Operation & Business continuity plan in order to ensure that the Bank and its subsidiaries offering products and services transparently, fairly and responsibly, as well as ensures safekeeping of customer information.

Additionally, the Bank has established Credit Risk Management Department in accordance with size of the borrowers, comprising of 1) Commercial Credit Risk Management, responsible for risk measurement and management for the commercial lending, which is separated according to size of the business to enhance risk management efficiency, including large, medium and small corporates and; 2) Retail Credit Risk Management, responsible for risk measurement and management for secured and unsecured lending to individuals and small non-juristic businesses.

7.1 Credit risk

Credit risk is the risk to the Bank and its subsidiaries as a result of borrowers and/or counterparties failing to meet their financial or contractual obligations in accordance with agreed terms. It arises principally from granting loans and undertaking contingent liabilities, and also from certain off-balance sheet items products such as guarantees and derivatives, etc.

Credit Risk Appetite Statement (Credit RAS)

Credit RAS is a formally documented statement of the maximum level of credit risks that the Bank and its subsidiaries are willing to accept in pursuit of its business objectives. The Bank and its subsidiaries develop and review its Credit RAS at Bank-wide level, BU level and Portfolio level, covering all relevant credit risk metrics to monitor the quality of credit portfolio and control obligor concentration.

Credit Risk Policies and Guidelines

The Bank has put in place Master Credit Risk Management Policy to govern all key aspects of credit risk management. In addition, Credit risk management guidelines are established to provide the guidance in each credit risk aspects stated in Master Credit Risk Management Policy. All relevant business units and support units are required to formulate supplementary credit policies, guidelines, framework, standards, criteria, processes and procedures specific to their respective businesses.

Credit Approval Process

In managing credit risk, the Bank and its subsidiaries segregate the roles and responsibilities of the credit marketing function from the credit granting function to ensure proper checks and balances. Individual credit risk is analysed and assessed by experienced credit officers and approved by an appropriate authority depending on the size and credit rating of customer.

Where appropriate, the Bank and its subsidiaries demand the placement of adequate collateral by customers in various forms including, for example, land and building, bank deposits, securities, and personal/corporate guarantees, etc.

The Bank and its subsidiaries have contingent liabilities by issuing loan payment and other forms of guarantees, as well as issuing letters of credit and endorsing AVAL on commercial bills and notes for its customers. Such contingent transaction activities require assessment on financial condition of customers in the same manner as done for direct lending. The Bank and its subsidiaries also make a standard practice to set conditions to mitigate the elements of risk in the same manner as for direct lending procedures.

Internal Audit

The Audit unit, independent unit, is responsible for performing the assessments and making recommendations to improve the adequacy and effectiveness of credit-related processes and the risk management processes.

Independent Credit Review

Independent Credit Review, under Market Conduct Risk Management (MCRM), is an independent unit responsible to review end-to-end credit process to ensure the credit process; including risk monitoring control of post approval, debt classification, provisioning and write-off, comply with the policy and procedure, appropriate balance and align with regulator's requirement.

Internal Rating and External Rating Framework

Risk ratings are typically based on credit analysis factors and/or market condition indicators, considering both the quantitative and qualitative information. The Bank and its subsidiaries developed internal credit risk models for supporting all bank-wide activities starting from setting of risk appetite statements, underwriting process, monitoring/measuring and predicting changes in portfolio quality, early response to deterioration trends, to serving as communication tool within the organization.

Credit risk models have been developed to determine probability of default (PD), exposure at default (EAD), and loss given default (LGD). All models comprise both quantitative and qualitative factors/information. For the qualitative aspect, the data is collected from historical or from service providers. In addition to the wide range of activities described above, the Bank and its subsidiaries also uses credit risk models in the process to determine loan loss provisioning, regulatory capital, and economic capital.

The Bank and its subsidiaries set up Risk Rating Guideline to provide the logic and use of creating and verifying model-based Risk Ratings. Currently, the Bank and its subsidiaries uses different risk rating models according to different borrower segment.

Credit risk grade is based on risk rating (or PD models). The Bank and its subsidiaries apply different types of internal rating models as 2 categories (1) Internal rating models for Commercial portfolio - based on most recent available financial position and qualitative assessment on the profile of the borrowers; and, (2) Internal rating models for small SME and retail portfolios are based on behavioural and/or credit performance proved by statistical methods to measure an appropriate credit risk grade.

Exposures and the corresponding credit risk grades are subject to review at a frequency stipulated in the Guideline. Risk rating models, and the performance of the models are subject to regular monitoring. This is a process to keep both risk grade and models up to date and healthiest.

A credit risk grade is ranked from lowest to highest. The lower the number in the rank, the lower the probability of default. The highest rating represents Non-performing loans with probability of default of 100%.

In addition to the internal rating, the Bank and its subsidiaries also use external ratings from an international rating agency as references for credit risk grade of investment related activities/portfolios.

Information related to ECL

Significant increase in credit risk

SICR is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination, the significance of which being determined by using a number of quantitative and qualitative factors. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. If the thresholds are exceeded, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes. Indicators could include weak operating results or observed liquidity issues among a number of other factors.

Definition of default

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment includes arrears of over 90 days on any material credit obligation, indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or distressed restructuring.

Loan Loss Provisioning, TFRS9, and ECL model

Since 1 January 2020, the Bank and its subsidiaries have recognised loss allowances based on the expected credit loss (ECL) model of TFRS9, which is designed to be forward-looking. The TFRS9 impairment requirements are applicable to on-balance sheet financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), such as loans and debt securities, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantees, and undrawn committed revolving credit facilities. These financial instruments are divided into three groups, depending on the stage of credit quality deterioration ("Staging"). The ECL model parameters are estimated based on statistical techniques and supported by expert judgement.

Incorporation of forward-looking information

IFRS9 requires that expected credit loss takes into consideration the effect from the economic movement or so-called forward-looking factor. Modelling newly regulated credit risk should also incorporate the state of economy, which is best represented by GDP growth and some of its components.

The Bank and its subsidiaries apply forward-looking factor into the ECL models. For macroeconomic input/ projections, the Bank and its subsidiaries leverages on information from external sources, such as consensus economic data or forecasts published by governmental bodies. Then, statistical techniques are applied to transform the data into a multiple scenario analysis. Finally, the scenarios are used to derive lifetime parameters, which are applied in the calculation of expected credit losses and in the identification of significant deterioration in credit quality of financial assets as described previously.

The Bank and its subsidiaries formulate three forward-looking economic scenarios; a base case, which is the baseline scenario, and two less likely scenarios, one upside and one downside scenario. Macroeconomic variables include economic data and forecasts. Examples of the macro economic variables used in the forward-looking information are Gross Domestic Product (GDP), interest rate, and unemployment rate.

Management Overlay

The Bank and its subsidiaries calculated the ECL based on the model. However, management overlays was considered when underlying assumptions or data used to estimate ECLs do not reflect current circumstances, events or conditions of the Bank and its subsidiaries at the reporting date as post-model adjustments.

7.1.1 Credit quality

The following tables set out information about the credit quality as at 31 December 2020 of loans to customers without taking into account collateral or other credit enhancement. The Bank and its subsidiaries classified a risk level based on most recent financial position, behaviours and qualitative factors.

Risk level	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
	<i>(in million Baht)</i>			
<i>Loans to customers and accrued interest receivables - net</i>				
Low	905,827	5,269	-	911,096
Medium	330,188	47,415	-	377,603
High	1,623	69,451	-	71,074
NPLs	-	-	41,685	41,685
Gross carrying amount	1,237,638	122,135	41,685	1,401,458
Less allowance for expected credit loss	(11,126)	(21,617)	(20,235)	(52,978)
Carrying amount	1,226,512	100,518	21,450	1,348,480

Risk level	Bank Only			Total
	Stage 1	Stage 2	Stage 3	
	<i>(in million Baht)</i>			
<i>Loans to customers and accrued interest receivables - net</i>				
Low	459,316	852	-	460,168
Medium	182,197	28,046	-	210,243
High	788	31,449	-	32,237
NPLs	-	-	23,067	23,067
Gross carrying amount	642,301	60,347	23,067	725,715
Less allowance for expected credit loss	(4,904)	(14,495)	(12,541)	(31,940)
Carrying amount	637,397	45,852	10,526	693,775

Major investment in debt securities of the Bank and its subsidiaries are investment in government and state enterprise securities which are considered as low-risk financial assets, except investment in debt securities of a public company which are held by a subsidiary approximately Baht 1,563 million are considered as non-performing financial assets.

7.1.2 Collateral held and other credit enhancements

In addition to determining counterparty credit quality through risk rating, the Bank and its subsidiaries also uses collateral as one type of credit risk mitigation to reduce potential credit losses to the Bank and its subsidiaries. The type of eligible collateral consists of financial and non-financial collaterals which valued primarily based on their quality and liquidity. The value of collateral is primarily assessed on a prudent basis to ensure that the value assigned to the collateral remains current.

The assessment of the suitability of collateral for a specific credit transaction is part of the credit decision making which undertaken in a conservative way, including collateral haircuts that are applied. The Bank and its subsidiaries strives to avoid “wrong-way” risk characteristics where the borrower’s counterparty risk is positively correlated with the risk of deterioration in the collateral value.

For “guarantee”, the process for the analysis of the guarantor’s creditworthiness is aligned to the credit assessment process for borrowers.

Loan-to-Value (LTV) ratio is used in entire credit processes, for examples

- Credit evaluation process - different risk levels require different LTVs
- Credit approval process - LTV is one of the factors to determine the level of approval authorities. At present, the Bank defines the approval authority based on business type, industry, the customer’s risk rating as well as LTV criteria whereby LTV criteria is applied for Commercial Banking customer at appropriate level depend on industry. For mortgage Loan, 70% to 100% LTV criteria is applied. For hire purchase, 60% to 100% LTV criteria is applied, depending on risk level of customer and collateral.

Collateral Appraisal Approach:

The appraisal shall be conducted by applying one or more of the approaches specified in the codes of professional ethics and standards of appraisal practice stipulated by the Office of the Securities and Exchange Commission (SEC) and is under responsibility of Asset Appraisal Department. The following are example of collateral appraisal approach:

- Immovable property for commercial purpose shall be appraised by the cost approach, or the direct sales comparison approach, or the income approach.
- Immovable property for residential purpose shall be appraised by the direct sales comparison approach, or the cost approach.
- Other immovable properties shall be appraised by the cost approach, or the direct sales comparison approach, or the income approach.
- Machinery and vehicle shall be appraised by the direct sales comparison approach, or the cost approach
- Criteria for appraising marketable equity securities and debt securities collateral shall be established in writing and agreed among the Appraisal Committee members.

The following table sets out the principal types of collateral held against different types of loan to customer and accrued interest receivables as at 31 December 2020.

Type of credit exposures	Consolidated (in million Baht)	Principal type of collateral held
Loans to customers and accrued interest receivables		
- Loans to corporate customers	615,412	Properties, plant, equipment and guarantee by government unit
- Retail mortgage lending	296,347	Properties
- Hire purchase	404,865	Vehicle
- Others	84,834	None

Type of credit exposures	Bank only (in million Baht)	Principal type of collateral held
Loans to customers and accrued interest receivables		
- Loans to corporate customers	474,140	Properties, plant and guarantee by government unit
- Retail mortgage lending	193,850	Properties
- Others	57,725	None

7.1.3 Concentrations of credit risk

The Bank and its subsidiaries monitor concentration in different dimensions including sector. Concentrations of credit risk from loans to customers and accrued interest receivables as at 31 December 2020 is shown below.

	Consolidated (in million Baht)	Bank only
<i>Concentration by sector</i>		
Agricultural and mining	20,502	15,001
Real estate and construction	59,157	24,965
Public utilities and services	158,538	113,647
Retail mortgage lending	296,347	193,850
Manufacturing and commerce	361,882	312,173
Hire purchase	404,865	-
Others	100,167	66,079
Total	1,401,458	725,715

7.2 Market risk

Market risk refers to losses that may happen due to the fluctuations of foreign exchange rates, interest rates, and prices of equity securities, all of which may impact the value of the Bank's assets, liabilities, and off-balance sheet items.

The Bank and its subsidiaries have established various market risk policies, which set standards and guidelines for market risk management. The sub-committee holds the responsibility to assist the BOD and the ROC to ensure that bank-wide market risk management complies with the relevant risk policies and defined levels of risk appetite. The Bank and its subsidiaries classify the overall market risk management into two parts: trading book and banking book. The Bank and its subsidiaries have developed a policy to set standards on the book definitions and transaction classification criteria as well as the treatment of each book.

Market risk in the trading book

Market risk in the trading book consists of market risk from exposures of financial instruments and derivatives that are held with trading intent or for hedging other positions in the trading book. The Bank and its subsidiaries have established the market risk policies for trading book to ensure the proper management of market risks in the trading book as well as impose limits to control the risks to be within the Bank and its subsidiaries' risk appetite.

Market risk in the banking book

Market risk in the banking book consists of market risks incurred from the Bank and its subsidiaries' both on and off-balance sheet items, and derivatives designated to hedge other banking book items.

The Bank and its subsidiaries have established the market risk policies for banking book, which outlines the approach for managing market risks in the banking book and setting the relevant limits appropriate to the positions of the risks in the book and in line with the Bank and its subsidiaries' risk appetite.

The Bank and its subsidiaries also analyse risks and regularly assess the impact, the results of which are used as tools to manage the Bank's assets and liabilities structure to be in line with the changing market environment.

7.2.1 Interest rate risk

Interest rate risk is the risk from future movements in market interest rates including changes in interest rates of rate sensitive assets and liabilities that will have negative impact to the Bank's and its subsidiaries' operating results, cash flows and economic value.

The Bank and its subsidiaries' principal financial assets, namely loans to customers mostly earn interest at floating rates, based on MRR, MLR, MOR, interest rates of time deposits or other benchmark floating rates such as BIBOR, LIBOR, etc.

As at 31 December 2019, financial assets and liabilities classified by types of interest rates were as follows:

	Consolidated 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in million Baht)			
Financial assets				
Cash	-	-	23,853	23,853
Interbank and money market items net of deferred revenue	48,114	178,769	9,564	236,447
Investments, net	10,145	154,372	1,748	166,265
Investment in subsidiaries and associate, net	-	-	8,953	8,953
Loans to customers net of deferred revenue	663,318	718,309	10,598	1,392,225
Other financial assets - net	667	-	9,303	9,970
Total financial assets	722,244	1,051,450	64,019	1,837,713

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	Consolidated			
	2019			
	Floating	Fixed	Non-interest	Total
	interest rate	interest rate	bearing	
	(in million Baht)			
Financial liabilities				
Deposits	948,771	414,242	35,099	1,398,112
Interbank and money market items	37,096	46,738	2,792	86,626
Liabilities payable on demand	-	-	3,382	3,382
Financial liabilities designated				
at fair value through profit or loss	418	-	-	418
Debts issued and borrowings	4,527	104,290	18	108,835
Other financial liabilities	2,100	-	24,057	26,157
Total financial liabilities	992,912	565,270	65,348	1,623,530

	Bank only 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in million Baht)			
Financial assets				
Cash	-	-	13,427	13,427
Interbank and money market items net of deferred revenue	45,644	68,410	7,540	121,594
Investments, net	10,145	50,098	264	60,507
Investment in subsidiaries and associate, net	-	-	168,062	168,062
Loans to customers net of deferred revenue	470,745	190,702	10,156	671,603
Other financial assets - net	457	-	4,143	4,600
Total financial assets	526,991	309,210	203,592	1,039,793

Financial liabilities				
Deposits	572,216	62,542	28,801	663,559
Interbank and money market items	6,087	65,472	1,192	72,751
Liabilities payable on demand	-	-	2,362	2,362
Financial liabilities designated at fair value through profit or loss	418	-	-	418
Debts issued and borrowings	4,523	72,812	18	77,353
Other financial liabilities	1,468	-	10,055	11,523
Total financial liabilities	584,712	200,826	42,428	827,966

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As at 31 December 2020 and 2019, significant financial assets and liabilities classified by interest repricing periods were as follows:

	Consolidated 2020					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year <i>(in million Baht)</i>	Non- performing assets	Non- interest bearing	Total
Financial assets						
Cash	-	-	-	-	21,943	21,943
Interbank and money market items net of deferred revenue	192,953	937	-	-	17,349	211,239
Financial assets measured at fair value through profit or loss	979	-	2,435	-	374	3,788
Investments, net	27,444	20,186	83,571	1,563	1,587	134,351
Investments in subsidiaries and associate, net	-	-	-	-	8,599	8,599
Loans to customers net of deferred revenue	586,581	136,906	619,351	39,593	10,494	1,392,925
Other financial assets - net	1,227	-	-	-	11,095	12,322
Total financial assets	809,184	158,029	705,357	41,156	71,441	1,785,167
Financial liabilities						
Deposits	1,256,893	73,084	8,557	-	34,874	1,373,408
Interbank and money market items	62,615	1,425	7,684	-	4,185	75,909
Liabilities payable on demand	-	-	-	-	3,895	3,895
Financial liabilities designated at fair value through profit or loss	432	-	-	-	-	432
Debts issued and borrowings	15,498	17,553	55,804	-	110	88,965
Other financial liabilities	3,859	-	-	-	16,228	20,087
Total financial liabilities	1,339,297	92,062	72,045	-	59,292	1,562,696

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	Consolidated 2019					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year (in million Baht)	Non- performing assets	Non- interest bearing	Total
Financial assets						
Cash	-	-	-	-	23,853	23,853
Interbank and money market items net of deferred revenue	226,471	412	-	-	9,564	236,447
Investments, net	49,914	53,009	61,594	-	1,748	166,265
Investments in subsidiaries and associate, net	-	-	-	-	8,953	8,953
Loans to customers net of deferred revenue	723,476	99,134	521,595	37,746	10,274	1,392,225
Other financial assets - net	667	-	-	-	9,303	9,970
Total financial assets	1,000,528	152,555	583,189	37,746	63,695	1,837,713
Financial liabilities						
Deposits	1,067,985	278,363	16,665	-	35,099	1,398,112
Interbank and money market items	75,065	7,139	1,630	-	2,792	86,626
Liabilities payable on demand	-	-	-	-	3,382	3,382
Financial liabilities designated at fair value through profit or loss	418	-	-	-	-	418
Debts issued and borrowings	10	34,007	74,800	-	18	108,835
Other financial liabilities	2,100	-	-	-	24,057	26,157
Total financial liabilities	1,145,578	319,509	93,095	-	65,348	1,623,530
	Bank only 2020					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year (in million Baht)	Non- performing assets	Non- interest bearing	Total
Financial assets						
Cash	-	-	-	-	12,836	12,836
Interbank and money market items net of deferred revenue	178,357	29,936	-	-	13,000	221,293
Financial assets measured at fair value through profit or loss	979	-	-	-	147	1,126
Investments, net	23,444	6,322	43,028	-	529	73,323
Investments in subsidiaries and associate, net	-	-	-	-	158,852	158,852
Loans to customers net of deferred revenue	544,007	108,313	35,143	22,005	10,494	719,962
Other financial assets - net	800	-	-	-	8,556	9,356
Total financial assets	747,587	144,571	78,171	22,005	204,414	1,196,748
Financial liabilities						
Deposits	753,225	31,011	2,724	-	28,718	815,678
Interbank and money market items	42,140	795	5,207	-	3,007	51,149
Liabilities payable on demand	-	-	-	-	2,898	2,898
Financial liabilities designated at fair value through profit or loss	432	-	-	-	-	432
Debts issued and borrowings	15,493	17,553	55,804	-	110	88,960
Other financial liabilities	3,217	-	-	-	8,153	11,370
Total financial liabilities	814,507	49,359	63,735	-	42,886	970,487

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7.2.3 Equity price risk

Equity price risk is the risk that the Bank and its subsidiaries' earnings or value of financial assets may fluctuate due to changes in the price of equities.

