

**TMB Bank Public Company Limited
and its Subsidiaries**

Financial statements for the year ended
31 December 2018
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 2018, 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 2018 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

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 doubtful accounts on loans to customers	
For disclosures related to credit risk of loans to customers and allowance for doubtful accounts, refer to notes 3, 11 and 13.	
The key audit matter	How the matter was addressed in the audit
As at 31 December 2018, loans to customers recorded in the consolidated and the Bank only financial statements amounted to Baht 685.79 billion and Baht 685.75 billion (approximately 76.91% and 77.21% of total assets), against which allowances for doubtful accounts of Baht 31.98 billion and Baht 31.95 billion, respectively, were provided. The estimation of the allowance involves judgments over both the timing of recognition and the estimation of the amount of the allowance of certain loans and portfolios of loans to customers. The allowance is determined based on the key factors such as historical loss data, expected loss data, credit risk, collateral, economic conditions and management experience. Accordingly, it is considered a Key Audit Matter. Management has established a control framework over the impairment process which includes governance procedures, management review and approval, and controls to ensure the integrity of data used in the process and compliance with relevant regulations. Within this framework: ▪ Individual assessments are made by management of credit scoring and classification. Collateral valuation estimates are also used in determining allowances. ▪ The allowances are assessed on a portfolio basis for certain portfolios with similar risk characteristics. Model methodologies and assumptions such as customer behavior are selected, approved, and applied to the underlying data.	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 which could influence the judgments and estimates. My audit procedures included testing the design and operating effectiveness of selected controls surrounding the credit and impairment process. Credit review procedures were performed for a sample of loans, including a detailed review of the individual credit file and other relevant information, from which I formed my own independent assessment. My sample included individually large exposures, loans subject to restructuring and reschedule as well as a selection of loans identified in the risk assessment. Model assumptions and methodologies were tested, where appropriate, including involvement of my own credit risk specialists, reconciliation of data to underlying systems and back-testing results.

Valuation of financial instruments in the statements of financial position	
For disclosures related to financial instruments and fair values, refer to note 3 and 5.	
The key audit matter	How the matter was addressed in the audit
As at 31 December 2018, financial assets measured at fair value in the consolidated and the Bank only financial statements amounted to Baht 50.04 billion and Baht 50.04 billion, respectively. Financial liabilities measured at fair value in the consolidated and the Bank only financial statements amounted to Baht 7.72 billion and Baht 7.72 billion, respectively. The entire amount is classified as “level 2” in the fair value hierarchy. Therefore, judgment is applied in the estimation of the fair value. The use of different valuation techniques and assumptions could produce different estimates of fair value.	For financial instruments, I checked for a selection that pricing inputs used were externally sourced and were correctly input into pricing models. I used my own valuation specialists to assess that the models were appropriate and they valued a selection of the Group’s and the Bank’s debt securities and derivative positions independently and compared their valuation to the Group’s and the Bank’s valuation.

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
14 February 2019

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

Assets	Note	Consolidated		Bank only	
		31 December		31 December	
		2018	2017	2018	2017
		(in thousand Baht)			
Cash		15,234,235	17,871,736	15,231,053	17,871,549
Interbank and money market items, net	7, 34.2	113,522,391	112,534,388	113,522,391	111,275,311
Derivative assets	8	7,916,452	8,673,716	7,916,452	8,673,716
Investments, net	9	73,476,647	61,305,161	73,476,629	58,179,756
Investments in subsidiaries and associate, net	10	4,577,259	-	221,942	3,753,633
Loans to customers and accrued interest receivables, net	11, 34.2				
Loans to customers		685,793,189	643,424,651	685,747,048	643,376,740
Accrued interest receivables		1,308,437	969,067	1,308,437	969,067
Total loans to customers and accrued interest receivables		687,101,626	644,393,718	687,055,485	644,345,807
Less deferred revenue		(86,234)	(51,604)	(86,234)	(51,604)
Less allowance for doubtful accounts	11.4, 13, 34.2	(31,975,862)	(24,638,712)	(31,947,442)	(24,608,522)
Less revaluation allowance for debt restructuring	11.7	(999,484)	(330,469)	(999,484)	(330,469)
Total loans to customers and accrued interest receivables, net		654,040,046	619,372,933	654,022,325	619,355,212
Properties for sale, net	14	2,613,771	2,213,599	2,613,771	2,213,599
Premises and equipment, net	15	11,876,263	12,070,715	11,876,236	12,045,447
Goodwill and other intangible assets, net	16	2,592,359	2,131,810	2,592,345	2,069,669
Deferred tax assets	17	400,882	682,970	1,245,983	666,968
Other receivables, net	18	1,251,198	1,689,907	1,220,229	1,637,186
Other assets, net	19, 34.2	4,211,807	5,324,833	4,212,122	5,234,269
Total assets		891,713,310	843,871,768	888,151,478	842,976,315

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

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

Liabilities and equity	Note	Consolidated		Bank only	
		31 December		31 December	
		2018	2017	2018	2017
(in thousand Baht)					
Liabilities					
Deposits	20, 34.2	649,568,443	611,429,815	649,574,715	611,508,489
Interbank and money market items	21, 34.2	64,266,589	60,349,098	64,266,589	60,349,098
Liabilities payable on demand		3,504,740	3,664,924	3,504,740	3,664,924
Financial liabilities designated at fair value through profit or loss	22	396,560	385,698	396,560	385,698
Derivative liabilities	8	7,327,950	8,558,761	7,327,950	8,558,761
Debts issued and borrowings, net	23, 34.2	35,124,014	33,351,579	35,124,014	33,351,579
Provisions for employee benefits	24	1,220,760	1,301,442	1,219,606	1,270,859
Provisions for other liabilities	25	630,217	544,224	630,061	541,977
Deferred revenue	26	17,593,616	18,907,907	17,593,634	18,907,925
Other liabilities	27, 34.2, 34.4	13,301,508	15,522,773	13,271,849	15,340,480
Total liabilities		792,934,397	754,016,221	792,909,718	753,879,790
Equity					
Share capital					
Authorised share capital					
44,108,738,479 ordinary shares of Baht 0.95 each		41,903,302	41,903,302	41,903,302	41,903,302
Issued and paid-up share capital					
43,851,893,110 ordinary shares of Baht 0.95 each					
(31 December 2017: 43,839,858,871 ordinary shares of Baht 0.95 each)	28	41,659,299	41,647,866	41,659,299	41,647,866
Premium on share capital	28	403,596	378,931	403,596	378,931
Other reserves		4,810,560	5,097,303	4,810,560	5,097,113
Retained earnings					
Appropriated					
Legal reserve	30, 31	3,000,000	2,550,000	3,000,000	2,550,000
Unappropriated		48,905,458	40,181,447	45,368,305	39,422,615
Equity attributable to equity holders of the Bank		98,778,913	89,855,547	95,241,760	89,096,525
Non-controlling interest		-	-	-	-
Total equity		98,778,913	89,855,547	95,241,760	89,096,525
Total liabilities and equity		891,713,310	843,871,768	888,151,478	842,976,315