The equity portfolio of the Bank and its subsidiaries are managed by specific units depending on the strategy, the types of business of the issuers of underlying securities, and the objectives for holding such equities. The equity investment management is under the supervision of the Asset and Liability Management Committee (ALCO) and/or the Chief Executive Committee (CEC) and/or Board of Executive Directors (BoED). All equity investments must comply with the bank-wide investment policy and framework, and related risk policies. The Bank and its subsidiaries have a policy to manage market risk by setting manageable limits on transactions, such as position limit and loss limits. The Risk Control Unit, which is separated from front office and back office functions, is responsible for control of risk and reporting on compliance with the various limits to the related business unit and related management, in order to facilitate responsive risk management.

As at 31 December 2020, a subsidiary had equity investments are listed on Stock Exchange of Thailand at Baht 1,304 million with the mark to market value at Baht 910 million.

7.2.4 Sensitivity analysis

Market risk in the trading book

The Bank and its subsidiaries use a number of sensitivity measurements to monitor the market risk in a trading book. The key measurements are PV01 and FX Delta. PV01 is used to monitor interest rate risk in which it measures the impact on portfolio value due to the increase in interest rate of 1 basis point. FX Delta is the rate of change of the portfolio value with respect to changes of foreign currency. FX Delta is used to monitor the foreign exchange risk of each currency.

The methodology and parameters that the Bank and Thanachart Bank ("TBANK") used to calculate these sensitivity measurements are in accordance with international standard whereby the measurement are different in certain detail. As at 31 December 2020, the key sensitivities are as follow:

Bank only		TBANK	
Interest rate sensitivities (PV01)		Interest rate sensitivities (PV01)	
(in thousand Baht)		(in thousand Baht)	
THB	410	THB	(890)
USD	(156)	USD	116
Other currencies	14	Other currencies	(4)
Total	268	Total	(778)
Exchange rate sensitivities (FX Delta)		Exchange rate sensitivities (FX Delta)	
(in thousand USD)		(in thousand USD)	
USD	(2,753)	USD	(65)
JPY	845	GBP	67
Other currencies	208	Other currencies	(93)
Total	(1,700)	Total	(91)

Market risk in the banking book

The Bank and its subsidiaries use the repricing gap approach to determine the impact of interest rate changes on net interest income and economic value of equity on a monthly basis. The repricing gap uses the remaining term or next repricing date as stipulated in the contract. There are established interest rate risk limits to monitor and control the impact of interest rate changes on the net interest income and economic value. Changes to the net interest income and economic value are computed assuming different size shocks in interest rate yield curves. As at 31 December 2020, the effect of changes in interest rates to earnings (net) by 100 bps parallel in the next 1 year were as follow:

	Consolidated Upward shift 100 bps (in million Baht)	Bank only Upward shift 100 bps
THB	(2,692)	(293)
USD	148	130
Others	2	(4)
Total effect of change in interest rate	(2,542)	(167)

7.3 Liquidity risk

Liquidity risk refers to the risk that the Bank and its subsidiaries fail to meet its obligations as and when they fall due as a result of an inability to liquidate assets into cash in time or is unable to raise funds necessary for its operations, causing damage to the Bank.

The ALCO is responsible for assisting the BOD and the ROC in supervising the liquidity risk management of the Bank in compliance with the BoT's regulations, and ensuring that the Bank has sufficient liquidity for its operations in both normal and crisis situations. In addition, the ALCO is responsible for ensuring that appropriate funding sources are secured in line with the changing market environment.

The Balance Sheet Management unit is responsible for overall liquidity management. The Global Markets and Transaction Banking unit is responsible for day-to-day liquidity management. Additionally, the responsibilities of the Balance Sheet Management Unit include liquidity risk measurement and reporting the performance of the liquidity management to the ALCO. The Market Risk Management Unit is responsible for identifying, monitoring and controlling the liquidity risk. The Bank has the Liquidity Risk Management Policy, which is reviewed at least once a year or when necessary, to ensure that it is appropriate with the prevailing environment. The Bank and each company in the Bank's financial business group manage their liquidity risk separately.

In order to manage liquidity, the Bank and its subsidiaries continually monitor its funding sources and access to capital markets. Derivatives are used for balance sheet management to hedge the portfolio of loans, deposits and debts issued and borrowings. The Bank and its subsidiaries recognise the importance of holding highly liquid assets that can be quickly converted into cash or used as collateral for raising funds.

Risk indicators are used as tools to measure and monitor liquidity risk. These comprise financial ratios such as Loans to Deposits Ratio (LDR), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR), as well as cash flow models incorporating Contractual Liquidity Gap and Behavioral Liquidity Gap. The Bank and its subsidiaries set risk limits and indicators in order to maintain its liquidity risk within the Bank and its subsidiaries' approved risk appetite. The liquidity position is monitored and reported on daily and monthly basis to the ALCO.

Stress tests are performed under various scenarios, in accordance with the BoT's guidelines, in order to assess the Bank and its subsidiaries' ability to withstand a crisis. In addition, the liquidity contingency plan is prepared for various crisis situations, whereby the roles of the relevant responsible units are defined, as well as funding plans and communication plans to customers, etc.

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The Bank disclose Liquidity Coverage Ratio (LCR) information on the Bank's website (www.tmbbank.com/ir/capital_funds/basel3).

The significant financial assets and liabilities classified by remaining periods to maturity, counted from the date of statements of financial position, as at 31 December 2020 and 2019 were summarised as follows:

	Consolidated 2020				No maturity	Total
	At call ⁽¹⁾	Within 1 year	1 - 5 year (in million Baht)	Over 5 year		
Financial assets						
Cash	-	-	-	-	21,943	21,943
Interbank and money market items net of deferred revenue	23,308	187,641	290	-	-	211,239
Financial assets measured at fair value through profit or loss	-	314	2,270	830	374 ⁽²⁾	3,788
Investments, net						
Investments in debt instruments measured at AMC	-	35	569	17	-	621
Investments in debt instruments measured at FVOCI	101	27,806	103,476	830	-	132,213
Investments in equity instruments designated at FVOCI	-	-	-	-	1,517 ⁽²⁾	1,517
Investments in subsidiaries and associate, net	-	-	-	-	8,599 ⁽²⁾	8,599
Loans to customers net of deferred revenue	118,447	423,422	433,288	378,175	39,593 ⁽³⁾	1,392,925
Other financial assets - net	597	1,048	-	208	10,469	12,322
Total financial assets	142,453	640,266	539,893	380,060	82,495	1,785,167
Financial liabilities						
Deposits	1,186,604	177,876	8,928	-	-	1,373,408
Interbank and money market items	31,282	36,942	7,685	-	-	75,909
Liabilities payable on demand	3,895	-	-	-	-	3,895
Financial liabilities designated at fair value through profit or loss	-	-	300	132	-	432
Debts issued and borrowings	10	28,542	60,292	121	-	88,965
Other financial liabilities	925	5,346	901	310	12,605	20,087
Total financial liabilities	1,222,716	248,706	78,106	563	12,605	1,562,696
Net liquidity gap	(1,080,263)	391,560	461,787	379,497	69,890	222,471

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	At call ⁽¹⁾	Within 1 year	Consolidated 2019 Over 1 year (in million Baht)	No maturity	Total
Financial assets					
Cash	-	-	-	23,853	23,853
Interbank and money market items					
net of deferred revenue	20,608	215,193	646	-	236,447
Investments, net					
Trading securities and general investments	-	4,830	1,746	613 ⁽²⁾	7,189
Available-for-sale securities	5	85,002	72,257	1,130 ⁽²⁾	158,394
Held-to-maturity debt securities	-	77	605	-	682
Investments in subsidiaries and associate, net	-	-	-	8,953 ⁽²⁾	8,953
Loans to customers net of deferred revenue	130,713	406,737	817,029	37,746 ⁽³⁾	1,392,225
Other financial assets - net	1,134	2,638	140	6,058	9,970
Total financial assets	152,460	714,477	892,423	78,353	1,837,713
Financial liabilities					
Deposits	979,481	399,725	18,906	-	1,398,112
Interbank and money market items	39,888	45,109	1,629	-	86,626
Liabilities payable on demand	3,382	-	-	-	3,382
Financial liabilities designated at					
fair value through profit or loss	-	-	418	-	418
Debts issued and borrowings	10	29,488	79,337	-	108,835
Other financial liabilities	785	3,381	347	21,644	26,157
Total financial liabilities	1,023,546	477,703	100,637	21,644	1,623,530
Net liquidity gap	(871,086)	236,774	791,786	56,709	214,183

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	Bank only 2020				No maturity	Total
	At call ⁽¹⁾	Within 1 year	1 - 5 year (in million Baht)	Over 5 year		
Financial assets						
Cash	-	-	-	-	12,836	12,836
Interbank and money market items						
net of deferred revenue	18,236	202,767	290	-	-	221,293
Financial assets measured at						
fair value through profit or loss	-	314	344	321	147 ⁽²⁾	1,126
Investments, net						
Investments in debt instruments						
measured at AMC	-	-	-	-	-	-
Investments in debt instruments						
measured at FVOCI	-	9,785	62,249	830	-	72,864
Investments in equity instruments						
designated at FVOCI	-	-	-	-	459 ⁽²⁾	459
Investments in subsidiaries and						
associate, net	-	-	-	-	158,852 ⁽²⁾	158,852
Loans to customers net of						
deferred revenue	105,414	255,791	133,738	203,014	22,005 ⁽³⁾	719,962
Other financial assets - net	472	621	-	207	8,056	9,356
Total financial assets	124,122	469,278	196,621	204,372	202,355	1,196,748
Financial liabilities						
Deposits	758,249	54,688	2,741	-	-	815,678
Interbank and money market items	10,675	35,267	5,207	-	-	51,149
Liabilities payable on demand	2,898	-	-	-	-	2,898
Financial liabilities designated at						
fair value through profit or loss	-	-	300	132	-	432
Debts issued and borrowings	5	28,542	60,292	121	-	88,960
Other financial liabilities	925	3,798	479	298	5,870	11,370
Total financial liabilities	772,752	122,295	69,019	551	5,870	970,487
Net liquidity gap	(648,630)	346,983	127,602	203,821	196,485	226,261

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	At call ⁽¹⁾	Within 1 year	Bank only 2019 Over 1 year (in million Baht)	No maturity	Total
Financial assets					
Cash	-	-	-	13,427	13,427
Interbank and money market items					
net of deferred revenue	15,414	105,534	646	-	121,594
Investments, net					
Trading securities and general investments	-	3,122	1,746	262 ⁽²⁾	5,130
Available-for-sale securities	-	32,448	22,927	2 ⁽²⁾	55,377
Investments in subsidiaries and associate, net	-	-	-	168,062 ⁽²⁾	168,062
Loans to customers net of deferred revenue	112,030	222,589	318,834	18,150 ⁽³⁾	671,603
Other financial assets - net	648	355	139	3,458	4,600
Total financial assets	128,092	364,048	344,292	203,361	1,039,793
Financial liabilities					
Deposits	601,085	58,504	3,970	-	663,559
Interbank and money market items	7,279	65,176	296	-	72,751
Liabilities payable on demand	2,362	-	-	-	2,362
Financial liabilities designated at					
fair value through profit or loss	-	-	418	-	418
Debts issued and borrowings	5	5,069	72,279	-	77,353
Other financial liabilities	577	2,384	346	8,216	11,523
Total financial liabilities	611,308	131,133	77,309	8,216	827,966
Net liquidity gap	(483,216)	232,915	266,983	195,145	211,827

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

8 Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for the financial instruments measured at fair value as at 31 December 2020. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Level 1	Consolidated Fair value		Total
			Level 2 (in million Baht)	Level 3	
At 31 December 2020					
Financial assets					
Financial assets measured at FVTPL	3,788	-	3,414	374	3,788
Derivative assets					
Foreign exchange rate	7,402	-	7,402	-	7,402
Interest rate	4,557	-	4,557	-	4,557
Total	11,959	-	11,959	-	11,959
Investments, net					
Investments in debt instruments measured at AMC	621	-	677	-	677
Investments in debt instruments measured at FVOCI	132,213	-	130,650	1,563	132,213
Investments in equity instruments designated at FVOCI	1,517	910	-	607	1,517
Total	134,351	910	131,327	2,170	134,407
Loans to customers and accrued interest receivables, net					
	1,348,480	-	953,346	397,845	1,351,191
Total financial assets	1,498,578	910	1,100,046	400,389	1,501,345
Financial liabilities					
Deposits	1,373,408	-	1,373,493	-	1,373,493
Financial liabilities designated at FVTPL	432	-	432	-	432
Derivative liabilities					
Foreign exchange rate	4,859	-	4,859	-	4,859
Interest rate	4,409	-	4,409	-	4,409
Total	9,268	-	9,268	-	9,268
Debts issued and borrowings	88,965	-	90,940	-	90,940
Total financial liabilities	1,472,073	-	1,474,133	-	1,474,133

	Carrying amount	Level 1	Bank only Fair value Level 2 Level 3 (in million Baht)	Total	
At 31 December 2020					
Financial assets					
Financial assets measured at FVTPL	1,126	-	979	147	1,126
Derivative assets					
Foreign exchange rate	6,118	-	6,118	-	6,118
Interest rate	3,895	-	3,895	-	3,895
Total	10,013	-	10,013	-	10,013
Investments, net					
Investments in debt instruments measured at FVOCI	72,864	-	72,864	-	72,864
Investments in equity instruments designated at FVOCI	459	-	-	459	459
Total	73,323	-	72,864	459	73,323
Loans to customers and accrued interest receivables, net					
	693,775	-	693,775	-	693,775
Total financial assets	778,237	-	777,631	606	778,237
Financial liabilities					
Deposits	815,678	-	815,693	-	815,693
Financial liabilities designated at FVTPL	432	-	432	-	432
Derivative liabilities					
Foreign exchange rate	4,436	-	4,436	-	4,436
Interest rate	3,708	-	3,708	-	3,708
Total	8,144	-	8,144	-	8,144
Debt issued and borrowings	88,960	-	90,935	-	90,935
Total financial liabilities	913,214	-	915,204	-	915,204

The significant difference of fair values in comparison with carrying values of each line item of financial assets and financial liabilities as shown in the statements of financial position as at 31 December 2019 were as follows:

	Consolidated 31 December 2019		Bank only 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>(in million Baht)</i>				
Financial assets				
Derivatives assets	10,399	10,344	7,395	7,346
Investments, net	166,265	166,659	60,507	60,828
Loans to customers and accrued interest receivable, net	1,348,630	1,349,300	647,479	647,355
Total financial assets	1,525,294	1,526,303	715,381	715,529
Financial liabilities				
Deposits	1,398,112	1,398,015	663,559	663,569
Derivatives liabilities	9,719	9,790	7,331	7,410
Debts issued and borrowings	108,835	111,803	77,353	80,329
Total financial liabilities	1,516,666	1,519,608	748,243	751,308

The following table analyses financial assets and liabilities measured at fair value at 31 December 2019 by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Consolidated			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in million Baht)</i>			
31 December 2019				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	5,085	-	5,085
- Interest rate related	-	4,529	-	4,529
Investments				
- Trading investments	-	6,576	-	6,576
- Available-for-sale investments	1,127	157,267	-	158,394
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	418	-	418
Derivatives (trading book)				
- Foreign currency related	-	5,255	-	5,255
- Interest rate related	-	4,361	-	4,361
	Bank only			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in million Baht)</i>			
31 December 2019				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	4,372	-	4,372
- Interest rate related	-	2,937	-	2,937
Investments				
- Trading investments	-	4,868	-	4,868
- Available-for-sale investments	-	55,377	-	55,377
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	418	-	418
Derivatives (trading book)				
- Foreign currency related	-	4,502	-	4,502
- Interest rate related	-	2,779	-	2,779

The following table shows fair value of financial assets and liabilities not measured at fair value at 31 December 2019. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

	Consolidated		Bank only	
	Carrying value	Fair value	Carrying value	Fair value
	(in million Baht)			
31 December 2019				
Financial assets				
Derivatives (banking book)	785	730	86	37
Investments				
- Held-to-maturity debt securities	682	740	-	-
- General investments	613	949	262	583
Loans to customers and accrued interest receivable, net	1,348,630	1,349,300	647,479	647,355
Financial liabilities				
Deposits	1,398,112	1,398,015	663,559	663,569
Derivatives (banking book)	103	174	50	129
Debts issued and borrowings	108,835	111,803	77,353	80,329

The following methods and assumptions were used by the Bank and its subsidiaries in estimating fair value of financial instruments as disclosed herein.

- Cash:

The fair value is approximated based on its carrying value.

- Interbank and money market items (assets):

The fair value is approximated based on the carrying amount of interbank and money market items, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at market interest rates.

- Financial assets measured at FVTPL and investments:

The fair value of investments in government-sector debt securities is determined, using yield rates or prices quoted on the Thai Bond Market Association ("ThaiBMA"). The fair value of investments in other debt securities issued locally is determined based on market value appraised by the reliable institutions, their respective yields, or the ThaiBMA's yield rates adjusted by appropriate risk factors.

The fair value of marketable equity securities is determined at the last bid price quoted on the last working day of the Stock Exchange of Thailand of the reporting period. The fair value of an investment unit is determined using the net asset value announced on the reporting period-end date. The fair value of non-marketable equity securities is determined mainly based on common valuation techniques such as the market approach, cost approach or income approach, as well as book value or adjusted book value.

- Loans to customers and accrued interest receivable, net:

The fair value is based on the carrying amount except for the fair value of fixed rate hire purchase which is calculated based on the present value of future cash flow of principal and interest, discounted at interest rate currently being offered on similar loans net of expected credit loss (2019: allowance for doubtful accounts).

- Other financial assets:

The fair value is approximated based on its carrying value.

- Deposits and interbank and money market items (liabilities):

The fair value is approximated based on the carrying amount of deposits or interbank and money market items, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at interest rates currently being offered on such deposits or interbank and money market items or similar deposits.

- Financial liabilities designated at fair value through profit or loss:

Fair value is calculated based on a valuation model, using market data obtained from reliable sources.

- Debts issued and borrowings:

The fair value is approximated based on their carrying amount, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at the market interest rate at the reporting dates, in cases where there is no active market, and the market value, in cases where there is an active market.

- Other financial liabilities:

The fair value is approximated based on its carrying value.

- Derivatives:

In cases where there is an active market, the Bank and its subsidiaries use the market value as the fair value of derivatives. For simple over-the-counter derivative, fair values are based on inputs which are observable from independent and reliable market data sources, mainly based on exchange-traded prices, broker/dealer quotations, or counterparties' quotations. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of over-the-counter derivative reflect the credit risk of the instrument and include adjustments to take account of the counterparty and own entity credit risk when appropriate.

The Bank and its subsidiaries recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2020 and 2019.

During the year ended 31 December 2020, due to changes in market conditions and default status, the quoted yield rate in respect of an investment in debentures of one counterparty was no longer reliable. There was also limited information to measure the fair value with other valuation techniques. Management applied judgement to compare the estimated recovery for fair value measurement including consideration of recovery estimate provided by ThaiBMA. These securities, with a carrying amount of Baht 1.6 billion, were included as Level 3 hierarchy as at 31 December 2020 (2019: Level 2).

9 Maintenance of capital fund

The Bank and its subsidiaries maintain its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. The Bank and its subsidiaries are required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2020 and 2019, the consolidated supervision and the Bank only's total capital funds could be categorised as follows:

	Consolidated supervision	
	2020	2019
	(in million Baht)	
<i>Tier 1 Capital</i>		
Common Equity Tier 1 Capital (CET1)		
Paid-up share capital	91,589	91,541
Share premium	43,322	43,217
Legal reserve	10,091	3,360
Net profits after appropriation	47,819	47,299
Other comprehensive income	4,903	5,764
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that is countable as Common Equity Tier 1 Capital of consolidated financial institutions	14	15
Capital adjustment items on CET1	(65)	(61)
Capital deduction items on CET1	(25,949)	(25,342)
Total Common Equity Tier 1 Capital	171,724	165,793
Addition Tier 1 Capital		
Subordinated debentures classified as additional Tier 1 Capital	12,089	12,089
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that is countable as Tier 1 of financial instruments of consolidated financial institutions	2	2
Total Tier 1 Capital	183,815	177,884
<i>Tier 2 Capital</i>		
General provision	13,612	10,214
Subordinated debentures classified as additional Tier 2 Capital	35,430	42,430
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that is countable as Tier 2 of consolidated financial institutions	3	3
Total Tier 2 Capital	49,045	52,647
Total Capital Fund	232,860	230,531
Total Risk-Weighted Assets	1,188,683	1,216,836

	The BoT's regulatory minimum requirement*	2020 (%)	2019
Capital Adequacy Ratio/Total Risk-Weighted Asset	11.0	19.59	18.95
Tier 1 Capital Ratio/Total Risk-Weighted Asset	8.5	15.46	14.62
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.0	14.45	13.62

* Includes capital conservation buffer as required by the BoT commencing 1 January 2016.

	Bank only	
	2020	2019
	(in million Baht)	
<i>Tier 1 capital</i>		
Common Equity Tier 1 capital (CET1)		
Paid-up share capital	91,589	91,541
Share premium	43,322	43,217
Legal reserve	10,091	3,360
Net profits after appropriation	45,914	43,612
Other comprehensive income	5,293	5,776
Capital adjustment items on CET1	(65)	(61)
Capital deduction items on CET1	(7,965)	(6,834)
Total Common Equity Tier 1 Capital	188,179	180,611
 Addition Tier 1 Capital		
Subordinated debentures classified as additional Tier 1 Capital	12,089	12,089
Total Tier 1 Capital	200,268	192,700
 <i>Tier 2 capital</i>		
General provision	8,146	3,698
Subordinated debentures classified as additional Tier 2 Capital	35,430	35,430
Total Tier 2 Capital	43,576	39,128
 Total Capital funds	243,844	231,828
 Total Risk-Weighted Assets	833,315	779,168
 The BoT's regulatory minimum requirement*		
	2020	2019
	(%)	
Capital Adequacy Ratio/Total Risk-Weighted Asset	11.0	29.26
Tier 1 Capital Ratio/Total Risk-Weighted Asset	8.5	24.03
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.0	22.58
	29.75	24.73
	23.18	

* Includes capital conservation buffer as required by the BoT commencing 1 January 2016.

As at 31 December 2020 and 2019, the Bank and its subsidiaries have no add-on arising from Single Lending Limit.

Disclosures of capital maintenance information under the Bank of Thailand on the Public Disclosures of Capital Maintenance for Commercial Banks, the Public Disclosures of Capital Maintenance for Financial Group, and the Public Disclosures of Liquidity Coverage Ratio, the Bank and its subsidiaries disclose as follows:

Location of disclosure	The Bank's website under Investor Relations section at www.tmbbank.com/ir/capital_funds/basel3
Disclosure period requirement	Within 4 months after the year end date as indicated in the BOT notification
Lasted information as of	30 June 2020

The disclosure as at 31 December 2020 will be provided within April 2021 on the Bank's website as noted above.

Capital management

The Bank and its subsidiaries' capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements and to maintain appropriate credit ratings.

10 Classification of financial assets and financial liabilities

	Financial instruments measured at FVTPL	Financial instruments designated as at FVTPL	Financial instruments measured at FVOCI	Consolidated Investment in equity securities designated as at FVOCI	Financial instruments measured at amortised cost	Total
				(in million Baht)		
At 31 December 2020						
Financial assets						
Cash	-	-	-	-	21,943	21,943
Interbank and money market items - net	-	-	-	-	211,185	211,185
Financial assets measured at FVTPL	3,788	-	-	-	-	3,788
Derivatives assets	9,561	-	2,398	-	-	11,959
Investments - net	-	-	132,213	1,517	621	134,351
Loans to customers and accrued interest receivables - net	-	-	-	-	1,348,480	1,348,480
Other financial assets - net	-	-	-	-	12,322	12,322
Total	13,349	-	134,611	1,517	1,594,551	1,744,028
Financial liabilities						
Deposits	-	-	-	-	1,373,408	1,373,408
Interbank and money market items	-	-	-	-	75,909	75,909
Liabilities payable on demand	-	-	-	-	3,895	3,895
Financial liabilities designated at FVTPL	-	432	-	-	-	432
Derivatives liabilities	9,268	-	-	-	-	9,268
Debts issued and borrowings	-	-	-	-	88,965	88,965
Other financial liabilities	-	-	-	-	20,087	20,087
Total	9,268	432	-	-	1,562,264	1,571,964

TMB Bank Public Company Limited and its subsidiaries

Notes to the financial statements

For the year ended 31 December 2020

	Bank only					
	Financial instruments measured at FVTPL	Financial instruments designated as at FVTPL	Financial instruments measured at FVOCI	Investment in equity securities designated as at FVOCI	Financial instruments measured at amortised cost	Total
	(in million Baht)					
At 31 December 2020						
Financial assets						
Cash	-	-	-	-	12,836	12,836
Interbank and money market items, net	-	-	-	-	221,263	221,263
Financial assets measured at FVTPL	1,126	-	-	-	-	1,126
Derivatives assets	8,389	-	1,624	-	-	10,013
Investments, net	-	-	72,864	459	-	73,323
Loans to customers and accrued interest receivables, net	-	-	-	-	693,775	693,775
Other financial assets - net	-	-	-	-	9,356	9,356
Total	9,515	-	74,488	459	937,230	1,021,692
Financial liabilities						
Deposits	-	-	-	-	815,678	815,678
Interbank and money market items	-	-	-	-	51,149	51,149
Liabilities payable on demand	-	-	-	-	2,898	2,898
Financial liabilities designated measured at FVTPL	-	432	-	-	-	432
Derivatives liabilities	8,144	-	-	-	-	8,144
Debts issued and borrowings	-	-	-	-	88,960	88,960
Other financial liabilities	-	-	-	-	11,370	11,370
Total	8,144	432	-	-	970,055	978,631

11 Financial assets measured at fair value through profit or loss

At 31 December 2020

	Consolidated	Bank only
	(in million Baht)	
Government and state enterprise securities	3,414	979
Others	374	147
Total	3,788	1,126

12 Interbank and money market items, net (assets)

At 31 December 2020

	Consolidated	Bank only
	(in million Baht)	
Domestic items		
Bank of Thailand and Financial Institutions Development Fund	147,651	142,778
Commercial banks	26,720	57,020
Specialised financial institutions	16,690	4,190
Other financial institutions	10,987	9,075
Total	202,048	213,063
Add accrued interest and undue interest income	16	14
Less allowance for expected credit loss	(72)	(47)
Total domestic items	201,992	213,030
Foreign items		
US Dollar	7,957	7,240
Japanese Yen	297	212
Euro	177	133
Other currencies	760	645
Total	9,191	8,230
Add accrued interest and undue interest income	12	12
Less allowance for expected credit loss	(10)	(9)
Total foreign items	9,193	8,233
Total domestic and foreign items	211,185	221,263

At 31 December 2019

	Consolidated			Bank only		
	At call	Term	Total	At call	Term	Total
	(in million Baht)					
Domestic						
Bank of Thailand and Financial Institutions Development Fund	7,499	85,896	93,395	6,551	84,996	91,547
Commercial banks	492	71,387	71,879	1	3,227	3,228
Specialised financial institutions	1	32,698	32,699	-	6,400	6,400
Other financial institutions	700	24,772	25,472	-	10,470	10,470
Total	8,692	214,753	223,445	6,552	105,093	111,645
Add accrued interest receivable	-	57	57	-	32	32
Less allowance for doubtful accounts	(7)	(180)	(187)	-	(38)	(38)
Total domestic, net	8,685	214,630	223,315	6,552	105,087	111,639
Foreign						
US Dollar	10,757	924	11,681	8,076	924	9,000
Japanese Yen	224	-	224	224	-	224
Euro	144	-	144	144	-	144
Other currencies	787	166	953	415	166	581
Total	11,912	1,090	13,002	8,859	1,090	9,949
Add accrued interest receivable	1	16	17	-	16	16
Less allowance for doubtful accounts	-	(23)	(23)	-	(23)	(23)
Total foreign, net	11,913	1,083	12,996	8,859	1,083	9,942
Total domestic and foreign, net	20,598	215,713	236,311	15,411	106,170	121,581

13 Derivatives

As at 31 December 2020 and 2019, fair value of derivatives held for trading book, readjustment based on accrual basis of derivatives held for banking book and notional amount classified by type of risks were as follows:

Consolidated						
Type of risks	2020		Notional amount	2019		Notional amount
	Fair value			Fair value/Readjustment based on an accrual basis		
	Assets	Liabilities		Assets	Liabilities	
(in million Baht)						
Foreign currency related						
- Trading Book	4,997	4,772	376,568	5,085	5,255	447,248
- Banking Book ⁽¹⁾	7	86	9,377	785	91	50,230
- Cash flow hedge	2,398	1	39,106	-	-	-
Interest rate related						
- Trading Book	4,444	4,374	236,396	4,529	4,361	457,776
- Banking Book ⁽¹⁾	-	-	-	24	59	41,068
- Fair value hedge	113	35	8,509	-	-	-
- Cash flow hedge	-	-	-	-	-	-
Total	11,959	9,268	669,956	10,423	9,766	996,322

Bank only						
Type of risks	2020		Notional amount	2019		Notional amount
	Fair value			Fair value/Readjustment based on an accrual basis		
	Assets	Liabilities		Assets	Liabilities	
(in million Baht)						
Foreign currency related						
- Trading Book	4,487	4,349	342,815	4,372	4,502	377,008
- Banking Book ⁽¹⁾	7	86	9,377	86	91	35,003
- Cash flow hedge	1,624	1	30,095	-	-	-
Interest rate related						
- Trading Book	3,782	3,708	192,481	2,937	2,779	260,659
- Banking Book ⁽¹⁾	-	-	-	24	6	20,038
- Fair value hedge	113	-	7,509	-	-	-
Total	10,013	8,144	582,277	7,419	7,378	692,708

⁽¹⁾ Adjustment made on an accrual basis at the end of period for interest rate swap contracts held for banking book are adjustments of accrued interest receivable or payable or interest paid or received in advance based on the contracts. As at 31 December 2019, accrued interest receivable and interest paid in advance amounting to Baht 24 million are presented as a part of "Other assets" and accrued interest payable and interest received in advance amounting to Baht 47 million are presented as a part of "Other liabilities" in the consolidated and Bank only financial statements.

As at 31 December 2019, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	Consolidated (%)	Bank only
Counterparties		
Financial institutions	84.06	75.59
Other parties	15.94	24.41
Total	100.00	100.00

14 Investments, net

14.1 Classified by type of investments

	Consolidated (in million Baht)	Bank only
At 31 December 2020		
<i>Investments in debt securities measured at amortised costs</i>		
Private debt securities	622	-
Total	622	-
Less allowances for expected credit loss	(1)	-
Net	621	-
<i>Investments in debt securities measured at FVOCI</i>		
Government and state enterprise securities	108,268	64,221
Private debt securities	11,976	5,901
Foreign debt securities	11,900	2,673
Others	69	69
Total	132,213	72,864
Allowances for expected credit loss	(1,766)	(83)
<i>Investments in equity securities designated measured at FVOCI</i>		
Marketable equity securities - domestic	910	-
Non-marketable equity securities - domestic	603	456
Non-marketable equity securities - overseas	4	3
Total	1,517	459
Total investments - net	134,351	73,323
At 31 December 2019		
<i>Trading securities - Fair value</i>		
Government and state enterprise securities	6,159	4,868
Private debt securities	417	-
Total	6,576	4,868
<i>Available-for-sale securities - Fair value</i>		
Government and state enterprise securities	137,906	55,375
Private debt securities	10,166	-
Foreign debt securities	9,193	-
Domestic marketable equity securities	1,129	2
Total	158,394	55,377

	Consolidated	Bank only
	(in million Baht)	
<i>At 31 December 2019</i>		
<i>Held-to-maturity debt securities - Cost/Amortised cost</i>		
Private debt securities	682	-
Total	682	-
 <i>General investments - Cost</i>		
Domestic non-marketable equity securities	1,410	1,051
Foreign non-marketable equity securities	3	2
Total	1,413	1,053
<i>Less allowance for impairment losses</i>	(800)	(791)
Net	613	262
Total investments, net	166,265	60,507

The Bank and its subsidiaries have dividend income from investments in equity instruments that are designated at fair value through other comprehensive income for the year ended 31 December 2020 in the amount of Baht 364 million (Bank only: Baht 31 million).

14.2 Investments in entities in which the Bank and its subsidiaries hold 10% or more

As at 31 December 2020 and 2019, the Bank and its subsidiaries had investments in entities in which the Bank and its subsidiaries hold 10% or more of the paid-up share capital of the investee companies but such companies are not treated as its subsidiaries and associates. Those investments were summarised below.

	Consolidated		Bank only	
	2020	2019	2020	2019
	(in million Baht)			
Property development and construction	4	34	4	34
Public utilities and services	101	14	101	14
Mutual funds and financial services	199	46	198	46
Others	3	12	3	11
Total	307	106	306	105
Less allowance for expected credit loss (2019: allowance for impairment losses)	-	(41)	-	(41)
Investments, net	307	65	306	64

Interest in unconsolidated structured entity arising in the normal business

The Bank and its subsidiaries may enter into transactions with structured entities in the forms of investment in unit trusts, lending and derivative. Investment in unit trusts is summarised as equity securities. Lending and derivative transactions are provided under normal business terms and are managed the same way as other counterparties.

As at 31 December 2020 and 2019, the Bank and its subsidiaries did not have significant risks and transactions relating to structured entities to disclose in the financial statements.

14.3 Investments in companies with problems in their financial position and operating results

As at 31 December 2020 and 2019, the Bank and its subsidiaries had the following investments in listed companies which meet the Stock Exchange of Thailand ("SET")'s criteria for delisting, and are in default on debt securities, or companies whose ability to continue as a going concern is uncertain, or unlisted companies whose financial position and operating results are similar to the listed companies which meet criteria for delisting from the SET. Those investments, which measured either at fair value through profit or loss, or through other comprehensive income, in the statement of financial position as at 31 December 2020 and measured at fair value for available-for-sale debt securities or at cost net allowance for impairment losses for equity securities in the statement of financial position as at 31 December 2019 were summarised below.