Mr. Piti Tantakasem
Chief Executive Officer

Mr. Prasong Poontaneat
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	
	<i>Note</i>	2018	2017	2018	2017
		<i>(in thousand Baht)</i>			
Interest income	34.1, 37	35,128,359	34,713,277	35,096,749	34,636,811
Interest expenses	34.1, 38	10,631,612	9,979,431	10,659,172	9,979,723
Net interest income		24,496,747	24,733,846	24,437,577	24,657,088
Fees and service income	34.1, 39	12,763,657	13,532,892	11,676,463	12,295,154
Fees and service expenses	39	3,426,064	2,947,211	3,165,876	2,670,289
Net fees and service income		9,337,593	10,585,681	8,510,587	9,624,865
Gains on trading and foreign exchange transactions, net	40	1,528,793	1,146,756	1,528,793	1,146,756
Losses on financial liabilities designated at fair value through profit or loss, net	41	(10,862)	(24,064)	(10,862)	(24,064)
Gains on investments, net	42	11,963,440	64,319	7,992,485	130,319
Share of profit from investment using equity method		63,944	-	-	-
Other operating income	34.1	662,575	932,103	1,449,697	1,028,448
Total operating income		48,042,230	37,438,641	43,908,277	36,563,412
Other operating expenses					
Employee expenses	34.3, 34.4	8,198,289	8,511,083	7,991,436	8,247,098
Directors' remuneration	34.3	44,415	45,108	44,236	44,768
Premises and equipment expenses		3,430,873	3,384,031	3,383,822	3,321,952
Taxes and duties		1,263,576	1,249,909	1,262,435	1,247,879
Others	34.1, 43	4,537,510	4,602,285	4,388,382	4,400,164
Total other operating expenses		17,474,663	17,792,416	17,070,311	17,261,861
Impairment loss on loans and debt securities	34.1, 44	16,100,376	8,914,695	16,114,041	8,924,607
Profit from operations before income tax		14,467,191	10,731,530	10,723,925	10,376,944
Income tax	17	2,865,956	2,003,847	1,906,466	1,904,839
Profit for the year		11,601,235	8,727,683	8,817,459	8,472,105
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Gains (losses) on remeasuring available-for-sale investments		(79,978)	102,943	(79,740)	103,051
Losses arising from translating the financial statements of foreign operations		(10,128)	(50,517)	(10,128)	(50,517)
Income tax relating to items that will be reclassified subsequently to profit or loss	17	18,021	(10,485)	17,973	(10,507)
		(72,085)	41,941	(71,895)	42,027
Items that will not be reclassified subsequently to profit or loss					
Change in revaluation surplus on assets		(48,526)	(39,855)	(48,526)	(39,855)
Actuarial gains on post-employment benefit plan	24	79,137	192,772	85,956	189,900
Income tax relating to items that will not be reclassified subsequently to profit or loss	17	(6,122)	(30,584)	(7,486)	(30,009)
		24,489	122,333	29,944	120,036
Total other comprehensive income for the year, net of income tax		(47,596)	164,274	(41,951)	162,063
Total comprehensive income for the year		11,553,639	8,891,957	8,775,508	8,634,168

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	
<i>Note</i>	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
Profit attributable to:				
Equity holders of the Bank	11,601,235	8,686,655	8,817,459	8,472,105
Non-controlling interest	-	41,028	-	-
Profit for the year	11,601,235	8,727,683	8,817,459	8,472,105
Total comprehensive income attributable to:				
Equity holders of the Bank	11,553,639	8,850,642	8,775,508	8,634,168
Non-controlling interest	-	41,315	-	-
Total comprehensive income for the year	11,553,639	8,891,957	8,775,508	8,634,168
Earnings per share				
Basic earnings per share <i>(in Baht)</i>	0.2646	0.1982	0.2011	0.1933
Diluted earnings per share <i>(in Baht)</i>	0.2646	0.1981	0.2011	0.1932

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Mr. Piti Tantakasem
Chief Executive Officer

Mr. Prasong Poontaneat
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 changes in equity