	Consolidated							
	No. of Com- panies	2020			No. of Com- panies	2019		Allowance for Impairment losses
		Cost value	Fair value	Allowance for Impairment losses		Cost value/ book value	Fair value	
		(in million Baht)				(in million Baht)		
- Listed companies under delisting conditions / defaulted debt securities	1	12	-	-	3	62	-	(62)
- Companies whose ability to continues as a going concern is uncertain, or unlisted companies whose financial position and operating results are similar to the listed companies which meet criteria for delisting from the SET	11	3,854	1,563	1,597	11	730	-	(730)
Total	12	3,866	1,563	1,597	14	792	-	(792)
	Bank only							
	No. of Com- panies	2020			No. of Com- panies	2019		Allowance for Impairment losses
		Cost value	Fair value	Allowance for Impairment losses		Cost value/ book value	Fair value	
		(in million Baht)				(in million Baht)		
- Listed companies under delisting conditions / defaulted debt securities	1	12	-	-	2	62	-	(62)
- Companies whose ability to continues as a going concern is uncertain, or unlisted companies whose financial position and operating results are similar to the listed companies which meet criteria for delisting from the SET	10	693	-	-	11	730	-	(730)
Total	11	705	-	-	13	792	-	(792)

14.4 Revaluation surplus (deficit) on investments measured at FVOCI / available-for-sale investments

As at 31 December 2019, revaluation surplus (deficit) on investments could be summarised as follows:

	Consolidated	Bank only
	(in million Baht)	
<i>Revaluation surplus on investments</i>		
Debt securities	404	320
Total	404	320
<i>Revaluation deficit on investments</i>		
Debt securities	5	(1)
Equity securities	(33)	-
Total	(28)	(1)
Total revaluation surplus on investments	376	319
Less deferred tax	(75)	(64)
Net	301	255

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15 Investments in subsidiaries and associate, net

15.1 Detail of investments in subsidiaries and associate

Companies	Type of Business	Percentage of ownership interest		Paid-up capital		Equity		Consolidated Allowance for impairment losses		At Equity, net		Cost		Bank only Allowance for impairment losses		At cost, net		Dividend income for the year	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		(%)																	
		(in million Baht)																	
Direct subsidiaries																			
Phahonyothin Asset Management Co., Ltd.	Asset management business	100.00	100.00	25	25	-	-	-	-	-	-	25	25	-	-	25	25	-	-
Phayathai Asset Management Co., Ltd.*	Asset management business	-	100.00	-	1,070	-	-	-	-	-	-	-	649	-	(649)	-	-	-	-
Thanachart Bank PCL***	Commercial bank	99.98	99.98	60,649	60,649	-	-	-	-	-	-	167,930	167,840	(9,300)	-	158,630	167,840	20,249	-
Indirect subsidiary																			
Thanachart Broker Co., Ltd.	Insurance broker business	99.99	99.99	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associate																			
TMB Asset Management Co., Ltd.**	Fund management business	35.00	35.00	100	100	4,487	4,725	-	-	4,487	4,725	197	197	-	-	197	197	434	140
Indirect associate																			
Thanachart Fund Management Co., Ltd.**	Fund management business	49.90	49.90	100	100	4,112	4,228	-	-	4,112	4,228	-	-	-	-	-	-	-	-
Total						8,599	8,953	-	-	8,599	8,953	168,152	168,711	(9,300)	(649)	158,852	168,062	20,683	140

* The Company registered the completion liquidation with the Ministry of Commerce on 1 October 2020.

** The remaining investment in TMB Asset Management Co., Ltd. and Thanachart Fund Management Co., Ltd. are subject to call and put options in the future.

*** The Bank recorded interim dividend declared in March 2020 which was fully received in cash amounting to Baht 20,249 million. As the integration plan has progressed, the timing of entire business transfer is more certain, the investment in subsidiary has been written down by Baht 9,300 million based on the adjusted net book value at entire business transfer date. The net amount of Baht 10,949 million was presented in other operating income.

Sales of investment in subsidiaries

On 27 December 2019, Thanachart Bank Public Company Limited sold 25.1% of its interest in Thanachart Fund Management Co., Ltd., a subsidiary, reducing its ownership interest to 49.9%. It thereby ceased to be a subsidiary and became an associated company. No gain arose from the sale of investment because the investment in Thanachart Fund Management Co., Ltd. was recorded at fair value before the disposal. The remaining 49.9% investment in Thanachart Fund Management Co., Ltd. is subject to call and put options in the future.

15.2 Disclosure of the statement of cash flows of the asset management company

Statement of cash flows Phahonyothin Assets Management Co., Ltd. 31 December		
	2020	2019
	(in million Baht)	
<i>Cash flows from operating activities</i>		
Profit from operations before income tax	20	26
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>		
Reversal of impairment loss on loans and debt securities	-	(6)
Net interest income	(15)	(26)
Interest received	15	26
Income tax paid	(2)	(8)
Profit from operations before changes in operating assets and liabilities	18	12
<i>Decrease (increase) in operating assets</i>		
Intercompany and money market items	-	(25)
Loans to customers	-	17
<i>Decrease in operating liabilities</i>		
Other payables	(15)	(4)
Accrued expenses	(3)	(2)
Other liabilities	-	(1)
Net cash used in operating activities	-	(3)
Net decrease in cash	-	(3)
Cash at 1 January	-	3
Cash at 31 December	-	-

16 Loans to customers and accrued interest receivables, net

16.1 Classified by loan type

	Consolidated	Bank only
	2020	
	(in million Baht)	
Overdrafts	104,006	91,511
Loans	666,471	441,128
Bills	216,044	187,188
Hire purchase receivables	404,855	-
Finance lease receivables	1,268	-
Others	281	135
Total loans to customers	1,392,925	719,962
Add accrued interest receivables and undue interest income *	8,533	5,753
Total loans to customers and accrued interest receivables	1,401,458	725,715
Less allowances for expected credit loss	(52,978)	(31,940)
Total loans to customers and accrued interest receivables - net	1,348,480	693,775

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

	Consolidated	Bank only
	2019	
	(in million Baht)	
Overdrafts	120,989	105,734
Loans	696,534	427,841
Bills	167,466	138,035
Hire purchase receivables	472,204	-
Financial lease receivables	1,547	-
Others	222	51
Less deferred revenue	(66,737)	(58)
Loans to customers net of deferred revenue	1,392,225	671,603
Add accrued interest receivables	1,882	1,285
Total loans to customers net of deferred revenue and accrued interest receivables	1,394,107	672,888
Less allowance for doubtful accounts		
- Provision at BoT's minimum rates required	(27,025)	(13,625)
- Provision in excess of BoT's minimum rates required	(17,513)	(10,845)
Less revaluation allowance for debt restructuring	(939)	(939)
Loans to customers and accrued interest receivables, net	1,348,630	647,479

16.2 Classified by currency and residency of debtors

	Consolidated					
	2020		Total (in million Baht)	2019		Total
	Domestic	Foreign		Domestic	Foreign	
Baht	1,369,088	3,298	1,372,386	1,368,941	2,393	1,371,334
US Dollars	14,091	4,606	18,697	14,667	4,668	19,335
Other currencies	1,154	688	1,842	895	661	1,556
Total*	1,384,333	8,592	1,392,925	1,384,503	7,722	1,392,225

	Bank only					
	2020		Total (in million Baht)	2019		Total
	Domestic	Foreign		Domestic	Foreign	
Baht	699,232	3,298	702,530	655,969	2,393	658,362
US Dollars	12,474	3,856	16,330	12,062	295	12,357
Other currencies	1,102	-	1,102	854	30	884
Total*	712,808	7,154	719,962	668,885	2,718	671,603

* Loans to customers net of deferred revenue.

16.3 Classified by stage

The Bank and its subsidiaries have classified loans to customers and accrued interest receivables (excluding interbank and money market items) in accordance with the BoT's notifications, regarding the Classification and Provisions made by Financial Institutions, as follows:

	Consolidated		Bank only	
	31 December 2020	1 January 2020	31 December 2020	1 January 2020
	(in million Baht)			
Loans to customers and accrued interest receivables*				
Stage 1 (Performing)	1,237,638	1,206,914	642,301	586,391
Stage 2 (Under-performing)	122,135	147,250	60,347	68,186
Stage 3 (Non-performing)	41,685	39,478	23,067	18,187
Total	1,401,458	1,393,642	725,715	672,764

* Total loans to customers and accrued interest receivables in note 16.1

	Consolidated 2019			
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	1,297,716	1,020,132	1	10,103
Special mention	58,645	44,296	2	3,128
Sub-standard	7,658	4,073	100	3,294
Doubtful	6,769	3,420	100	2,458
Doubtful of loss	23,319	6,523	100	8,042
Total	1,394,107	1,078,444		27,025
Provision in excess of BoT's minimum rates required				17,513 ⁽³⁾
Total				44,538

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	Bank only 2019			
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	628,768	566,437	1	6,082
Special mention	25,970	14,678	2	407
Sub-standard	2,795	1,431	100	1,579
Doubtful	1,575	497	100	563
Doubtful of loss	13,780	2,706	100	4,994
Total	<u>672,888</u>	<u>585,749</u>		<u>13,625</u>
Provision in excess of BoT's minimum rates required				<u>10,845 ⁽³⁾</u>
Total				<u>24,470</u>

* Loans to customers net of deferred revenue add accrued interest receivables

- ⁽¹⁾ Net amount used to set the allowance for doubtful account: In the case of loans that are classified as pass and special mention means the principal balance net of the value of collateral, excluding land, buildings and constructions thereon, leasehold rights and machinery. In the case of loans that are classified as sub-standard, doubtful and doubtful of loss, it means the debt balance after deduction of the present value of future cash flows expected to be received from debt collection, or from the disposal of collateral, excluding machinery.
- ⁽²⁾ Allowance for doubtful accounts on loans guaranteed by Thai Credit Guarantee Corporation according to the Portfolio Guarantee Scheme was made in accordance with the Bank of Thailand's notification on supervisory guidelines on loans guaranteed in the Portfolio Guarantee Scheme by Thai Credit Guarantee Corporation.
- ⁽³⁾ As at 31 December 2019, the Bank and its subsidiaries, this included provision of Baht 3,900 million (Bank only: Baht 1,849 million) provided for non-performing loans.

16.4 Non-performing loans

NPLs per BoT's regulations refer to all loans classified as sub-standard, doubtful, doubtful of loss and loss loans under BoT's notification number Sor Nor Sor. 23/2561 and loans classified as non-performing under TFRS 9.

As at 31 December 2020 and 2019, the Bank and its subsidiaries' NPLs (including interbank and money market items) were summarised as follows:

	TMB Bank Public Company Limited	Phahonyothin Asset Management Co., Ltd.	2020 Thanachart Bank Public Company Limited	Elimination	Consolidated
Net NPLs (principal net of allowance for expected credit loss)					
NPLs after allowance for expected credit loss on NPLs (<i>in million Baht</i>)	9,511	7	9,887	-	19,405
Total loans after allowance for expected credit loss on NPLs (<i>in million Baht</i>)	910,527	7	706,174	(56,000)	1,560,708
Percentage of net NPLs (%)	1.04	100.00	1.40		1.24
NPLs (principal)					
NPLs (<i>in million Baht</i>)	22,005	29	17,559	-	39,593
Total loans (<i>in million Baht</i>)	923,021	29	713,846	(56,000)	1,580,896
Percentage of NPLs (%)	2.38	100.00	2.46		2.50
	TMB Bank Public Company Limited	Phahonyothin Asset Management Co., Ltd.	2019 Thanachart Bank Public Company Limited	Elimination	Consolidated
Net NPLs (principal net of allowance for doubtful accounts)					
NPLs after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	9,161	7	10,880	-	20,048
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	768,797	7	854,171	(32,806)	1,590,169
Percentage of net NPLs (%)	1.19	100.00	1.27		1.26
NPLs (principal)					
NPLs (<i>in million Baht</i>)	18,150	29	19,567	-	37,746
Total loans (<i>in million Baht</i>)	777,786	29	862,859	(32,806)	1,607,868
Percentage of NPLs (%)	2.33	100.00	2.27		2.35

For the year ended 31 December 2020 and 2019, the Bank and its subsidiaries sold non-performing loans, with principal totalling approximately Baht 10,000 million and Baht 6,100 million, respectively, to Asset Management Company. The selling price in excess of the carrying amount of those non-performing loans was presented as a deduction from "Expected credit loss" and "Impairment loss on loans and debt securities" in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020 and 2019, respectively.

As at 31 December 2019, the Bank and its subsidiaries had loans to customers, amounting to Baht 76,163 million (Bank only: Baht 51,281 million) on which it ceased recognition of interest income on an accrual basis.

16.5 Modified loans to customers and trouble debt restructuring

During the year ended 31 December 2020, the Bank and its subsidiaries have loans to customers that were modified while they had a loss allowance measured at an amount equal to lifetime ECL as follows:

	Consolidated 2020 (in million Baht)	Bank only 2020
Loans to customers modified during the year^(*)		
Amortised cost before modification	15,821	11,196
Net modification loss	286	281

^(*) This excluded loans to customers modified under relief program as mentioned in note 5.

There is no modification gain (loss) on these groups of customers.

	Consolidated 2020 (in million Baht)	Bank only 2020
Loans to customers modified since initial recognition		
Gross carrying amount of loans to customers previously modified for which loss allowance has changed during the year to an amount equal to 12-month ECL from lifetime	222	-

During the year ended 31 December 2019, the Bank and its subsidiaries entered into contracts for troubled debt restructuring, (only the account where debtor has present value loss/losses on debt structuring is presented), which could be summarised as follows:

	Number of debtors	Before restructuring (in million Baht)	Consolidated 2019 After restructuring (in million Baht)	Asset acquired Type	Fair value (in million Baht)
Type of restructuring					
Modification of terms of payments	6,267	11,952	11,952	-	-
Total	6,267	11,952	11,952		-
Term of debt restructuring agreements					
Not over 5 years	1,163	534	534		
Over 5 - 10 years	3,640	1,930	1,930		
Over 10 years	1,464	9,488	9,488		
Total	6,267	11,952	11,952		

Type of restructuring	Number of debtors	Before restructuring (in million Baht)	Bank only	Type	Asset acquired Fair value (in million Baht)
			2019 After restructuring (in million Baht)		
Modification of terms of payments	6,180	11,739	11,739	-	-
Total	6,180	11,739	11,739		-
Term of debt restructuring agreements					
Not over 5 years	1,126	469	469		
Over 5 - 10 years	3,596	1,794	1,794		
Over 10 years	1,458	9,476	9,476		
Total	6,180	11,739	11,739		

Supplemental information relating to restructuring debtors for the year ended 31 December 2019 was as follows:

	Consolidated 2019 (in million Baht)	Bank only 2019
Interest income on restructured debts, which is recognised during the year	531	504
Cash settlement by debtors	1,860	1,672
Reversal of debt restructuring, net	(61)	(61)

As at 31 December 2019, the Bank and its subsidiaries had the outstanding balances with troubled debt restructuring debtors which had been performing in accordance with debt restructuring agreements, as follows:

	Consolidated 2019		Bank only 2019	
	Number of debtors	Outstanding balance (in million Baht)	Number of debtors	Outstanding balance (in million Baht)
Troubled debt restructuring debtors	14,292	22,237	8,797	13,529

16.6 Loans to customers having problems with financial position and operating results

As at 31 December 2020 and 2019, the Bank and its subsidiaries had loans and accrued interest receivables due from listed companies having problems with their financial position and operating results, and set aside allowance for expected credit loss or allowances for doubtful accounts as follows:

	Consolidated							
	2020						2019	
	Number of debtors	Loans and accrued interest receivables	Collateral (in million Baht)	Allowance for expected credit loss	Number of debtors	Loans and accrued interest receivables	Collateral (in million Baht)	Allowance for doubtful accounts
Listed companies under delisting conditions in SET	1	3	-	1	2	197	-	2

	Bank only							
	2020						2019	
	Number of debtors	Loans and accrued interest receivables	Collateral (in million Baht)	Allowance for expected credit loss	Number of debtors	Loans and accrued interest receivables	Collateral (in million Baht)	Allowance for doubtful accounts
Listed companies under delisting conditions in SET	1	3	-	1	1	3	-	-

16.7 Hire purchase and finance lease receivables

	Consolidated 2020			
	Portion due within one year	Portion due after one year but within five years (in million Baht)	Portion due after five years	Total
Hire purchase receivables	117,372	311,698	37,530	466,600
Finance lease receivables	489	871	-	1,360
Total gross investment under hire purchase contracts	117,861	312,569	37,530	467,960
Less unearned interest income	(20,718)	(39,158)	(1,961)	(61,837)
Present value of minimum lease payment receivables	97,143	273,411	35,569	406,123
Less allowance for expected credit loss				(10,989)
Lease receivables, net				395,134

	Consolidated 2019			
	Portion due within one year	Portion due after one year but within five years	Portion due after five years	Total
	(in million Baht)			
Hire purchase receivables	120,574	312,489	39,141	472,204
Finance lease receivables	<u>488</u>	<u>1,035</u>	<u>24</u>	<u>1,547</u>
Total gross investment under hire purchase contracts	121,062	313,524	39,165	473,751
Less unearned interest income	<u>(23,171)</u>	<u>(41,420)</u>	<u>(2,088)</u>	<u>(66,679)</u>
Present value of minimum lease payment receivables	<u>97,891</u>	<u>272,104</u>	<u>37,077</u>	407,072
Less allowance for doubtful accounts				<u>(10,189)</u>
Lease receivables, net				396.883

17 Allowance for expected credit loss and doubtful accounts

The movement in the allowance for expected credit loss during the year were as follows:

	Consolidated 2020			
	12-month ECL	Lifetime ECL, not credit impaired	Lifetime ECL, credit impaired	Total
	(in million Baht)			
Investments				
Beginning balance - adjusted (see note 3)	61	-	50	111
Changes from stage reclassification	(9)	5	1,658	1,654
Changes from remeasurement of ECL	(4)	-	-	(4)
Purchased or acquired	44	-	-	44
Derecognition	(38)	-	-	(38)
Ending balance	54	5	1,708	1,767
Loans to customers and accrued interest				
Beginning balance - adjusted (see note 3)	9,199	19,047	16,177	44,423
Changes from stage reclassification	(1,722)	441	13,851	12,570
Changes from remeasurement of ECL	2,128	1,886	7,127	11,141
Originated	1,997	896	273	3,166
Derecognition	(476)	(653)	(3,021)	(4,150)
Write-off	-	-	(14,172)	(14,172)
Ending balance	11,126	21,617	20,235	52,978