Note	Consolidated											
	Other reserves							Retained earnings				
	Issued and paid-up share capital	Premium on share capital	Other reserve - share-based payments (Note 28)	Revaluation surplus on assets, net (Note 29)	Revaluation surplus on available-for-sale investments, net (Note 9.4)	Translation adjustment arising from translating the financial statements of foreign operations, net	Total other reserve	Legal reserve	Unappropriated	Equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
(in thousand Baht)												
Year ended 31 December 2017												
Balance at 1 January 2017	41,617,002	325,406	105,377	5,160,194	(55,683)	67,978	5,277,866	2,120,000	34,382,496	83,722,770	125,036	83,847,806
Comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	8,686,655	8,686,655	41,028	8,727,683
Other comprehensive income	-	-	-	(31,884)	82,355	(40,414)	10,057	-	153,930	163,987	287	164,274
Total comprehensive income for the year	-	-	-	(31,884)	82,355	(40,414)	10,057	-	8,840,585	8,850,642	41,315	8,891,957
Contributions by and distribution to owners of the bank												
Expenses in relation to share-based payments	28.1, 28.3	-	-	15,401	-	-	15,401	-	-	15,401	-	15,401
Issued ordinary shares to employees	28.3	30,864	54,037	(84,901)	-	-	(84,901)	-	-	-	-	-
Expenses in relation to issuance of ordinary shares to employees	28.3	-	(512)	-	-	-	-	-	-	(512)	-	(512)
Dividend paid	31	-	-	-	-	-	-	-	(2,622,968)	(2,622,968)	(17,925)	(2,640,893)
Total contributions by and distribution to owners of the bank		30,864	53,525	(69,500)	-	-	(69,500)	-	(2,622,968)	(2,608,079)	(17,925)	(2,626,004)
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests without a change in control	10.1	-	-	-	-	-	-	-	(109,786)	(109,786)	(148,426)	(258,212)
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	(109,786)	(109,786)	(148,426)	(258,212)
Transfer to legal reserve		-	-	-	-	-	-	430,000	(430,000)	-	-	-
Transfer to retained earnings		-	-	-	(121,120)	-	(121,120)	-	121,120	-	-	-
Balance at 31 December 2017		41,647,866	378,931	35,877	5,007,190	26,672	27,564	5,097,303	2,550,000	40,181,447	89,855,547	89,855,547
Year ended 31 December 2018												
Balance at 1 January 2018		41,647,866	378,931	35,877	5,007,190	26,672	27,564	5,097,303	2,550,000	40,181,447	89,855,547	89,855,547
Comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	11,601,235	11,601,235	-	11,601,235
Other comprehensive income		-	-	-	(38,820)	(63,983)	(8,102)	(110,905)	63,309	(47,596)	-	(47,596)
Total comprehensive income for the year		-	-	-	(38,820)	(63,983)	(8,102)	(110,905)	-	11,664,544	11,553,639	11,553,639
Contributions by and distribution to owners of the bank												
Expenses in relation to share-based payments	28.1, 28.3	-	-	707	-	-	707	-	-	707	-	707
Issued ordinary shares to employees	28.3	11,433	25,151	(36,584)	-	-	(36,584)	-	-	-	-	-
Expenses in relation to issuance of ordinary shares to employees	28.3	-	(486)	-	-	-	-	-	-	(486)	-	(486)
Dividend paid	31	-	-	-	-	-	-	-	(2,630,494)	(2,630,494)	-	(2,630,494)
Total contributions by and distribution to owners of the bank		11,433	24,665	(35,877)	-	-	(35,877)	-	(2,630,494)	(2,630,273)	-	(2,630,273)
Transfer to legal reserve		-	-	-	-	-	-	450,000	(450,000)	-	-	-
Transfer to retained earnings		-	-	-	(139,961)	-	(139,961)	-	139,961	-	-	-
Balance at 31 December 2018		41,659,299	403,596	-	4,828,409	(37,311)	19,462	4,810,560	3,000,000	48,905,458	98,778,913	98,778,913

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		
	Issued and paid-up share capital	Premium on share capital	Other reserve - share-based payments (Note 28)	Revaluation surplus on assets, net (Note 29)	Revaluation surplus on available-for-sale investments, net (Note 9.4)	Translation adjustment arising from translating the financial statements of foreign operations, net	Total other reserve	Legal reserve	Unappropriated	Total equity
Note										
(in thousand Baht)										
Year ended 31 December 2017										
Balance at 1 January 2017	41,617,002	325,406	105,377	5,160,194	(55,959)	67,978	5,277,590	2,120,000	33,730,438	83,070,436
Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	-	-	8,472,105	8,472,105
Other comprehensive income	-	-	-	(31,884)	82,441	(40,414)	10,143	-	151,920	162,063
Total comprehensive income for the year	-	-	-	(31,884)	82,441	(40,414)	10,143	-	8,624,025	8,634,168
Contributions by and distribution to owners of the bank										
Expenses in relation to share-based payments	28.1, 28.3	-	-	15,401	-	-	15,401	-	-	15,401
Issued ordinary shares to employees	28.3	30,864	54,037	(84,901)	-	-	(84,901)	-	-	-
Expenses in relation to issuance of ordinary shares to employees	28.3	-	(512)	-	-	-	-	-	-	(512)
Dividend paid	31	-	-	-	-	-	-	-	(2,622,968)	(2,622,968)
Total contributions by and distribution to owners of the bank		30,864	53,525	(69,500)	-	-	(69,500)	-	(2,622,968)	(2,608,079)
Transfer to legal reserve		-	-	-	-	-	-	430,000	(430,000)	-
Transfer to retained earnings		-	-	-	(121,120)	-	(121,120)	-	121,120	-
Balance at 31 December 2017		41,647,866	378,931	35,877	5,007,190	26,482	27,564	5,097,113	2,550,000	89,096,525
Year ended 31 December 2018										
Balance at 1 January 2018		41,647,866	378,931	35,877	5,007,190	26,482	27,564	5,097,113	2,550,000	89,096,525
Comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	8,817,459	8,817,459
Other comprehensive income		-	-	-	(38,820)	(63,793)	(8,102)	(110,715)	-	(41,951)
Total comprehensive income for the year		-	-	-	(38,820)	(63,793)	(8,102)	(110,715)	-	8,775,508
Contributions by and distribution to owners of the bank										
Expenses in relation to share-based payments	28.1, 28.3	-	-	707	-	-	707	-	-	707
Issued ordinary shares to employees	28.3	11,433	25,151	(36,584)	-	-	(36,584)	-	-	-
Expenses in relation to issuance of ordinary shares to employees	28.3	-	(486)	-	-	-	-	-	-	(486)
Dividend paid	31	-	-	-	-	-	-	-	(2,630,494)	(2,630,494)
Total contributions by and distribution to owners of the bank		11,433	24,665	(35,877)	-	-	(35,877)	-	(2,630,494)	(2,630,273)
Transfer to legal reserve		-	-	-	-	-	-	450,000	(450,000)	-
Transfer to retained earnings		-	-	-	(139,961)	-	(139,961)	-	139,961	-
Balance at 31 December 2018		41,659,299	403,596	-	4,828,409	(37,311)	19,462	4,810,560	3,000,000	95,241,760

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	
	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit from operations before income tax	14,467,191	10,731,530	10,723,925	10,376,944
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>				
Depreciation and amortisation	1,425,419	1,339,981	1,417,228	1,327,548
Impairment loss on loans and debt securities	16,100,376	8,914,695	16,114,041	8,924,607
Impairment loss on premises and equipment	9,572	22,828	9,572	22,828
Impairment loss on properties for sale and other assets	124,509	286,663	124,497	283,702
Provisions for employee benefits and other liabilities	156,565	18,866	158,618	11,728
Impairment losses on investment (reversal of)	1,263	(21,781)	(28,390)	(87,781)
Losses (Gains) on revaluation of trading investments	1,569	(343)	1,569	(343)
Losses on disposal of intangible assets	-	8,743	-	8,743
Gains on disposal of premises and equipment	(17,238)	(42,918)	(17,209)	(42,618)
Gains on disposal of investments	(113,108)	(42,538)	(112,897)	(42,538)
Profit on the loss of control of a subsidiary	(11,851,595)	-	(7,851,198)	-
Unrealised losses on remeasurement of financial liabilities designated at fair value through profit or loss	10,862	24,064	10,862	24,064
Unrealised gains on exchange on derivatives	(471,317)	(382,743)	(471,317)	(382,743)
Unrealised gains on exchange on debentures and long-term borrowings	(74,106)	(1,027,504)	(74,106)	(1,027,504)
Expenses in relation to share-based payments	707	15,401	707	15,401
Share of profit from investments accounted for using the equity method	(63,944)	-	-	-
Net interest income	(24,496,747)	(24,733,846)	(24,437,577)	(24,657,088)
Dividend income	(18,563)	(32,153)	(818,563)	(157,628)
Interest received	33,593,350	33,783,015	33,560,218	33,751,311
Interest paid	(9,338,927)	(8,625,760)	(9,366,810)	(8,626,052)
Income tax paid	(1,288,316)	(2,252,353)	(1,170,218)	(2,166,513)
Profit from operations before changes in operating assets and liabilities	18,157,522	17,983,847	17,772,952	17,556,068
<i>Decrease (increase) in operating assets</i>				
Interbank and money market items	(5,031,505)	1,327,100	(2,290,223)	1,652,366
Trading investments	(674,300)	9,594,034	(674,300)	9,594,034
Loans to customers	(50,469,452)	(59,532,181)	(50,465,397)	(59,542,093)
Properties for sale	(209,272)	251,911	(209,272)	251,911
Other receivables	358,410	166,111	391,494	112,018
Other accrued income	249,383	(197,598)	286,835	(190,767)
Other assets	(313,598)	550,636	(319,666)	569,264
<i>Increase (decrease) in operating liabilities</i>				
Deposits	38,072,664	12,415,970	38,069,993	12,421,459
Interbank and money market items	3,917,491	14,931,619	3,917,491	14,931,619
Liabilities payable on demand	(160,184)	(367,264)	(160,184)	(367,264)
Short-term debt issued and borrowings	-	(748,396)	-	(748,396)
Provision for obligations on transfers of non-performing assets	-	(1,317,048)	-	(1,317,048)
Provision for employee benefits	(246,061)	(144,042)	(246,061)	(144,042)
Provisions for other liabilities	(51,090)	(19,171)	(51,090)	(19,171)
Account payables	182,982	323,123	174,698	323,068
Other accrued expenses	(214,261)	991,044	(128,879)	954,422
Deferred revenue	(1,309,599)	18,680,416	(1,309,599)	18,680,433
Other liabilities	(2,093,982)	3,669,256	(2,258,545)	3,635,159
Net cash provided by operating activities	165,148	18,559,367	2,500,247	18,353,040

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	
	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>				
Interest received	1,373,467	1,302,289	1,369,051	1,302,147
Dividend received	18,563	32,152	818,563	157,627
Purchase of available-for-sale investments	(80,860,373)	(50,780,623)	(80,860,373)	(43,030,197)
Proceeds from sales of available-for-sale investments	76,804,891	41,534,706	73,679,531	33,840,606
Purchase of held to maturity debt securities	(12,899,503)	(3,984,166)	(12,899,503)	(3,984,166)
Proceeds from redemption of matured held to maturity debt securities	5,285,578	5,284,587	5,285,578	5,284,587
Proceeds from sales of general investments	102,292	121,450	102,292	121,450
Purchase of investments in subsidiaries	-	(258,212)	(25,000)	(258,212)
Proceeds from reduction and sales of investment in a subsidiary	11,437,527	-	11,437,527	-
Purchase of premises and equipment	(1,068,129)	(1,019,780)	(1,059,435)	(1,011,959)
Purchase of leasehold rights	(4,782)	(1,783)	(4,782)	(1,783)
Purchase of intangible assets	(1,019,035)	(761,356)	(1,005,315)	(760,180)
Proceeds from disposals of premises and equipment	141,311	132,328	135,579	130,751
Net cash used in investing activities	(688,193)	(8,398,408)	(3,026,287)	(8,209,329)
<i>Cash flows from financing activities</i>				
Repayments of long-term debts issued and borrowings	(12,679)	(12,465)	(12,679)	(12,465)
Interest paid on long-term debts issued and borrowings	(1,319,889)	(1,195,744)	(1,319,889)	(1,195,744)
Cash receipts on debenture issued	4,868,100	5,430,000	4,868,100	5,430,000
Cash paid for redemption of debenture	(3,008,880)	(10,350,000)	(3,008,880)	(10,350,000)
Expenses in relation to issuance of ordinary shares to employees	(486)	(512)	(486)	(512)
Dividend paid to equity holders of the Bank	(2,630,494)	(2,622,968)	(2,630,494)	(2,622,968)
Dividend paid to non-controlling interest	-	(17,925)	-	-
Net cash used in financing activities	(2,104,328)	(8,769,614)	(2,104,328)	(8,751,689)
Change in translation adjustments of foreign operations	(10,128)	(50,517)	(10,128)	(50,517)
Net increase (decrease) in cash	(2,637,501)	1,340,828	(2,640,496)	1,341,505
Cash at 1 January	17,871,736	16,530,908	17,871,549	16,530,044
Cash at 31 December	15,234,235	17,871,736	15,231,053	17,871,549
Supplementary disclosures of cash flow information				
Non-cash transactions:				
Issuance of ordinary shares to employees	36,584	84,901	36,584	84,901
Reversal of provisions for obligation on transfers of non-performing assets net of written-off a promissory note and accrued interest receivables	-	337,668	-	337,668

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

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2018

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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 14 February 2019.

1 General information

TMB Bank Public Company Limited, (the “Bank”), is incorporated in Thailand and has its registered office at 3000 Phaholyothin 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. A subsidiary is incorporated as limited company under Thai laws and has been operating in Thailand, with its core business being provision of asset management. Details of the Bank’s subsidiaries and associate as at 31 December 2018 and 2017 are given in note 10.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission; and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor. 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2018. The application of these new and revised TFRS has resulted in changes in certain of the Bank and its subsidiaries’ accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRSs, the FAP has issued a number of new TFRSs which are not yet effective for current periods. The Bank and its subsidiaries have not early adopted these standards in preparing these financial statements. Those new TFRSs that are relevant to the Bank and its subsidiaries’ operations become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRSs - Financial instruments standards

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TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. It replaces existing revenue recognition standards as follows:

- TAS 11 (revised 2017) Construction Contracts,
- TAS 18 (revised 2017) Revenue,
- TSIC 31 (revised 2017) Revenue-Barter Transactions Involving Advertising Services,
- TFRIC 13 (revised 2017) Customer Loyalty Programmes,
- TFRIC 15 (revised 2017) Agreements for the Construction of Real Estate, and
- TFRIC 18 (revised 2017) Transfers of Assets from Customers.