	Bank only 2020			
	12-month ECL	Lifetime ECL, not credit impaired (in million Baht)	Lifetime ECL, credit impaired	Total
Investments				
Beginning balance - adjusted (see note 3)	23	-	50	73
Changes from remeasurement of ECL	(2)	-	-	(2)
Purchased or acquired	29	-	-	29
Derecognition	(17)	-	-	(17)
Ending balance	33	-	50	83
Loans to customers and accrued interest				
Beginning balance - adjusted (see note 3)	3,544	13,562	7,535	24,641
Changes from stage reclassification	(37)	(331)	7,740	7,372
Changes from remeasurement of ECL	1,090	1,359	4,247	6,696
Originated	536	182	82	800
Derecognition	(229)	(277)	(2,434)	(2,940)
Write-off	-	-	(4,629)	(4,629)
Ending balance	4,904	14,495	12,541	31,940

The movements in the allowance for doubtful accounts during the year were as follows:

Consolidated 2019						
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Beginning balance	6,142	419	1,235	1,065	9,715	31,976
Acquisition through business combination	3,964	2,781	1,745	1,924	3,435	19,810
Allowance for doubtful accounts	(3)	(72)	314	(531)	12,151	10,011
Bad debt recovery	-	-	-	-	1,107	1,107
Bad debt written-off	-	-	-	-	(15,564)	(15,564)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(2,802)	(2,802)
Ending balance	<u>10,103</u>	<u>3,128</u>	<u>3,294</u>	<u>2,458</u>	<u>8,042</u>	<u>44,538</u>

Bank only 2019						
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Beginning balance	6,142	419	1,235	1,065	9,686	31,947
Allowance for doubtful accounts	(60)	(12)	344	(502)	11,431	8,646
Bad debt recovery	-	-	-	-	1,045	1,045
Bad debt written-off	-	-	-	-	(14,366)	(14,366)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(2,802)	(2,802)
Ending balance	<u>6,082</u>	<u>407</u>	<u>1,579</u>	<u>563</u>	<u>4,994</u>	<u>24,470</u>

18 Properties for sale, net

As at 31 December 2020 and 2019, changes to the properties for sale, net were as follows:

Consolidated 2020					
	Beginning balance	Acquisition through business combination	Additions	Disposals/ decrease	Ending balance
	<i>(in million Baht)</i>				
Assets foreclosed in settlement of debts					
- Immovable assets	3,562	-	419	(261)	3,720
- Movable assets	777	-	5,819	(6,031)	565
Assets for sales	820	-	1,706	(460)	2,066
Total	5,159	-	7,944	(6,752)	6,351
Less allowance for impairment losses	(349)	-	(898)	933	(314)
Net	4,810	-	7,046	(5,819)	6,037
Consolidated 2019					
	Beginning balance	Acquisition through business combination	Additions	Disposals/ decrease	Ending balance
	<i>(in million Baht)</i>				
Assets foreclosed in settlement of debts					
- Immovable assets	2,306	1,147	329	(220)	3,562
- Movable assets	-	848	691	(762)	777
Assets for sales	458	327	199	(164)	820
Total	2,764	2,322	1,219	(1,146)	5,159
Less allowance for impairment losses	(150)	(211)	(148)	160	(349)
Net	2,614	2,111	1,071	(986)	4,810
Bank only 2020					
	Beginning balance	Acquisition through business combination	Additions	Disposals/ decrease	Ending balance
	<i>(in million Baht)</i>				
Assets foreclosed in settlement of debts					
- Immovable assets	2,378	-	157	(163)	2,372
Assets for sales	494	-	757	(309)	942
Total	2,872	-	914	(472)	3,314
Less allowance for impairment losses	(134)	-	(39)	9	(164)
Net	2,738	-	875	(463)	3,150

			Bank only 2019		
	Beginning balance	Acquisition through business combination	Additions	Disposals/ decrease	Ending balance
	<i>(in million Baht)</i>				
Assets foreclosed in settlement of debts					
- Immovable assets	2,306	-	287	(215)	2,378
Assets for sales	458	-	200	(164)	494
Total	2,764	-	487	(379)	2,872
Less allowance for impairment losses	(150)	-	(11)	27	(134)
Net	<u>2,614</u>	<u>-</u>	<u>476</u>	<u>(352)</u>	<u>2,738</u>

As at 31 December 2020 and 2019, the Bank had properties for sale with debtor's rights to buy back when complied with criteria in the agreement, with net book value amounting to Baht 331 million and Baht 633 million, respectively.

The value of immovable assets acquired from debt repayment was appraised by external and internal appraisers as at 31 December 2020 and 2019 as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Assets foreclosed in settlement of debts				
Immovable assets				
- Appraised by external appraisers	3,649	3,554	2,301	2,371
- Appraised by internal appraisers	71	8	71	7
Total	<u>3,720</u>	<u>3,562</u>	<u>2,372</u>	<u>2,378</u>

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19 Premises and equipment, net

As at 31 December 2020 and 2019, changes in premises and equipment were as follows:

	Consolidated														
	2020														
	Cost						Accumulated depreciation				Allowance for impairment losses				
	Net book value as at 1 January 2020	Beginning balance	Impact of changes in accounting policies	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written-off/ transfers out/ adjustments from revaluation <i>(in million Baht)</i>	Ending balance	Beginning balance	Loss on impairment during the year	Disposals/ written-off/ transfers out	Ending balance	Net book value as at 31 December 2020
Land															
- Cost	5,766	5,928	-	-	(676)	5,252	-	-	-	-	(162)	-	11	(151)	5,101
- Incremental revaluation*	7,835	7,835	-	-	(772)	7,063	-	-	-	-	-	-	-	-	7,063
Building under construction	172	172	-	335	(448)	59	-	-	-	-	-	-	-	-	59
Building															
- Cost	3,119	6,517	-	463	(415)	6,565	(3,396)	(300)	262	(3,434)	(2)	(4)	5	(1)	3,130
- Incremental revaluation*	3,523	7,047	-	-	(816)	6,231	(3,524)	(272)	530	(3,266)	-	-	-	-	2,965
Right-of-use assets															
- premise	-	-	1,326	644	(162)	1,808	-	(804)	147	(657)	-	-	-	-	1,151
Leasehold improvements	307	1,373	-	27	(231)	1,169	(1,066)	(96)	215	(947)	-	(16)	16	-	222
Equipment under construction and installation	228	228	-	1,385	(1,506)	107	-	-	-	-	-	-	-	-	107
Equipment	2,692	7,735	-	1,541	(2,198)	7,078	(5,043)	(1,301)	2,461	(3,883)	-	-	-	-	3,195
Right-of-use assets															
- equipment	-	-	1,819	36	(39)	1,816	-	(783)	13	(770)	-	-	-	-	1,046
Total	23,642	36,835	3,145	4,431	(7,263)	37,148	(13,029)	(3,556)	3,628	(12,957)	(164)	(20)	32	(152)	24,039

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* The Bank's revaluation has been performed in 2019.

Depreciation presented in the consolidated profit or loss for the year ended 31 December 2020 and 2019 amounted to Baht 3,556 million and Baht 1,053 million, respectively.

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	Cost					Bank only 2019 Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2019
	Net book value as at 1 January 2019	Beginning balance	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written-off/ transfers out/ adjustments from revaluation	Ending balance	Beginning balance	Reversal of (loss on) impairment during the year	Disposals/ written-off/ transfers out	Ending balance	
							(in million Baht)							
Land														
- Cost	1,834	2,058	-	(24)	2,034	-	-	-	-	(224)	62	-	(162)	1,872
- Incremental revaluation*	4,079	4,079	820	(134)	4,765	-	-	-	-	-	-	-	-	4,765
Building under construction	60	60	405	(293)	172	-	-	-	-	-	-	-	-	172
Building														
- Cost	1,949	5,234	304	(103)	5,435	(3,244)	(195)	51	(3,388)	(41)	9	30	(2)	2,045
- Incremental revaluation*	1,757	3,586	2,281	(205)	5,662	(1,829)	(102)	(1,576)	(3,507)	-	-	-	-	2,155
Leasehold improvements	367	1,362	54	(43)	1,373	(995)	(111)	40	(1,066)	-	(3)	3	-	307
Equipment under construction and installation	382	382	653	(841)	194	-	-	-	-	-	-	-	-	194
Equipment	1,448	6,202	747	(291)	6,658	(4,754)	(576)	278	(5,052)	-	-	-	-	1,606
Total	11,876	22,963	5,264	(1,934)	26,293	(10,822)	(984)	(1,207)	(13,013)	(265)	68	33	(164)	13,116

* The Bank's revaluation has been performed in 2019.

The gross amount of the Bank only's fully depreciated premises and equipment that were still in use as at 31 December 2020 amounted to Baht 2,642 million (2019: Baht 3,850 million).

Depreciation presented in the Bank only's profit or loss for the year ended 31 December 2020 and 2019 amounted to Baht 1,840 million and Baht 984 million, respectively.

In June 2019, the Bank had the land and buildings re-appraised by independent valuers, in accordance with the BoT regulations. The surplus from revaluation was credited to other reserves under the heading "Revaluation surplus on assets" totalling Baht 1,382 million, and reversing allowance for impairment of assets in the statement of profit or loss and other comprehensive income amounting to Baht 72 million. Bank of Thailand has approved the incremental revaluation amount to be included as part of Common Equity Tier 1 Capital in October 2019.

20 Goodwill and other intangible assets, net

As at 31 December 2020 and 2019, changes in goodwill and other intangible assets were as follows:

	Consolidated 2020												
	Net book value as at 1 January 2020	Beginning balance	Impact of changes in accounting policies	Acquisition through business combination	Cost Additions	Written-off	Transfers in/ (out) (in million Baht)	Ending balance	Beginning balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance	Net book value as at 31 December 2020
Goodwill	14,015	14,015	-	90	-	-	-	14,105	-	-	-	-	14,105
Computer software	3,541	8,910	-	-	172	166	1,367	10,615	(5,369)	(1,310)	30	(6,649)	3,966
Computer software under development	843	843	-	-	1,433	(7)	(1,523)	746	-	-	-	-	746
Right-of-use assets - software	-	-	112	-	-	-	-	112	-	(64)	-	(64)	48
Other intangible assets	3,964	3,964	-	-	-	-	-	3,964	-	(283)	-	(283)	3,681
Total	22,363	27,732	112	90	1,605	159	(156)	29,542	(5,369)	(1,657)	30	(6,996)	22,546

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	Consolidated 2019											
	Net book value as at 1 January 2019	Beginning balance	Acquisition through business combination	Cost		Transfers in/ (out)	Ending balance	Beginning balance	Accumulated amortisation during the year	Accumulated amortisation on transfer out	Ending balance	Net book value as at 31 December 2019
				Additions	Written-off	(in million Baht)						
Goodwill	-	-	14,015	-	-	-	14,015	-	-	-	-	14,015
Computer software	2,171	6,881	1,045	105	(42)	921	8,910	(4,710)	(687)	28	(5,369)	3,541
Computer software under development	421	421	238	1,068	-	(884)	843	-	-	-	-	843
Other intangible assets	-	-	3,964	-	-	-	3,964	-	-	-	-	3,964
Total	2,592	7,302	19,262	1,173	(42)	37	27,732	(4,710)	(687)	28	(5,369)	22,363

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2020 amounted to Baht 4,797 million (2019: Baht 3,714 million).

Amortisation presented in the consolidated profit or loss for the year ended 31 December 2020 and 2019 amounted to Baht 1,657 million and Baht 687 million, respectively.

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	Bank only 2020										
	Cost					Accumulated amortisation					Net book value as at 31 December 2020
	Net book value as at 1 January 2020	Beginning balance	Impact of changes in accounting policies	Additions	Written-off	Transfers in/ (out) (in million Baht)	Ending balance	Beginning balance	Amortisation during the year	Ending balance	
Computer software	2,511	7,845	-	56	171	1,171	9,243	(5,334)	(824)	(6,158)	3,085
Computer software under development	490	490	-	1,430	-	(1,328)	592	-	-	-	592
Right-of-use assets - software	-	-	112	-	-	-	112	-	(65)	(65)	47
Total	3,001	8,335	112	1,486	171	(157)	9,947	(5,334)	(889)	(6,223)	3,724

	Bank only 2019										
	Cost					Accumulated amortisation					Net book value as at 31 December 2019
	Net book value as at 1 January 2019	Beginning balance	Additions	Written-off	Transfers in/ (out)	Ending balance (in million Baht)	Beginning balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance	
Computer software	2,171	6,876	90	(42)	921	7,845	(4,705)	(657)	28	(5,334)	2,511
Computer software under development	421	421	953	-	(884)	490	-	-	-	-	490
Total	2,592	7,297	1,043	(42)	37	8,335	(4,705)	(657)	28	(5,334)	3,001

The gross amount of the Bank only's fully amortised intangible assets that were still in use as at 31 December 2020 amounted to Baht 4,094 million (2019: Baht 3,704 million).

Amortisation presented in the Bank only's profit or loss for the year ended 31 December 2020 and 2019 amounted to Baht 889 million and Baht 657million, respectively.

Impairment testing for goodwill

For the purposes of impairment testing, goodwill has been allocated to Retail Banking segment which is identified as Cash Generating Unit (CGU).

The recoverable amount of goodwill is determined based on a value-in-use calculation, using discounted cash flow from business plan approved by the Board of Director covering 5 years period. The discount rate used for the computation of the net present value is reference to industry cost of capital (k_e). The terminal growth rate derived from long term GDP is applied for cash flow beyond 5 years period.

TMB conducts a review at each reporting date if there is any indication for impairment of goodwill.

As at 31 December 2020, the recoverable amount was greater than the carrying value of goodwill; hence, no impairment loss on goodwill was required.

21 Deferred tax and income tax

21.1 Deferred tax

Deferred tax assets and liabilities presented net by entity were as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Deferred tax assets	1,980	1,496	2,818	2,332
Deferred tax liabilities	3,501	4,730	-	-
Net	(1,521)	(3,234)	2,818	2,332

Movements in deferred tax assets and liabilities during the years ended 31 December 2020 and 2019 were as follows:

	Consolidated				
	(Charged) / Credited to:				
	At	Profit	Other		At
	1 January	or loss	comprehensive	Others	31 December
	2020 *		income		2020
			(note 21.2)		
			<i>(in million Baht)</i>		
Deferred tax assets					
Interbank and money market items	50	(10)	-	-	40
Financial assets measured at fair value					
through profit or loss	137	2	-	-	139
Investments	156	207	44	-	407
Loans to customers and accrued					
interest receivables	3,024	332	-	(775)	2,581
Properties for sale	86	(4)	-	-	82
Premises and equipment	42	(7)	-	-	35
Provisions for employee benefits	1,030	(213)	(136)	-	681
Provisions for other liabilities	602	(38)	-	-	564
Deferred revenue and other liabilities	1,220	53	-	-	1,273
Others	411	(84)	21	5	353
Total	6,758	238	(71)	(770)	6,155
Deferred tax liabilities					
Financial assets measured at fair value					
through profit or loss	33	1	-	-	34
Investments	1,898	(111)	29	-	1,816
Properties for sale	1	36	-	-	37
Premises and equipment	3,581	(211)	(36)	-	3,334
Others	3,540	(1,098)	13	-	2,455
Total	9,053	(1,383)	6	-	7,676
Net	(2,295)	1,621	(77)	(770)	(1,521)

* The balance at 1 January 2020 includes the effect of initially applying TFRS - Financial instruments standards and TFRS 16 Leases (note 3).

	Consolidated (Charged) / Credited to:				
	At 1 January 2019	Acquisition through business combination	Profit or loss (note 21.2) (in million Baht)	Other comprehensive income	At 31 December 2019
<i>Deferred tax assets</i>					
Deposit	-	49	(2)	-	47
Investments	179	3	120	(10)	292
Loans to customers and accrued interest receivables	1,160	225	833	-	2,218
Properties for sale	46	42	(1)	-	87
Premises and equipment	58	10	(26)	-	42
Provisions for employee benefits	244	669	94	23	1,030
Provisions for other liabilities	126	227	18	-	371
Deferred revenue and other liabilities	563	518	171	-	1,252
Others	113	259	31	-	403
Total	2,489	2,002	1,238	13	5,742
<i>Deferred tax liabilities</i>					
Investments	845	1,323	(389)	75	1,854
Properties for sale	-	1	-	-	1
Premises and equipment	1,207	2,134	(27)	268	3,582
Others	36	3,513	(2)	(8)	3,539
Total	2,088	6,971	(418)	335	8,976
Net	401	(4,969)	1,656	(322)	(3,234)

	Bank only (Charged) / Credited to:				
	At 1 January 2020 *	Profit or loss	Other comprehensive income (note 21.2) (in million Baht)	Others	At 31 December 2020
<i>Deferred tax assets</i>					
Interbank and money market items	3	5	-	-	8
Financial assets measured at fair value					
through profit or loss	137	2	-	-	139
Investments	134	(128)	-	-	6
Loans to customers and accrued					
interest receivables	2,911	249	-	(775)	2,385
Properties for sale	43	9	-	-	52
Premises and equipment	33	(1)	-	-	32
Provisions for employee benefits	346	17	(50)	-	313
Provisions for other liabilities	285	4	-	-	289
Deferred revenue and other liabilities	753	159	-	-	912
Others	170	17	21	-	208
Total	4,815	333	(29)	(775)	4,344

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	At 1 January 2020 *	Bank only (Charged) / Credited to: Profit or loss	Other comprehensive income (note 21.2) (in million Baht)	Others	At 31 December 2020
Deferred tax liabilities					
Financial assets measured at fair value					
through profit or loss	1	(1)	-	-	-
Investments	112	-	9	-	121
Premises and equipment	1,451	(65)	(36)	-	1,350
Others	35	17	3	-	55
Total	1,599	(49)	(24)	-	1,526
Net	3,216	382	(5)	(775)	2,818

* The balance at 1 January 2020 includes the effect of initially applying TFRS - Financial instruments standards and TFRS 16 Leases (note 3).