The Bank and its subsidiaries have made a preliminary assessment of the potential impact of adopting and initially applying TFRS 15 on the consolidated and bank only financial statements and expects that there will be no material impact on the consolidated and bank only financial statements in the period of initial application.

TFRSs - Financial instruments standards

These TFRSs establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

Management is presently considering the potential impact of adopting and initially applying TFRSs Financial instruments standards on the consolidated and bank only financial statements.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following items, which are measured at fair value in the statements of financial position.

- Derivative financial instruments (trading book)
- Trading and available-for-sale investments
- Financial liabilities designated at fair value through profit or loss
- Land and buildings

(c) *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.

(d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2018

Information about significant areas of estimation uncertainties is included in the following notes:

Note 8	Derivatives
Note 13	Allowance of doubtful accounts

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

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

Business combinations

The Bank applies 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 Bank controls 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 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 to the previous owners of the acquiree, and equity interests issued by the Bank. 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 incurs 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 of the businesses acquired.

TMB Bank Public Company Limited and its Subsidiaries
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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 controls 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 measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Bank's 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 loses 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.

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.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments are recognised in other comprehensive income.

TMB Bank Public Company Limited and its Subsidiaries
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Foreign operations

The assets and liabilities of foreign operations, are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating 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 is recognised in other comprehensive income until dissolution of the branch's business, except for the Cayman Islands Branch, for which the foreign exchange differences arising on translation are recognised in profit or loss.

(c) Cash

Cash includes cash in hand and cash on collection.

(d) Securities purchased under resale agreements/Securities sold under repurchase agreements

The Bank enters 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.

(e) Investments

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, since they intend to hold such investment temporarily. Such investments are classified as general investments and stated at cost less allowance for impairment losses (if any).

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. Such investments are classified as general investments and stated at cost less allowance for impairment losses (if any).

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Investments in other 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

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

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

(f) Loans to customers

Loans to customers are presented exclusive of accrued interest receivable (except for overdrafts, which are presented inclusive of accrued interest receivable). Unearned discounts received in advance on loans to customers are presented as deductions from the loans.

(g) Bill purchased, trade finance and factoring

The Bank classifies 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 has its legal recourses. In case that there is acceptance, aval or guarantee by other financial institutions, the Bank 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.

TMB Bank Public Company Limited and its Subsidiaries

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For the year ended 31 December 2018

The Bank recognises 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.

(h) 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.

(i) Troubled debt restructuring

Foreclosed assets transferred as a result of troubled debt restructuring are recorded at the net realisable value of the assets, to the extent that this does not exceed the book value of the debt plus non-booked interest receivable to which the Bank and its subsidiaries are legally entitled. Where restructuring a loan involves modification of its terms, the present value of the future cash flows expected to be collected from the debtor is calculated by using a discount rate. The difference between the then-determined present value and the outstanding balances of loans to customers and accrued interest receivables is recorded as a revaluation allowance on debt restructuring in the statements of financial position. Such revaluation allowance is reviewed using the present value of the projected expected cash to be received over the remaining terms.

For debt restructuring agreements made before 1 January 2014, the present value of the future cash flows expected to be collected from the debtor is determined using the market rates at the restructuring dates as the discount rates. For debt restructuring agreements made since 1 January 2014 onwards, the Bank used the effective interest rates under the original loan agreements, except for SME debtors used the market rates at the restructuring dates as the discount rates.

(j) 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.

TMB Bank Public Company Limited and its Subsidiaries
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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.

(k) 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, thereafter, arranges 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 recognises 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 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.

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Leases in terms of which the Bank and its subsidiaries substantially assumes all the risks and rewards of ownership are classified as finance leases. Premises and equipment recognised by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and allowance for impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the 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 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.

(l) Leasehold rights

Leasehold rights are measured at cost less accumulated amortisation and allowance for impairment losses and are presented as a part of "other assets" in the statements of financial position. Leasehold rights are amortised and recognised as the expenses, using a straight-line method, over the lease periods.

(m) 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.

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(n) 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 3 (a). 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.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

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 for the current and comparative periods are as follows:

Computer software	Average at 5 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(o) 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.

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.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been adjusted. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any allowance for impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

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The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of loans to customers and accrued interest receivables is calculated as described in note 3 from item (f) to (i).

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.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale investments that are debt securities, general investments and investments in subsidiaries and associate, the reversal is recognised in profit or loss.

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.

(p) Hybrid instruments

The Bank records financial liabilities that are created in the form of hybrid instruments with reference to the BoT's Notification, which requires the Bank to apply International Accounting Standard No.39 (IAS 39) in relation to financial liabilities whereby it has an option to classify financial liabilities as "Financial liabilities designated at fair value through profit or loss" when one of the following criteria is met:

1. To reduce a mismatch in profit or loss that would otherwise arise from different accounting recognition between financial assets and financial liabilities; or
2. For management and evaluation of a group of financial assets or financial liabilities under a documented risk management or investment strategy policy as approved by the Board of Directors of the Bank; or
3. It is a financial instrument containing an embedded derivative.

The fair value of financial liabilities designated at fair value through profit or loss is calculated based on a valuation model, using market data obtained from reliable sources. Changes in the fair value are recorded as income or expense in profit or loss.

If the Bank opts not to classify the hybrid instrument liabilities as "Financial liabilities designated at fair value through profit or loss" or the criteria for classifying them are not met, the Bank is to classify and account for hybrid instrument liabilities in accordance with IAS 39 regarding hybrid instruments, taken into consideration all of the following criteria:

1. The hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss.

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2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
3. The economic characteristics and risks of the embedded derivative and the host contract are not closely related.

If all 3 conditions are met, the Bank will account for the host contract at cost or amortised cost and measure the embedded derivative separately from the host contract at fair value with changes in the fair value of the embedded derivative recognised as income or expense in profit or loss. If any of the 3 conditions is not met, the Bank will recognise the hybrid instrument at cost or amortised cost.

(q) Derivatives

Trading derivatives are initially and subsequently measured at fair value. Gains or losses on measurement of derivatives is recognised as income or expenses in profit or loss.