	At 1 January 2019	Bank only (Charged) / Credited to: Profit or loss	Other comprehensive income (note 21.2) (in million Baht)	At 31 December 2019
Deferred tax assets				
Investments	179	120	(10)	289
Loans to customers and accrued				
interest receivables	1,160	977	-	2,137
Properties for sale	46	(3)	-	43
Premises and equipment	58	(25)	-	33
Provisions for employee benefits	244	90	12	346
Provisions for other liabilities	126	6	-	132
Deferred revenue and other liabilities	563	190	-	753
Others	113	36	-	149
Total	2,489	1,391	2	3,882
Deferred tax liabilities				
Investments	-	1	63	64
Premises and equipment	1,207	(24)	268	1,451
Others	36	7	(8)	35
Total	1,243	(16)	323	1,550
Net	1,246	1,407	(321)	2,332

As at 31 December 2019, the Bank had tax-deductible temporary differences in relation to investments in subsidiaries totaling Baht 649 million, for which deferred tax assets have been recognised because certain recognition criteria were met.

As at 31 December 2020, a subsidiary already completed liquidation on 1 October 2020, the Bank has recognized taxable expense in relation to investments in subsidiaries totaling Baht 649 million.

21.2 Income tax

Income tax recognised in profit or loss

	Note	Consolidated		Bank only	
		2020	2019	2020	2019
		<i>(in million Baht)</i>			
Current tax expenses					
Current year		3,850	3,246	598	2,980
Over provided in prior years		(6)	(2)	(7)	(2)
		<u>3,844</u>	<u>3,244</u>	<u>591</u>	<u>2,978</u>
Deferred tax expenses					
Movements in temporary differences	21.1	(1,621)	(1,656)	(382)	(1,407)
		<u>(1,621)</u>	<u>(1,656)</u>	<u>(382)</u>	<u>(1,407)</u>
Total		<u>2,223</u>	<u>1,588</u>	<u>209</u>	<u>1,571</u>

Income tax recognised in other comprehensive income

	Consolidated					
	2020			2019		
	Before tax	Tax (expenses) benefit	Net of tax	Before tax	Tax (expenses) benefit	Net of tax
	<i>(in million Baht)</i>					
Investments	(73)	15	(58)	423	(85)	338
Premises and equipment	(179)	36	(143)	1,338	(268)	1,070
Provisions for employee benefits	680	(136)	544	(112)	23	(89)
Others	(41)	8	(33)	(41)	8	(33)
Total	<u>387</u>	<u>(77)</u>	<u>310</u>	<u>1,608</u>	<u>(322)</u>	<u>1,286</u>

	Bank only					
	2020			2019		
	Before tax	Tax (expenses) benefit	Net of tax	Before tax	Tax (expenses) benefit	Net of tax
	<i>(in million Baht)</i>					
Investments	46	(9)	37	365	(73)	292
Premises and equipment	(179)	36	(143)	1,338	(268)	1,070
Provisions for employee benefits	249	(50)	199	(56)	12	(44)
Others	(89)	18	(71)	(41)	8	(33)
Total	<u>27</u>	<u>(5)</u>	<u>22</u>	<u>1,606</u>	<u>(321)</u>	<u>1,285</u>

Reconciliation of effective tax rate

	Consolidated			
	2020		2019	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		<u>12,338</u>		<u>8,810</u>
Income tax using the Thai corporation tax rate	20	2,468	20	1,762
Deferred tax expenses which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the years	(1)	(119)	(2)	(146)
Deferred tax expenses which deductible temporary difference had not been met the recognition criteria during the years	15	1,861	-	22
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(16)	(1,981)	(1)	(48)
Over provided in prior years	-	(6)	-	(2)
Total	<u>18</u>	<u>2,223</u>	<u>17</u>	<u>1,588</u>

	Bank only			
	2020		2019	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		<u>13,064</u>		<u>8,670</u>
Income tax using the Thai corporation tax rate	20	2,613	20	1,734
Deferred tax expenses which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the years	-	(1)	(2)	(146)
Deferred tax expenses which deductible temporary difference had not been met the recognition criteria during the years	14	1,861	-	22
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(33)	(4,257)	-	(37)
Over provided in prior years	-	(7)	-	(2)
Total	<u>1</u>	<u>209</u>	<u>18</u>	<u>1,571</u>

22 Deposits

22.1 Classified by type of deposits

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Current	83,291	76,095	70,895	64,055
Savings	1,103,241	903,198	687,298	536,873
Term	186,930	418,905	57,539	62,717
Total	1,373,462	1,398,198	815,732	663,645
Less prepaid interest expenses	(54)	(86)	(54)	(86)
Total	1,373,408	1,398,112	815,678	663,559

22.2 Classified by currency and residency of depositors

	Consolidated					
	2020			2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	1,358,581	6,765	1,365,346	1,382,912	5,694	1,388,606
US Dollar	7,093	275	7,368	7,847	1,122	8,969
Other currencies	683	11	694	520	17	537
Total	1,366,357	7,051	1,373,408	1,391,279	6,833	1,398,112

	Bank only					
	2020			2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	801,839	6,763	808,602	649,040	5,691	654,731
US Dollar	6,207	255	6,462	7,313	1,101	8,414
Other currencies	605	9	614	399	15	414
Total	808,651	7,027	815,678	656,752	6,807	663,559

23 Interbank and money market items (liabilities)

Interbank and money market (liabilities) as at 31 December 2020 were as follows:

	Consolidated	Bank only
	<i>(in million Baht)</i>	
Domestic items		
Bank of Thailand and Financial Institutions Development Fund	7,124	5,101
Commercial banks	26,147	26,184
Specialised financial institutions	11,725	9,750
Other financial institutions	29,245	9,575
Total domestic items	74,241	50,610
Foreign items		
US Dollar	341	177
Other currencies	1,327	362
Total foreign items	1,668	539
Total domestic and foreign items	75,909	51,149

Interbank and money market (liabilities) as at 31 December 2019 were as follows:

	At call	Consolidated Term	Total (in million Baht)	At call	Bank only Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	410	-	410	-	-	-
Commercial banks	519	25,200	25,719	381	58,006	58,387
Specialised financial institutions	32	10,003	10,035	24	7,412	7,436
Other financial institutions	37,638	9,187	46,825	6,372	54	6,426
Total domestic	38,599	44,390	82,989	6,777	65,472	72,249
Foreign						
US Dollar	233	1,809	2,042	114	-	114
Other currencies	1,057	538	1,595	388	-	388
Total foreign	1,290	2,347	3,637	502	-	502
Total domestic and foreign	39,889	46,737	86,626	7,279	65,472	72,751

24 Financial liabilities designated at fair value through profit or loss

	Consolidated and Bank only	
	2020	2019
	(in million Baht)	
Debt issued	432	418
Total	432	418

In case that the entity presents changes in all risks in profit or loss, disclose the following details:

	Consolidated and Bank only	
	2020	2019
	(in million Baht)	
Changes in fair value during the year	(2)	(10)

25 Debts issued and borrowings, net

	Consolidated							
	Interest rates as at	Maturities	Domestic	Foreign	2020 Total	Domestic	Foreign	2019 Total
	31 December 2020 (%)				(in million Baht)			
Subordinated debentures ⁽¹⁾	3.50, 4.00 and 4.90	2022 ⁽²⁾ - 2024 ⁽²⁾	35,430	12,099	47,529	42,488	12,062	54,550
Senior debentures	3.108, 6mLibor+1.05 and 0.22-0.85	2021 - 2025	-	41,331	41,331	24,419	29,770	54,189
Bills of exchange ⁽³⁾ and promissory notes	2.15 and 0.05-2.50	At call and 2012	10	-	10	10	-	10
Other borrowings	0.00-0.75	2021 - 2031	27	68	95	18	68	86
Total			35,467	53,498	88,965	66,935	41,900	108,835

	Bank only							
	Interest rates	Maturities	Domestic	2020		Domestic	2019	
	as at 31 December 2020 (%)			Foreign	Total (in million Baht)		Foreign	Total
Subordinated debentures ⁽¹⁾	3.50, 4.00 and 4.90	2022 ⁽²⁾ - 2024 ⁽²⁾	35,430	12,099	47,529	35,430	12,062	47,492
Senior debentures	3.108, 6mLibor+1.05 and 0.22-0.85	2021 - 2025	-	41,331	41,331	-	29,770	29,770
Bills of exchange ⁽³⁾	2.15	2012	5	-	5	5	-	5
Other borrowings	0.00-0.75	2021 - 2031	27	68	95	18	68	86
Total			35,462	53,498	88,960	35,453	41,900	77,353

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification (note 9)

⁽²⁾ The years in which call option exercise periods start

⁽³⁾ The outstanding balance of bills of exchange maturing during the year 2012 were waiting for redeem by the holders.

25.1 Subordinated debentures

25.1.1 On 11 May 2015, Thanachart Bank Public Company Limited (TBANK) issued the Subordinated Debenture No.1/2015 to be counted as Tier 2 capital, amounting to Baht 7,000 million, which has a 10-year 6 month maturity period and carries a fixed interest rate of 4.65% per annum, payable quarterly in February, May, August and November of every year. TBANK can early redeem the Subordinated Debenture No.1/2015 after 5 years from the issue date or according to certain specified conditions. TBANK has to get the Bank of Thailand's approval before early redemption of the Subordinated Debenture. The Subordinated Debenture are name-registered, unsecured instruments with no instrument holder's representative. The Subordinated Debenture will be fully converted to ordinary shares of TBANK in the event that a Point of Non-Viability is triggered requiring financial assistance from the regulators. TBANK has a call option to early redeem these instruments at par if the conditions specified are met.

On 11 May 2020, TBANK early redeemed its entire Subordinated Debenture No.1/2558, amounting to Baht 7,000 million. Such early redemption has already been approved by the Bank of Thailand.

25.1.2 On 29 May 2017, the Bank issued the Subordinated Debenture No.1/2560 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 5,430 million, which has a 10.5-year maturity period and carries a fixed interest rate of 3.50% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the Subordinated Debenture No.1/2560 after 5.5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before early redemption of the Subordinated Debenture.

25.1.3 On 28 June 2019, the Bank issued the Subordinated Debenture No.1/2562 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 30,000 million, which has a 10-year maturity period and carries a fixed interest rate of 4.00% per annum, payable quarterly in March, June, September and December of every year. The Bank can early redeem the Subordinated Debenture No.1/2562 after 5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before early redemption of the Subordinated Debenture.

25.1.4 On 2 December 2019, the Bank issued the Perpetual Additional Tier 1 Capital Securities amounting to USD 400 million, which has no expiration date and carries a fixed interest rate of 4.90% per annum, payable semi-annually in June and December of every year. The Bank can early redeem the Perpetual Additional Tier 1 Capital Securities after 5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before proceeding an early redemption. The Securities have been issued under the Bank's Euro Medium Term Note Programme.

25.2 Senior debentures

- 25.2.1 On 1 April 2016, the Bank issued unsecured Senior Debentures of USD 300 million, with a 5.5-year maturity and carrying a fixed interest rate of 3.108% per annum, payable semi-annually in April and October of every year. The debentures have been issued under the Bank's Euro Medium Term Note Programme.

On 7 October 2019, the Bank bought back these debentures from investors amounting to USD 50 million. Remaining balance is USD 250 million.

- 25.2.2 On 5 June 2018, the Bank issued unsecured Senior Debentures (Green Bond) of USD 60 million, with a 7-year maturity and carrying a floating interest rate of 6M Libor + 1.05% per annum, payable semi-annually in June and December of every year. The proceeds from Green Bond issuance will be used to finance the loan to private sector on its investment in sustainable environment.

- 25.2.3 On 17 December 2018, the Bank issued unsecured Senior Debentures (SME Bond) of USD 90 million, with a 7-year maturity and carrying a floating interest rate of 6M Libor + 1.05% per annum, payable semi-annually in June and December of every year. The proceeds from SME Bond issuance will be used to support small and medium sized enterprises.

- 25.2.4 During 11 - 13 November 2019, the Bank issued unsecured Senior Debentures (Euro Bond) of EUR 525 million, with 1 - 5 years maturity and carrying a fixed interest rate of 0.10% - 0.85% per annum, payable semi-annually in May and November of every year.

On 12 November 2020, a series of the unsecured Senior Debentures (Euro Bond) with 1 year maturity, amounting to EUR 150 million was matured which has already paid. Remaining balance is EUR 375 million.

- 25.2.5 During 24 - 25 March 2020, the Bank issued unsecured Senior Debentures (Euro Bond) of EUR 420 million, with a 1-year maturity and carrying a fixed interest rate of 0.25% per annum, payable semi-annually in March and September of every year.

- 25.2.6 During the year 2019, Thanachart Bank Public Company Limited issued discount short term senior debentures, name-registered, unsecured instruments which carry interest rate of 1.90% - 1.96% per annum, with maturity of less than 1 year total amounting to Baht 24,419 million. Such senior debentures were entirely redeemed during the period due to maturity.

25.3 Other borrowings

Borrowings with specific uses (other borrowings) as at 31 December 2020 and 2019 were as follows:

Borrowings from	Objectives of borrowings	Consolidated and Bank only			
		2020		2019	
		Outstanding balances	Baht equivalent (in million Baht)	Outstanding balances	Baht equivalent (in million Baht)
National Science and Technology Development Agency	For enterprises involving in research and development activities	Baht 27 million	27	Baht 18 million	18
KfW Bankengruppe (KfW)	For small industry businesses	EUR 2 million	68	EUR 2 million	68
Total			95		86

26 Provisions for employee benefits**26.1 Defined contribution plan**

The Bank, its subsidiaries and their employees have jointly established provident fund schemes under the Provident Fund Act B.E. 2530. The employees contribute to the funds at rates ranging from 2 - 15% of their basic salaries and the Bank and its subsidiaries contribute at rates ranging from 3 - 10%, depending on the number of years of service of each employee. The funds will be paid to the employees upon death, termination or dissolution of the business, in accordance with the rules of the funds. The fund assets are held separately from those of the Bank and its subsidiaries, under the management of the fund manager.

For the year ended 31 December 2020 and 2019, the Bank and its subsidiaries contributed Baht 793 million and Baht 429 million, respectively, to the funds (Bank only: Baht 499 million and Baht 398 million, respectively).

26.2 Defined benefit plans**26.2.1 Detail of defined benefit plans**

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Post-employment benefit plans	4,356	5,142	2,507	1,720
Other long-term employee benefit plans	10	8	10	8
Total	4,366	5,150	2,517	1,728

26.2.2 Movement in post-employment benefit obligations

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
At 1 January	5,142	1,212	1,720	1,211
Acquisition through business combination	-	3,347	-	-
Employee benefits obligations transferred in/ (out)	(14)	-	970	-
Included in profit or loss				
Current service cost	435	222	261	206
Loss on (reversal of) benefit settlement	-	(4)	-	2
Past service cost	(195)	312	93	312
Interest on obligation	94	41	46	33
	334	571	400	553
Included in other comprehensive income				
Actuarial (gain) losses	(683)	112	(252)	56
Others				
Benefits paid	(423)	(100)	(331)	(100)
	(423)	(100)	(331)	(100)
At 31 December	4,356	5,142	2,507	1,720

During the year ended 31 December 2019, the Bank and its subsidiaries recognised the past service cost in accordance with the changes in the Labor Protection Act which was amended that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate.

Actuarial gains recognised in other comprehensive income arising from:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Demographic assumptions	(80)	12	102	(24)
Financial assumptions	(282)	195	(27)	169
Experience adjustments	(321)	(95)	(327)	(89)
Total	(683)	112	(252)	56

26.2.3 Actuarial assumptions of post-employment benefit obligations

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(%)</i>			
Discount rate	1.21, 1.46	1.49, 1.71	1.21	1.49
Future salary growth	3.00	4.50, 5.00	3.00	4.50
Staff turnover rates	0.00 - 26.00	0.00 - 29.00	0.00 - 26.00	0.00 - 29.00

Assumptions regarding future mortality have been based on published statistics and mortality tables.

26.2.4 Sensitivity analysis of post-employment benefit obligations

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

Consolidated 2020				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>	Change (-) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>
Discount rate	+1%	(380)	-1%	436
Future salary growth	+1%	419	-1%	(373)
Turnover rate	+1%	(399)	-1%	259
Future mortality	+1 year	21	-1 year	(21)

Consolidated 2019				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>	Change (-) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>
Discount rate	+1%	(456)	-1%	526
Future salary growth	+1%	499	-1%	(443)
Turnover rate	+1%	(478)	-1%	423
Future mortality	+1 year	7	-1 year	(7)

Bank only 2020				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)	Change (-) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)
Discount rate	+1%	(214)	-1%	246
Future salary growth	+1%	234	-1%	(209)
Turnover rate	+1%	(225)	-1%	145
Future mortality	+1 year	12	-1 year	(12)

Bank only 2019				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)	Change (-) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)
Discount rate	+1%	(128)	-1%	145
Future salary growth	+1%	136	-1%	(123)
Turnover rate	+1%	(136)	-1%	32
Future mortality	+1 year	7	-1 year	(7)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

27 Provisions for other liabilities

The movement in provision for other liabilities during the year was as follows:

	Commitment from letters of guarantee issued, avals and other guarantees	Obligation for litigation cases (note 36.2)	Consolidated Allowance for expected loss of credit commitments and financial guarantee contracts	Others	Total
(in million Baht)					
At 1 January 2019	304	44	-	282	630
Acquisition through business combination	131	840	-	168	1,139
Provisions increase (decrease)	30	(10)	-	1,722	1,742
Paid during the year	-	(20)	-	(1,636)	(1,656)
At 31 December 2019	465	854	-	536	1,855
At 1 January 2020 - adjusted (see note 3)	127	854	1,489	536	3,006
Provision increase (decrease)	12	(71)	114	137	192
Paid during the year	(7)	(45)	-	(326)	(378)
At 31 December 2020	132	738	1,603	347	2,820

	Commitment from letters of guarantee issued, avals and other guarantees	Obligation for litigation cases (note 36.2)	Bank only Allowance for expected loss of credit commitments and financial guarantee contracts	Others	Total
	<i>(in million Baht)</i>				
At 1 January 2019	304	44	-	282	630
Provisions increase (decrease)	34	(12)	-	1,653	1,675
Paid during the year	-	(20)	-	(1,626)	(1,646)
At 31 December 2019	338	12	-	309	659
At 1 January 2020 - adjusted (see note 3)	-	12	1,103	309	1,424
Provision increase	-	49	186	302	537
Paid during the year	-	(45)	-	(471)	(516)
At 31 December 2020	-	16	1,289	140	1,445

28 Deferred revenue

	Consolidated	
	2020	2019
	<i>(in million Baht)</i>	
Deferred revenue		
- Funds and Bancassurance	19,785	16,997
- Credit card	168	164
- Hire purchase	702	632
- Others	230	393
Total	20,885	18,186

	Bank only	
	2020	2019
	<i>(in million Baht)</i>	
Deferred revenue		
- Funds and Bancassurance	18,865	16,087
- Credit card	168	164
- Others	229	199
Total	19,262	16,450

After negotiations between FWD Life Insurance Public Company Limited (FWD), the current bancassurance partner of TMB Bank Public Company Limited (the Bank), and Prudential Life Assurance (Thailand) Public Company Limited (Prudential), the current bancassurance partner of Thanachart Public Company Limited (TBANK), a mutual conclusion has been reached that Prudential has agreed to acquire the rights to sell life insurance products through TMB from FWD and the original bancassurance agreement between TMB and FWD would be revised to reflect the new partnership.