Derivatives, entered for the banking book purpose, with interest components are recognised on an accrual basis, in the same manner as the hedged assets and liabilities. That is, the interest income or interest expense is recognised over the term of the contracts. Derivatives with foreign exchange components are recognised based on exchange rates ruling on the reporting period-end date. Unrealised gain or loss on exchange rate is recognised in profit or loss and the difference between the forward rate and the spot rate at the contract date is recognised as income or expense by amortisation using the straight-line basis over the contract periods.

(r) 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, 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 Bank and its subsidiaries 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.).

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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 Performance Share Bonus Project (“Share-based payment plan”) 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 expense 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 expense, which involves the Bank’s management best estimate of number of ordinary shares that will ultimately vest, is recognised for the share-based payment plan at each reporting period-end until the vesting date. The expense or reversal of expense for a period represented the movement in cumulative expense recognised as at the beginning and at the end of the reporting period.

(s) 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 provides 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 was claimed against, using the same criteria and methods applied to allowance for doubtful accounts that are described in note 3 (h).

(t) Income

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 investment in debt securities is recognised as revenue based on the effective interest rates over the holding periods.

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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.

Dividend income

Dividend income is recognised in profit or losses on the date that the Bank and its subsidiaries’ right to receive payments is established.

(u) Expenses

Interest expenses

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

Fees and service expenses

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

(v) 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’ expects, 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.

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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 Group. 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.

(w) *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 Performance Share Bonus Scheme.

(x) *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.

(y) *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 has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

4 Risk management

Risk management approach

The Bank has set up its risk management structure in order to efficiently manage its core risks, i.e. credit, market, operational, liquidity, reputational and strategic risks. Appropriate risk policies and risk management procedures have been established to provide common guidelines and standards to be consistently applied across the Bank and its subsidiaries.

The Bank manages its risks under the following key principles: Core risks must be identified, measured, monitored, reported, analysed and controlled; and business activities are managed under a risk-return framework to ensure that risks undertaken are commensurate with an appropriate return.

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The Bank's risk governance structure consists of the Board of Directors (BOD), which holds the ultimate responsibility for the Bank's overall risk management, the Risk Management Committee (RMC), which has been delegated by the BOD with the authority to review and oversee the management of all risks across the Bank and is authorised to approve certain risk management strategies, policies, frameworks and standards, as well as risk appetite and risk concentration levels. Other senior management risk committees that oversee specific risk areas include the Risk Policy Committee (RPC), the Bank Non-financial Risk Committee (BNFRC), the Asset and Liability Management Committee (ALCO), the Portfolio Monitoring Committee (PoMoCo) and the Financial Markets Control Committee (FMCC). Audit Committee holds the responsibility to assure that the internal control and internal audits are appropriate and effective.

While business units are primarily responsible for managing risks within their own responsible areas as per the defined operating framework, the following dedicated risk management related functions are under the stewardship of the Chief Risk Officer (CRO): Credit Risk Management, Credit Risk Intelligence, Market Risk Management, Corporate Operational Risk Management, Compliance, Legal and Product Control. Under the Credit Risk Management unit, sub-functions including Corporate Credit Underwriting, Small Enterprise and Retail Credit Underwriting, Credit Restructuring, Small Enterprise Portfolio Monitoring, Retail Collections and Credit Policy and Risk Control are set in order to manage credit risk of each portfolio. These functions are responsible for establishing firm-wide risk management policies and guidelines, and take care of the following roles: developing tools for managing risks; proposing risk management strategies and recommending risk appetite to top management for approval in order to be used for monitoring, controlling and managing risk levels of the Bank.

4.1 Credit risk

Credit risk is the risk to the Bank 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.

The maximum credit risk exposure is the carrying values of the financial assets after deducting allowance for losses as presented in the statements of financial position, and the provision for contingent liabilities arising as a result of loan guarantees and other guarantees.

Credit policies/Framework

The Bank's credit risk appetite and strategy are approved by the Board of Directors (BOD). To properly manage credit risk, the Bank has put in place the Core Credit Risk Policies (CCRP) and frameworks to ensure that credit decisions are prudently made and make credit risk management an integral part of all credit-related business processes. All relevant business units and support units are required to formulate their own specific policies and supplementary policies under the CCRP. The Bank has also established policies to ensure diversification of its credit portfolio to address various concentration risks covering single exposure concentration risk on a group basis that is economically interdependent, industry/business sector concentration risk and country exposure concentration risk. Additionally, the Bank's Stress Testing Policy ensures a consistent framework to assess the Bank's ability to withstand extreme but plausible adverse changes to economic conditions.

Credit approval process

In managing credit risk, the Bank segregates the roles and responsibilities of the credit marketing function from the credit granting function to ensure proper checks and balance. Individual credit risk is analysed and assessed by experienced credit officers and approved by an appropriate authority depending on the size and risk levels of credit requested.

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Where appropriate, the Bank demands 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 has 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 also makes a standard practice to set conditions to mitigate the elements of risk in the same manner as for direct lending procedures.

Credit review

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. Moreover, the Independent Credit Review (ICR) team, under the Audit unit, performs individual credit reviews to ensure that the credit process and account administration are effectively conducted in accordance with policies and procedures, and in compliance with the regulatory requirements.

4.2 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 ALCO holds the responsibility to assist the BOD and the RMC to ensure that bank-wide market risk management complies with the relevant risk policies and defined levels of risk appetite. The Bank classifies the overall market risk management into two parts: trading book and banking book. The Bank has 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 has established the Market Risk Management: Trading Book Policy 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's risk appetite.

Market risk in the banking book

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

The Bank has established the Market Risk Management: Banking Book Policy, 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's risk appetite.

The Bank also analyses risks and regularly assesses 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.

(a) 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.

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The Bank's 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 2018 and 2017, financial assets and liabilities classified by types of interest rates were as follows:

	Consolidated 2018			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
Financial assets				
Cash	-	-	15,234	15,234
Interbank and money market items net of deferred revenue	39,239	66,757	7,562	113,558
Investments, net	4,145	69,095	237	73,477
Investment in subsidiaries and associate, net	-	-	4,577	4,577
Loans to customers net of deferred revenue	442,718	233,148	9,841	685,707
Other financial assets	719	-	3,751	4,470
Total financial assets	486,821	369,000	41,202	897,023
Financial liabilities				
Deposits	549,950	75,074	24,544	649,568
Interbank and money market items	5,544	57,487	1,236	64,267
Liabilities payable on demand	-	-	3,505	3,505
Financial liabilities designated at fair value through profit or loss	298	-	-	298
Debts issued and borrowings	4,867	30,251	6	35,124
Other financial liabilities	2,061	-	11,167	13,228
Total financial liabilities	562,720	162,812	40,458	765,990
	Consolidated 2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
Financial assets				
Cash	-	-	17,872	17,872
Interbank and money market items net of deferred revenue	44,417	61,237	6,867	112,521
Investments, net	8,645	52,348	312	61,305
Loans to customers net of deferred revenue	412,201	221,837	9,335	643,373
Other financial assets	898	-	5,353	6,251
Total financial assets	466,161	335,422	39,739	841,322
Financial liabilities				
Deposits	499,694	82,763	28,973	611,430
Interbank and money market items	9,638	49,289	1,422	60,349
Liabilities payable on demand	-	-	3,665	3,665
Financial liabilities designated at fair value through profit or loss	296	-	-	296
Debts issued and borrowings	-	33,340	12	33,352
Other financial liabilities	1,780	-	13,683	15,463
Total financial liabilities	511,408	165,392	47,755	724,555

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	Bank only 2018			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	15,231	15,231
Interbank and money market items net of deferred revenue	39,239	66,757	7,562	113,558
Investments, net	4,145	69,095	237	73,477
Investment in subsidiaries and associate, net	-	-	222	222
Loans to customers net of deferred revenue	442,672	233,148	9,841	685,661
Other financial assets	719	-	3,721	4,440
Total financial assets	486,775	369,000	36,814	892,589
<i>Financial liabilities</i>				
Deposits	549,956	75,074	24,545	649,575
Interbank and money market items	5,544	57,487	1,236	64,267
Liabilities payable on demand	-	-	3,505	3,505
Financial liabilities designated at fair value through profit or loss	298	-	-	298
Debts issued and borrowings	4,867	30,251	6	35,124
Other financial liabilities	2,061	-	11,138	13,199
Total financial liabilities	562,726	162,812	40,430	765,968

	Bank only 2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	17,872	17,872
Interbank and money market items net of deferred revenue	44,299	60,102	6,867	111,268
Investments, net	8,645	49,223	312	58,180
Investment in subsidiaries and associate, net	-	-	3,754	3,754
Loans to customers net of deferred revenue	412,153	221,837	9,335	643,325
Other financial assets	898	-	5,217	6,115
Total financial assets	465,995	331,162	43,357	840,514
<i>Financial liabilities</i>				
Deposits	499,761	82,763	28,984	611,508
Interbank and money market items	9,638	49,289	1,422	60,349
Liabilities payable on demand	-	-	3,665	3,665
Financial liabilities designated at fair value through profit or loss	296	-	-	296
Debts issued and borrowings	-	33,340	12	33,352
Other financial liabilities	1,780	-	13,501	15,281
Total financial liabilities	511,475	165,392	47,584	724,451

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As at 31 December 2018 and 2017, significant financial assets and liabilities classified by interest repricing periods were as follows:

	Consolidated					
	2018					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non- performing assets	Non- interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	15,234	15,234
Interbank and money market items net of deferred revenue	105,352	644	-	-	7,562	113,558
Investments, net	8,996	23,114	41,130	-	237	73,477
Investments in subsidiaries and associate, net	-	-	-	-	4,577	4,577
Loans to customers net of deferred revenue	451,245	77,987	124,914	21,720	9,841	685,707
Other financial assets	719	-	-	-	3,751	4,470
Total financial assets	566,312	101,745	166,044	21,720	41,202	897,023
Financial liabilities						
Deposits	581,935	38,871	4,218	-	24,544	649,568
Interbank and money market items	61,400	1,151	480	-	1,236	64,267
Liabilities payable on demand	-	-	-	-	3,505	3,505
Financial liabilities designated at fair value through profit or loss	298	-	-	-	-	298
Debts issued and borrowings	5	19,874	15,239	-	6	35,124
Other financial liabilities	2,061	-	-	-	11,167	13,228
Total financial liabilities	645,699	59,896	19,937	-	40,458	765,990
	Consolidated					
	2017					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non- performing assets	Non- interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	17,872	17,872
Interbank and money market items net of deferred revenue	104,639	1,015	-	-	6,867	112,521
Investments, net	17,191	9,712	34,090	-	312	61,305
Loans to customers net of deferred revenue	416,058	66,124	134,335	17,521	9,335	643,373
Other financial assets	898	-	-	-	5,353	6,251
Total financial assets	538,786	76,851	168,425	17,521	39,739	841,322

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Consolidated						
2017						
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non- performing assets	Non- interest bearing	Total
	(in million Baht)					
Financial liabilities						
Deposits	533,090	45,836	3,531	-	28,973	611,430
Interbank and money market items	56,598	1,549	780	-	1,422	60,349
Liabilities payable on demand	-	-	-	-	3,665	3,665
Financial liabilities designated at fair value through profit or loss	296	-	-	-	-	296
Debts issued and borrowings	3,014	7	30,319	-	12	33,352
Other financial liabilities	1,780	-	-	-	13,683	15,463
Total financial liabilities	594,778	47,392	34,630	-	47,755	724,555
Bank only						
2018						
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non- performing assets	Non- interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	15,231	15,231
Interbank and money market items net of deferred revenue	105,352	644	-	-	7,562	113,558
Investments, net	8,996	23,114	41,130	-	237	73,477
Investments in subsidiaries and associate, net	-	-	-	-	222	222
Loans to customers net of deferred revenue	451,245	77,987	124,914	21,674	9,841	685,661
Other financial assets	719	-	-	-	3,721	4,440
Total financial assets	566,312	101,745	166,044	21,674	36,814	892,589
Financial liabilities						
Deposits	581,941	38,871	4,218	-	24,545	649,575
Interbank and money market items	61,400	1,151	480	-	1,236	64,267
Liabilities payable on demand	-	-	-	-	3,505	3,505
Financial liabilities designated at fair value through profit or loss	298	-	-	-	-	298
Debts issued and borrowings	5	19,874	15,239	-	6	35,124
Other financial liabilities	2,061	-	-	-	11,138	13,199
Total financial liabilities	645,705	59,896	19,937	-	40,430	765,968