Key components of the agreements entered into between the parties can be summarised as follows:

- Prudential will have the exclusive rights to sell the life insurance products through the network of the Bank, TBANK and subsequently the merged bank for an initial term of 15 years, with effect on and from 1 January 2021.
- To facilitate customer services of both banks during the transition period in 2020, the Bank will continue to sell the life insurance products of FWD until the end of this year and also onboard the products of Prudential through the various channels operated by the Bank. The transition period lasts between 1 April 2020 and 31 December 2020. Nevertheless, TBANK will continue selling the life insurance products of Prudential exclusively.

Revenue which will be recognised in 2020 from Prudential's acquisition of rights under the original bancassurance agreement between the Bank and FWD is valued at Baht 1.3 billion. Revenue to be gradually recognised throughout the combined initial contractual term and transition period (15 years 9 months) is Baht 20.8 billion, starting 1 April 2020.

29 Other liabilities

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Accrued expenses	5,566	7,592	3,587	4,369
Accrued interest expenses	762	2,483	282	347
Deposits and guarantees received	287	181	231	181
Collateral on derivative transactions	3,846	2,009	3,205	1,378
Suspense accounts electronic money and money transferred	512	646	212	290
Suspense accounts - others	2,511	3,254	1,827	1,739
Other payables	829	1,495	180	299
Corporate income tax payable	1,758	6,023	268	1,612
Others	4,063	2,683	1,677	1,403
Total	20,134	26,366	11,469	11,618

30 Offsetting of financial assets and financial liabilities

The Bank and its subsidiaries currently hold agreements including derivatives and sale -and- repurchase agreements which do not meet the criteria for offsetting in the Consolidated and Bank only's statement of financial position because such agreements are created in the way that the parties have to agree a right of set-off the agreed amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. For derivatives, the rights to call are agreed by both parties with specific call frequency and threshold. According to the agreements, the Bank and its subsidiaries receive and give collateral in form of cash and marketable securities. The details are as follow:

Consolidated					
	Gross Amount	Amount offset in statements of financial position	Amount presented in statements of financial position (in million Baht)	Amounts not offset in financial statements - Amount eligible for offsetting per contracts	Net amount
At 31 December 2020					
Financial assets					
Reverse sale-and-repurchase	77,619	-	77,619	(77,619)	-
Derivatives assets	11,076	-	11,076	(3,846)	7,230
Total	88,695	-	88,695	(81,465)	7,230
Financial liabilities					
Sale-and-repurchase	22,000	-	22,000	(22,000)	-
Derivatives liabilities	6,362	-	6,362	(1,203)	5,159
Total	28,362	-	28,362	(23,203)	5,159
Bank only					
	Gross Amount	Amount offset in statements of financial position	Amount presented in statements of financial position (in million Baht)	Amounts not offset in financial statements - Amount eligible for offsetting per contracts	Net amount
At 31 December 2020					
Financial assets					
Reverse sale-and-repurchase	77,619	-	77,619	(77,619)	-
Derivatives assets	9,716	-	9,716	(3,205)	6,511
Total	87,335	-	87,335	(80,824)	6,511
Financial liabilities					
Sale-and-repurchase	22,000	-	22,000	(22,000)	-
Derivatives liabilities	5,477	-	5,477	(776)	4,701
Total	27,477	-	27,477	(22,776)	4,701

TMB Bank Public Company Limited and its subsidiaries

Notes to the financial statements

For the year ended 31 December 2020

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position are as follow:

Consolidated					
Type of financial instruments	Amount presented in statement of financial position (in million Baht)	Items in statement of financial position	Note	Carrying amount in statement of financial position (in million Baht)	Carrying amount in statement of financial position that are not qualify for offsetting (in million Baht)
At 31 December 2020					
Financial assets					
Reverse sale-and-repurchase	77,619	Interbank and money market items (Assets)	12	211,185	133,566
Derivatives assets	11,076	Derivatives assets	13	11,959	883
Total	88,695			223,144	134,449
Financial liabilities					
Sale-and-repurchase	22,000	Interbank and money market items (Liabilities)	23	75,909	53,909
Derivatives liabilities	6,362	Derivatives liabilities	13	9,268	2,906
Total	28,362			85,177	56,815
Bank only					
Type of financial instruments	Amount presented in statement of financial position (in million Baht)	Items in statement of financial position	Note	Carrying amount in statement of financial position (in million Baht)	Carrying amount in statement of financial position that are not qualify for offsetting (in million Baht)
At 31 December 2020					
Financial assets					
Reverse sale-and-repurchase	77,619	Interbank and money market items (Assets)	12	221,263	143,644
Derivatives assets	9,716	Derivatives assets	13	10,013	297
Total	87,335			231,276	143,941
Financial liabilities					
Sale-and-repurchase	22,000	Interbank and money market items (Liabilities)	23	51,149	29,149
Derivatives liabilities	5,477	Derivatives liabilities	13	8,144	2,667
Total	27,477			59,293	31,816

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

- derivative assets and liabilities: fair value;
- assets and liabilities resulting from sale-and-repurchase agreements and reverse sale-and-repurchase agreements: amortised cost.

31 Share-based payments - TMB Stock Retention Program

Information of TMB Stock Retention Program

On 18 December 2019, the Board of Directors Meeting No.11/2562 approved the TMB Stock Retention Program 2020 (TMB TSRP 2020) which will offer newly issued ordinary shares of the Bank to employees of both TMB and Thanachart Bank who have qualifications under TMB TSRP 2020. The employees under TMB TSRP 2020 shall be entitled to subscribe for the newly issued shares according to the conditions specified in TMB TSRP 2020. Summary of the program is detail below.

Term of continuing scheme:	3 years starting from the first offering date.
Number of ordinary shares to be offered:	Not exceeding the total of 197,700,000 newly issued ordinary shares with the par value of Baht 0.95 each, which will be offered pursuant to the continuing scheme.
Offering price per share:	The offering price per share to be offered to the employees under TMB TSRP 2020 is equivalent to the average closing price of ordinary shares of the Bank on the Stock Exchange of Thailand ("SET") on each trading day for the period of 7 calendar days prior to the first offering date of the newly issued shares. The offering price may be lower than 90% of the market price as prescribed in the notification of the Securities and Exchange Commission relating to the calculation of the offering price and the determination of the offering price for issuance of the newly issued shares. In the case that the calculation of the offering price in any offering is lower than the par value of the ordinary shares of the Bank, the Bank is required to offer newly issued shares to the employees under TMB TSRP 2020 at the price equivalent to the par value of the ordinary shares of the Bank.
Condition of subscription for the newly issued shares:	The employees under TMB TSRP 2020 who will subscribe for the newly issued shares shall be employees of TMB or Thanachart Bank as of the subscription date of such newly issued shares (the rights for employees who retire pursuant to the Bank's regulation or death are still retained).

31.1 The first offering of new ordinary shares

On 15 September 2020, the Bank made a first offering of 50,062,500 ordinary shares with a par value of Baht 0.95 per share to its employees, at a price of Baht 0.95 per share. Details were as follows:

The offering of new ordinary shares	Par value (Baht/ shares)	Offering Price (Baht/ shares)	The offering of new ordinary shares	Ordinary shares issued to employees ⁽¹⁾ (shares)	Balance of new ordinary shares unissued as at 31 December 2020
The first offering, 2020	0.95	0.95	198,750,000	(50,062,500)	148,687,500

⁽¹⁾ The shares will be gradually issued on an annual basis over three years since the offering of such ordinary shares.

31.2 Reconciliation of issued and paid-up ordinary share capital, share premium and other reserve - shared-based payments

Consolidated and Bank only 2020				
	Issued and paid-up ordinary share capital		Share premium	Other reserve - share-based payments
	(No. of shares)	(Baht)	(Baht)	
Balance - beginning of the year	96,359,354,380	91,541,386,661	43,217,043,941	-
Issued ordinary shares to employees	50,062,500	47,559,375	-	69,562,996
Price adjustment from merger	-	-	105,071,655	-
Expenses in relation to issuance of ordinary shares to employees	-	-	(514,548)	-
Balance - end of the year	96,409,416,880	91,588,946,036	43,321,601,048	69,562,996

32 Share capital

	Par value per share (in Baht)	2020		2019	
		Number	Amount (million shares / million Baht)	Number	Amount
Authorised shares at 31 December	0.95	<u>106,224</u>	<u>100,912</u>	<u>106,224</u>	<u>100,912</u>
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	0.95	96,359	91,541	43,852	41,659
Issue of new shares	0.95	<u>50</u>	<u>48</u>	<u>52,507</u>	<u>49,882</u>
At 31 December					
- ordinary shares	0.95	<u>96,409</u>	<u>91,589</u>	<u>96,359</u>	<u>91,541</u>

On 23 September 2019, the meeting of the Extraordinary General of Shareholders No.1/2019 approved the issuance of the new ordinary shares not exceeding 31,481,481,482 shares in reserve for the exercise of transferable subscription rights (TSRs), and not exceeding 30,890,177,781 shares for the TBANK's existing shareholders, private placement, management and employee of the Bank and TBANK.

The new ordinary shares have been registered with the Ministry of Commerce on 25 September 2019. Therefore, the total authorised share capital of the Bank was Baht 100,912 million which divided into 106,224 million ordinary shares of 0.95 Baht per share.

In November 2019, the Bank issued 27,393 million shares of 1.40 Baht per share as a result of the exercise of transferable subscription rights (TSRs).

In December 2019, the Bank issued 25,114 million shares of 2.16 Baht per share to the TBANK's existing shareholders.

33 Legal reserve

Pursuant to section 116 of the Public Limited Company Act B.E. 2535 and under the Bank's Articles of Association, the Bank and its subsidiaries is required to set aside a statutory reserve at least 5 percent of its net earnings after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

34 Appropriation of profit and dividend payment

- (a) On 20 August 2020, the Board of Directors' Meeting of the Bank passed a resolution approving the appropriation of its half year 2020 operating results for a total of Baht 6,731 million to be legal reserve.
- (b) On 26 March 2020, the Board of Directors Meeting of the Bank passed a resolution approving the appropriation of the 2019 operating profit and dividend payment:
- (1) Appropriation of net profit of Baht 360 million to be legal reserve.
 - (2) Payment of an interim dividend of Baht 0.01 per share to the Bank's ordinary shareholders from its second half year 2019 operating results for a total of Baht 964 million. The Bank paid such dividend to its shareholders on 24 April 2020.
- (c) On 15 November 2019, the meeting of the Board of Directors No. 10/2019 passed a resolution approving the payment of an interim dividend of Baht 0.03 per share to the Bank's ordinary shareholders from its half year 2019 operating results for a total of Baht 2,137 million. The Bank paid such dividend to its shareholders on 13 December 2019.
- (d) On 12 April 2019, the 2019 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2018 operating profit and dividend payment:
- (1) Appropriation of net profit of Baht 450 million to be legal reserve.
 - (2) Payment of a dividend of Baht 0.07 per share from the 2018 operating profit to the shareholders for a total of Baht 3,070 million. The Bank paid such dividend to its shareholders on 9 May 2019.

35 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2020 and 2019 were as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Interbank and money market items				
- Deposit under restriction of oversea branch	-	5	-	5
- Placed at insurance registrar	1	1	-	-
Investments in securities				
- Investments used to guarantee electricity usage	5	-	-	-
- Placed at court	2	5	-	-
- Pledged as collateral against repurchase transactions	16,058	7,005	16,058	7,005
Property foreclosed under restriction	35	1	-	-
Total	16,101	7,017	16,058	7,010

36 Commitments and contingent liabilities

36.1 Commitments

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Avals to bills	240	336	159	243
Guarantees of loans	2,382	2,386	38	38
Liability under unmatured import bills	1,935	2,392	1,878	2,226
Letters of credit	13,358	13,720	13,042	12,789
Other commitments				
- Other guarantees	63,324	63,368	63,324	63,368
- Amount of unused bank overdrafts	105,942	104,962	86,104	83,245
- Committed line	42,892	44,371	78,239	4,844
- Others ⁽¹⁾	29,236	41,968	17,029	23,028
Total	259,309	273,503	259,813	189,781

⁽¹⁾ As at 31 December 2020, this included the financial assets accepted as collateral that had been sold or pledged amounting to Baht 15,924 million (2019: 22,463 million). The Bank and its subsidiaries are obliged to return those securities in equivalent amount.

As at 31 December 2020 and 2019, the Bank and its subsidiaries had no commitments from providing other guarantees to listed companies, which meet criteria for delisting conditions from the Stock Exchange of Thailand.

36.2 Litigation

(a) As at 31 December 2020 and 2019, the Bank and its subsidiaries were claimed pursuant to obligations under the letters of guarantee and other claims for 120 cases and 119 cases, respectively (Bank only: claims for 45 cases and 49 cases, respectively). The said claims were made against the Bank and its subsidiaries for the approximate liability amounts of Baht 3,010 million ⁽¹⁾ and Baht 2,336 million ⁽¹⁾, respectively (Bank only: Baht 89 million ⁽¹⁾ and Baht 265 million ⁽¹⁾, respectively).

(b) As at 31 December 2020 and 2019, the Bank and its subsidiaries have recognised provisions for possible losses from the litigation cases totalling Baht 738 million and Baht 854 million, respectively (Bank only: Baht 16 million and Baht 12 million, respectively). The management considers that the provision established for such potential losses due to the said litigation cases is adequate.

⁽¹⁾ Excluding the liabilities of the Bank and its subsidiaries as at 31 December 2020 and 2019 of Baht 1,009 million and Baht 1,862 million, respectively (Bank only: Baht 994 million and Baht 1,312 million, respectively), which the Court of First Instance and the Appeals Court dismissed the cases.

36.3 Non-cancellable operating lease commitments

	Consolidated	Bank only
	<i>(in million Baht)</i>	
At 31 December 2019		
<i>Future minimum lease payable under operating leases</i>		
Within one year	1,631	606
After one year but within five years	1,755	647
After five years	43	19
Total	3,429	1,272

37 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank and its subsidiaries if the Bank and its subsidiaries have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Definitions and characteristics of relationships

Related parties are as follows:

1. Major shareholders are the shareholders who own over 10% of the Bank's paid-up share capital.
2. Subsidiaries
3. Associate
4. Key management personnel of the Bank and its subsidiaries
5. Other related parties are
 - 5.1 Close family members of key management personnel
 - 5.2 Entities in which key management personnel and their close family members hold over 10% of paid-up share capital
 - 5.3 Entities of which key management personnel and their close family members are directors exercising control or having significant influence
 - 5.4 Related companies of major shareholders
 - 5.5 Entities in which related companies of major shareholders hold over 10% of paid-up share capital
 - 5.6 Entities in which holds over 10% of paid-up share capital (excluding subsidiaries and associate)

The additional information on investments in subsidiaries and associate is disclosed in note 15.

Relationships with key management and other related parties were as follows:

Name of entity/Personnel	Country of incorporation/ Nationality	Nature of relationship
Key management personnel	Thailand and other countries	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiaries
Ministry of Finance	Thailand	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
ING Bank N.V.	The Netherlands	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
Thanachart Capital PCL	Thailand	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
Entities whose shares have been owned or have been controlled by the Ministry of Finance	Thailand	Related through the major shareholder of the Bank, owning over 10% of the Bank's paid-up share capital
Phayathai Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, and complete the liquidation process on 1 October 2020
Phahonyothin Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank
Thanachart Bank PCL	Thailand	Subsidiary, 99.98% shareholding, more than 50% of directors are representatives of the Bank
Thanachart Broker Co., Ltd.	Thailand	Indirect subsidiary, 99.99% shareholding by Thanachart Bank PCL
Thanachart Fund Management Co., Ltd.	Thailand	Associated, 49.9% shareholding by the Group, less than 50% of directors are representatives of the Group
TMB Asset Management Co., Ltd.	Thailand	Associated, 35% shareholding, less than 50% of directors are representatives of the Bank

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Interest rates of loans	Based on market rate and the collateral consideration process, the same as the Bank's normal course of business, except for the interest rates of staff welfare loans which are in accordance with the Bank's regulation.
Fee and service income	Registrar and related services, money transfer services for unit holders, agents and support services for funds managed by its associate are charged by the Bank at the rate based on conditions specified in contracts negotiated in the normal course of business, taking into account the size of funds and the purchase and sale volumes of investment units.
Interest rate on deposits and borrowings	Based on market rate
Fee and services income for other types of services	Based on market price
Branch office rental and related service	Based on market rate
Sale of non-performing assets to a subsidiary	Based on market price
Dividend income	At declared

37.1 Significant related parties transactions with key management and other related parties

Significant related parties transactions for the years ended 31 December 2020 and 2019 with key management and other related parties were as follows:

	Interest income	Interest expenses	Consolidated 2020		Other operating income	Other operating expenses
			Fees and service income	Fees and service expenses		
			<i>(in million Baht)</i>			
1. Major shareholders	30	44	-	-	14	57
2. Subsidiaries	-	-	-	-	-	-
3. Associate	-	-	2,016	-	11	-
4. Key management personnel of the Bank	3	12	-	-	-	-
5. Other related parties	3,188	1,354	2,332	-	287	1,676

	Interest income	Interest expenses	Consolidated 2019		Other operating income	Other operating expenses
			Fees and service income	Fees and service expenses		
			<i>(in million Baht)</i>			
1. Major shareholders	-	2	1	-	-	64
2. Subsidiaries	-	-	-	-	-	-
3. Associate	-	-	1,621	-	140	-
4. Key management personnel of the Bank	1	4	-	-	-	-
5. Other related parties	623	642	194	4	34	277

	Interest income	Interest expenses	Bank only 2020		Other operating income	Other operating expenses
			Fees and service income	Fees and service expenses		
			<i>(in million Baht)</i>			
1. Major shareholders	30	-	-	-	-	27
2. Subsidiaries	232	68	838	105	21,034	131
3. Associate	-	-	1,169	-	435	-
4. Key management personnel of the Bank	1	4	-	-	-	-
5. Other related parties	525	206	29	-	33	235

	Bank only 2019					
	Interest income	Interest expenses	Fees and service income (in million Baht)	Fees and service expenses	Other operating income	Other operating expenses
1. Major shareholders	-	-	-	-	-	7
2. Subsidiaries	-	39	5	-	1	-
3. Associate	-	-	1,621	-	140	-
4. Key management personnel of the Bank	1	3	-	-	-	-
5. Other related parties	380	348	27	-	20	210

During the year ended 31 December 2020, the Bank and its subsidiaries have progress on the integration according to the entire business transfer plan, which include balance sheet optimisation, product and service readiness, people integration, and facility management.

37.2 Outstanding balances with related parties

As at 31 December 2020 and 2019, significant outstanding balances with related persons or parties were as follows:

37.2.1 Significant balances between the Bank and its subsidiaries and their major shareholders as at 31 December 2020 and 2019 were as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	(in million Baht)			
Loans to customers and accrued interest receivables, net				
Ministry of Finance	39,030	-	39,030	-
Other receivables				
Thanachart Capital PCL.	-	112	-	112
Other assets				
Ministry of Finance	1	1	-	-
Thanachart Capital PCL.	2	1	-	-
Deposits (including interbank and money market items - liabilities)				
ING Bank N.V.	4	5	4	5
Thanachart Capital PCL.	177	33	-	-
Other liabilities				
Thanachart Capital PCL.	-	392	-	392
Commitments - Derivatives ⁽¹⁾				
ING Bank N.V.	4,506	4,523	4,506	4,523
⁽¹⁾ Presented in notional amount				
Other commitments				
ING Bank N.V.	-	15	-	15

TMB Bank Public Company Limited and its subsidiaries

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For the year ended 31 December 2020

37.2.2 Significant balances between the Bank and its subsidiaries and associate as at 31 December 2020 and 2019 were as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Loans to customers and accrued				
Interest receivables, net (including interbank and money market items - assets)				
Thanachart Bank Public Company Limited	-	-	56,000	-
Other assets				
Thanachart Bank Public Company Limited	-	-	412	-
TMB Asset Management Co., Ltd.	125	140	125	140
Thanachart Asset Management Co., Ltd.	127	-	-	-
Total	252	140	537	140
Interbank and market items - assets				
Thanachart Bank Public Company Limited	-	-	1,241	-
Deposits (including interbank and money market items - liabilities)				
Thanachart Bank Public Company Limited	-	-	304	-
Thanachart Broker Co., Ltd.	-	-	7	-
Phahonyothin Asset Management Co., Ltd.	-	-	31	31
TMB Asset Management Co., Ltd.	155	99	155	99
Thanachart Asset Management Co., Ltd.	524	9	419	9
Total	679	108	916	139
Other liabilities				
Thanachart Bank Public Company Limited	-	-	217	-
Debts issued and borrowings (including interbank and market items - liabilities)				
Thanachart Bank Public Company Limited	-	-	-	32,806
Commitments - Derivatives ⁽¹⁾				
Thanachart Bank Public Company Limited	-	-	1,085	2,614
TMB Asset Management Co., Ltd.	297	12	297	12

⁽¹⁾ Presented in notional amount

37.2.3 Significant balances between the Bank and its subsidiaries, and their key management personnel as at 31 December 2020 and 2019 were as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Loans to customers and accrued interest receivables, net	91	117	31	41
Deposits	692	609	418	169

37.2.4 Significant balances between the Bank and its subsidiaries, and other related parties as at 31 December 2020 and 2019 were as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Interbank and money market items - assets and loans to customers and accrued interest receivables, net	73,794	107,091	24,192	17,512
Other assets	79	317	-	-
Deposits (including interbank and money market items - liabilities)	34,670	70,525	9,865	14,380
Debts issued and borrowings (including interbank and money market items - liabilities)	9,741	13,011	9,741	12,612
Other liabilities	83	630	2	4
Commitments - Derivatives ⁽¹⁾	57,006	106,519	57,006	106,519
⁽¹⁾ Presented in notional amount				
Other commitments	2,284	1,030	1,957	391

37.3 Senior management personnel compensation

For the years ended 31 December 2020 and 2019, senior management personnel compensation, included in profit or loss, was classified as follows:

	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Short-term employee benefits - directors	64	49	52	48
Short-term employee benefits - management	962	893	896	864
Post-employment benefits	86	36	84	35
Share-based payments	36	-	36	-
Total	1,148	978	1,068	947

Senior management personnel of the Bank are directors, management personnel at the level "Head of" or executive vice president and above, and related management personnel of Accounting or Finance. Senior management personnel of the subsidiaries are those at the level of director and executive officer upwards.

37.4 Other benefits payable to the senior management personnel

The Bank's senior management personnel do not receive other benefits both in terms of monetary and non-monetary items, except for the benefits that are normally received as mentioned in note 37.3 such as monthly director remuneration, meeting allowance, salary and bonus. Directors who are the Bank's executives and the representative directors who are the executives of ING Bank N.V. shall not receive director remuneration as per the criteria of the Bank and ING Bank N.V. Nevertheless, directors with permanent residence abroad can reimburse travelling and accommodation expenses in connection with the operation of the Bank's business as actually incurred. Foreign executives are eligible for additional benefits, which are housing allowances, including utilities, telephone and home trip expenses in accordance with the established criteria.

38 Segment information

For management purposes, the Bank's businesses are divided into the following core segments, based on customer segmentation:

1. Commercial Banking

1.1 Wholesale Banking: This serves large-sized and medium-sized business customer. The main products and services are corporate loans, letters of guarantee, deposits, trade finance and foreign exchange, supply chain solution, financial management, and other financial services.

1.2 Small Enterprise: This serves small-size business customer. The main products and services are corporate loans, deposits and bancassurance.

2. Retail Banking: This represents individual persons. The main products and services are deposits, housing loans, hire purchase, finance lease, personal loans, cards services, bancassurance and mutual funds, and foreign currency services.

The Bank evaluates segment performance based on profit from operation, using the same accounting policies as those used in its preparation of the financial statements.

In the second quarter of 2020, there was certain customers transferring from Small Enterprise to Retail banking in accordance with Bank's business direction

The inter-segment transfer pricing policy is to set prices with reference to market rates. Direct operating expenses are recorded as expenses for each operating segment and certain expenses are allocated to each operating segments based on relevant variables e.g. number of transactions, asset based and liabilities based, etc.

The operating segment information, as reported below, is reported in a manner consistent with the Bank's internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions on the allocation of resources to the operating segments and assess their performance. The Chief Operating Decision Maker has been identified as the Chief Executive Committee.

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For the year ended 31 December 2020

Information about reportable segments:

For the year ended

31 December 2020

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	14,158	40,153	972	(1,478)	53,805
Net non-interest income	4,498	8,949	15,170	(13,628)	14,989
Total operating income	18,656	49,102	16,142	(15,106)	68,794
Operating expenses	(3,605)	(17,683)	(10,809)	652	(31,445)
Profits from operation	15,051	31,419	5,333	(14,454)	37,349
Expected credit loss					(25,011)
Profit before income tax					12,338
Income tax					(2,223)
Profit for the year					10,115

For the year ended

31 December 2019

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	13,440	11,705	1,905	(185)	26,865
Net non-interest income	3,506	6,234	5,022	(1,809)	12,953
Total operating income	16,946	17,939	6,927	(1,994)	39,818
Operating expenses	(8,104)	(10,793)	(1,295)	33	(20,159)
Profits from operation	8,842	7,146	5,632	(1,961)	19,659
Provision for doubtful accounts on loans and loan - related transactions					(10,849)
Profit before income tax					8,810
Income tax					(1,588)
Profit for the year					7,222

*Reconciliation of reportable segment profit or loss**For the year ended**31 December 2020*

	Net interest income	Net non- interest income (in million Baht)	Consolidated Operating expenses	Expected credit loss
Segment reporting	53,805	14,989	(31,445)	(25,011)
Expected credit loss	-	-	(180)	180
Others	-	(3)	3	-
Consolidated financial statements	<u>53,805</u>	<u>14,986</u>	<u>(31,622)</u>	<u>(24,831)</u>

*For the year ended**31 December 2019*

	Net interest income	Net non- interest income (in million Baht)	Consolidated Operating expenses	Impairment loss on loans and debt securities
Segment reporting	26,865	12,953	(20,159)	(10,849)
Bad debts, doubtful accounts and impairment losses	(10)	6	(508)	512
Others	10	(3)	(7)	-
Consolidated financial statements	<u>26,865</u>	<u>12,956</u>	<u>(20,674)</u>	<u>(10,337)</u>

	Commercial Banking	Retail Banking	Consolidated 2020 Other segments (in million Baht)	Elimination	Total
Loan to customers	<u>524,476</u>	<u>838,624</u>	<u>24,814</u>	<u>5,011</u>	<u>1,392,925</u>
Deposits	<u>195,494</u>	<u>1,178,140</u>	<u>-</u>	<u>(226)</u>	<u>1,373,408</u>

	Commercial Banking	Retail Banking	Consolidated 2019 Other segments (in million Baht)	Elimination	Total
Loan to customers	<u>557,370</u>	<u>807,323</u>	<u>20,916</u>	<u>6,616</u>	<u>1,392,225</u>
Deposits	<u>201,155</u>	<u>1,126,830</u>	<u>70,135</u>	<u>(8)</u>	<u>1,398,112</u>

39 Financial position and results of operations classified by domestic and foreign business

39.1 As at 31 December 2020 and 2019, the financial position classified by domestic and foreign business was as follows:

	Domestic business	2020 Foreign business	Consolidated		2019 Foreign business	Total
			Total	Domestic business		
			<i>(in million Baht)</i>			
Total assets	1,807,653	679	1,808,332	1,857,699	491	1,858,190
Interbank and money market items, net (assets)	210,809	376	211,185	235,907	404	236,311
Financial assets measured at fair value through profit or loss	3,788	-	3,788	-	-	-
Investments, net	134,351	-	134,351	166,265	-	166,265
Investments in subsidiaries and associate, net	8,599	-	8,599	8,953	-	8,953
Loans to customers and accrued interest receivables, net	1,348,480	-	1,348,480	1,348,600	30	1,348,630
Deposits	1,373,405	3	1,373,408	1,398,064	48	1,398,112
Interbank and money market items (liabilities)	75,909	-	75,909	86,554	72	86,626
Debts issued and borrowings, net	69,441	19,524	88,965	89,235	19,600	108,835

39.2 The results of operations classified by domestic and foreign business for the years ended 31 December 2020 and 2019 were as follows:

For the years ended**31 December 2020**

	Consolidated	
	Domestic business	Foreign business
	<i>(in million Baht)</i>	
Interest income	72,315	5
Interest expenses	(17,634)	(881)
Net interest income (expenses)	54,681	(876)
Net fees and service income	10,576	(1)
Total other operating income	4,390	21
Total other operating expenses	(31,601)	(21)
Profit (loss) from operations before expected credit loss and income tax	38,046	(877)

*For the years ended
31 December 2019*

	Domestic business	Consolidated Foreign business (in million Baht)	Total
Interest income	39,825	12	39,837
Interest expenses	(12,631)	(341)	(12,972)
Net interest income (expenses)	27,194	(329)	26,865
Net fees and service income	8,098	-	8,098
Total other operating income	4,871	(13)	4,858
Total other operating expenses	(20,659)	(15)	(20,674)
Impairment loss on loans and debt securities	(10,337)	-	(10,337)
Profit (loss) from operations before income tax	9,167	(357)	8,810

40 Interest income

	Consolidated		Bank only	
<i>For the years ended 31 December</i>	2020	2019	2020	2019
	(in million Baht)			
Interbank and money market items	1,922	1,965	1,449	1,807
Investments and trading transactions	109	131	77	130
Investments in debt securities	1,920	1,555	737	1,388
Loans to customers	45,633	34,334	29,635	32,970
Hire purchase and finance leases	22,734	1,822	-	-
Others	2	30	2	30
Total	72,320	39,837	31,900	36,325

41 Interest expenses

	Consolidated		Bank only	
<i>For the years ended 31 December</i>	2020	2019	2020	2019
	(in million Baht)			
Deposits	11,553	6,896	5,274	6,048
Interbank and money market items	538	781	356	779
Contribution to Deposits Protection Agency and BoT	3,445	3,371	1,797	3,050
Debt issued				
- Debentures and subordinated debentures	1,976	1,355	1,918	1,327
- Others	951	544	869	501
Borrowings	38	23	38	23
Others	14	2	14	2
Total	18,515	12,972	10,266	11,730

42 Net fees and service income

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptance, avals and guarantees	566	362	455	351
- ATM, Debit card, Credit card and other banking electronic	4,204	3,495	2,607	3,310
- Funds and Bancassurance	5,721	5,430	5,439	5,430
- Others	5,430	2,056	1,905	1,397
Total	15,921	11,343	10,406	10,488
Fees and service expenses				
- ATM, Debit card, Credit card and other banking electronic	(3,360)	(2,377)	(2,137)	(2,234)
- Others	(1,986)	(868)	(688)	(718)
Total	(5,346)	(3,245)	(2,825)	(2,952)
Net	10,575	8,098	7,581	7,536

43 Gains on trading and foreign exchange transactions, net

<i>For the years ended 31 December 2019</i>	Consolidated	Bank only
	<i>(in million Baht)</i>	
Gains on trading and foreign exchange transactions, net		
- Foreign currencies and derivatives on foreign exchange	1,346	1,312
- Derivatives on interest rates	94	92
- Debt securities	88	85
Total	1,528	1,489

44 Losses on financial liabilities designated at fair value through profit or loss, net

<i>For the years ended 31 December 2019</i>	Consolidated and Bank only <i>(in million Baht)</i>
Net change in fair value	(22)
Losses on financial liabilities designated at fair value through profit or loss, net	(22)

45 Net gain (loss) on financial instruments measured at fair value through profit or loss

For the year ended 31 December 2020

	Consolidated	Bank only
	<i>(in million Baht)</i>	
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and foreign exchange derivatives	1,285	1,092
- Interest rates derivatives	230	234
- Debt securities	199	83
- Equity securities	1	1
- Others	25	-
Total	<u>1,740</u>	<u>1,410</u>
Gain (losses) on financial instruments designated at FVTPL		
- Borrowings	(14)	(14)
Total	<u>1,726</u>	<u>1,396</u>

46 Net gain on investments

	Consolidated		Bank only	
<i>For the years ended 31 December</i>	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Gains on sales				
- Available-for-sale investments	-	1,881	-	1,875
- Held to maturity	-	4	-	4
- General investments	-	71	-	71
- Investment in debt instruments measured at FVOCI	678	-	582	-
Total	<u>678</u>	<u>1,956</u>	<u>582</u>	<u>1,950</u>

47 Impairment loss on loans and debt securities

Impairment loss on loans and debt securities for the year ended 31 December 2019 was as follows:

For the year ended 31 December 2019

	Consolidated	Bank only
	<i>(in million Baht)</i>	
Bad debts and doubtful accounts (reversal of)		
- Interbank and money market items	(44)	(30)
- Loans to customers	10,442	9,077
Allowance for debt restructuring on loans to customers	(61)	(61)
Total	<u>10,337</u>	<u>8,986</u>

48 Expected credit loss

Expected credit loss for the year ended 31 December 2020 was as follows:

For the year ended 31 December 2020

	Consolidated	Bank only
	<i>(in million Baht)</i>	
Interbank and money market items	(110)	19
Investment in debt instruments measured at FVOCI	1,626	10
Loans to customers and accrued interest receivables	23,202	13,219
Loan commitments and financial guarantee contracts	113	186
Total	<u>24,831</u>	<u>13,434</u>

49 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2020 and 2019 were based on the profit for the years attributable to equity holders of the Bank and the weighted average number of ordinary shares outstanding during the years as follows:

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2020	2019	2020	2019
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	<u>10,112</u>	<u>7,222</u>	<u>12,855</u>	<u>7,099</u>
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	<u>96,374</u>	<u>48,624</u>	<u>96,374</u>	<u>48,624</u>
Basic earnings per share <i>(in Baht)</i>	<u>0.1049</u>	<u>0.1485</u>	<u>0.1334</u>	<u>0.1460</u>

Diluted earnings per share

The calculations of diluted earnings per share for the years ended 31 December 2020 and 2019 were based on the profit for the years attributable to equity holders of the Bank and the weighted average number of ordinary shares outstanding during the years after adjusting for the effects of all dilutive potential ordinary shares as follows:

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2020	2019	2020	2019
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	<u>10,112</u>	<u>7,222</u>	<u>12,855</u>	<u>7,099</u>
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	<u>96,374</u>	<u>48,624</u>	<u>96,374</u>	<u>48,624</u>
Effect of dilutive potential ordinary shares from TMB TSRP 2020 Scheme <i>(in million shares)</i>	<u>167</u>	<u>-</u>	<u>167</u>	<u>-</u>
Weighted average number of diluted ordinary shares outstanding <i>(in million shares)</i>	<u>96,541</u>	<u>48,624</u>	<u>96,541</u>	<u>48,624</u>
Diluted earnings per share <i>(in Baht)</i>	<u>0.1047</u>	<u>0.1485</u>	<u>0.1332</u>	<u>0.1460</u>

50 Events after the reporting period

On 24 February 2021, the Board of Directors Meeting of the Bank passed a resolution to propose for consideration and approval in the Annual General Meeting of Shareholders with the payment of a dividend of Baht 0.045 per share to the Bank's ordinary shareholders from its 2020 operating results for a total of Baht 4,338 million (Such dividend amount is calculated on the number of issued and paid-up share capital as at 31 December 2020 issued shares). Such dividend will be paid and recorded after it is approved by the resolution of the Annual General Meeting of the Bank's shareholders.