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	Bank only					
	2017					
	Repricing periods					
	Within	Over	Over	Non-	Non-	
	3 months	3 months	1 year	performing	interest	Total
		to 1 year		assets	bearing	
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	17,872	17,872
Interbank and money market items net of deferred revenue	104,079	322	-	-	6,867	111,268
Investments, net	14,066	9,712	34,090	-	312	58,180
Investments in subsidiaries and associate, net	-	-	-	-	3,754	3,754
Loans to customers net of deferred revenue	416,058	66,124	134,335	17,473	9,335	643,325
Other financial assets	898	-	-	-	5,217	6,115
Total financial assets	535,101	76,158	168,425	17,473	43,357	840,514
Financial liabilities						
Deposits	533,157	45,836	3,531	-	28,984	611,508
Interbank and money market items	56,598	1,549	780	-	1,422	60,349
Liabilities payable on demand	-	-	-	-	3,665	3,665
Financial liabilities designated at fair value through profit or loss	296	-	-	-	-	296
Debts issued and borrowings	3,014	7	30,319	-	12	33,352
Other financial liabilities	1,780	-	-	-	13,501	15,281
Total financial liabilities	594,845	47,392	34,630	-	47,584	724,451

The Bank and its subsidiaries' average interest-bearing financial assets and financial liabilities, together with the average interest rates were as follows:

	Consolidated					
	2018			2017		
	Average balance	Interest ⁽¹⁾	Average interest rate	Average balance	Interest ⁽¹⁾	Average interest rate
	<i>(in million Baht)</i>		<i>(% per annum)</i>	<i>(in million Baht)</i>		<i>(% per annum)</i>
Interest-bearing financial assets						
Interbank and money market items	106,831	1,761	1.65	114,460	1,824	1.59
Investments and trading transactions and investments in debt securities	62,744	1,275	2.03	58,672	1,274	2.17
Loans to customers net from deferred revenue	649,104	32,082	4.94	609,365	31,580	5.18
Total	818,679	35,118		782,497	34,678	
Interest-bearing financial liabilities						
Deposits	605,191	8,589	1.42	574,414	7,832	1.36
Interbank and money market items	47,737	686	1.44	57,579	744	1.29
Debts issued and borrowings	31,617	1,295	4.10	35,835	1,398	3.90
Total	684,545	10,570		667,828	9,974	

⁽¹⁾ Excludes interest income and interest expenses on derivatives entered into by the Bank for banking book purpose for group of financial assets and liabilities

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	Bank only					
	2018			2017		
	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)
<i>Interest-bearing financial assets</i>						
Interbank and money market items	106,193	1,752	1.65	113,325	1,808	1.60
Investments and trading transactions and investments in debt securities	62,484	1,271	2.03	55,590	1,230	2.21
Loans to customers net from deferred revenue	649,058	32,064	4.94	609,317	31,564	5.18
Total	817,735	35,087		778,232	34,602	
<i>Interest-bearing financial liabilities</i>						
Deposits	606,548	8,617	1.42	574,485	7,832	1.36
Interbank and money market items	47,737	686	1.44	57,579	744	1.29
Debts issued and borrowings	31,617	1,295	4.10	35,835	1,398	3.90
Total	685,902	10,598		667,899	9,974	

⁽¹⁾ Excludes interest income and interest expenses on derivatives entered into by the Bank for banking book purpose for group of financial assets and liabilities

(b) Foreign exchange risk

Foreign exchange risk is the risk that the value of the financial instruments will be affected by changes in foreign exchange rates.

In addition to the financial assets and liabilities denominated in foreign currencies already disclosed in the relevant notes to the financial statements, as at 31 December 2018 and 2017, the Bank's net foreign currency positions categorised by major foreign currencies were as follows:

	Bank only					
	2018			2017		
	USD	Euro ^(*)	Other currencies ^(*) (in USD million)	USD	Euro ^(*)	Other currencies ^(*)
Spot	(29)	5	15	97	14	(75)
Forward	4	(7)	(16)	(101)	(17)	79
Net position	(25)	(2)	(1)	(4)	(3)	4

^(*) Balance denominated in Euro and other currencies are stated in USD equivalents.

(c) Equity price risk

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

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The equity portfolio of the Bank is managed by specific units depending on the strategy, the types of business of the issuers, 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). All equity investments must comply with the bank-wide investment policy and framework, and related risk policies. The criteria for equity investments include consideration of risk factors such as credit, market, and liquidity risks. Various limits are set, including Gross Limit and Loss Limit. All of these measures are established to ensure that securities investments comply with policies and remain within the approved limits taking into consideration the capital adequacy.

4.3 Liquidity risk

Liquidity risk refers to the risk that the Bank fails 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 RMC 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 and the Capital Markets 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 continually monitors its funding sources and access to capital markets. The Bank recognizes 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 sets risk limits and indicators in order to maintain its liquidity risk within the Bank's 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's 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.

As at 31 December 2018, the Bank Loans to Deposits Ratio (excluding loans and deposits from financial institutions) was 105.56% (2017: 105.20%).

The Bank will disclose Liquidity Coverage Ratio (LCR) information on the Bank's website (www.tmbbank.com/ir/capital_funds/basel3) within April 2019.

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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 2018 and 2017 were summarised as follows:

	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Consolidated 2018 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	15,234	-	-	-	-	-	15,234
Interbank and money market items net of deferred revenue	8,403	104,511	296	348	-	-	113,558
Investments, net							
Trading securities and general investments	-	-	4	1,198	91	235 ⁽²⁾	1,528
Available-for-sale securities	-	3,058	17,098	16,438	4,234	2 ⁽²⁾	40,830
Held-to-maturity debt securities	-	500	6,016	17,355	7,248	-	31,119
Investments in subsidiaries and associate, net	-	-	-	-	-	4,577 ⁽²⁾	4,577
Loans to customers net of deferred revenue	122,537	141,981	86,237	146,083	167,149	21,720 ⁽³⁾	685,707
Other financial assets	1,503	479	-	-	212	2,276	4,470
Total financial assets	147,677	250,529	109,651	181,422	178,934	28,810	897,023
Financial liabilities							
Deposits	574,593	31,796	38,920	4,259	-	-	649,568
Interbank and money market items	6,780	55,856	1,150	458	23	-	64,267
Liabilities payable on demand	3,505	-	-	-	-	-	3,505
Financial liabilities designated at fair value through profit or loss	-	-	-	298	-	-	298
Debts issued and borrowings	5	2	15,010	15,190	4,917	-	35,124
Other financial liabilities	2,174	1,975	-	-	459	8,620	13,228
Total financial liabilities	587,057	89,629	55,080	20,205	5,399	8,620	765,990
Net liquidity gap	(439,380)	160,900	54,571	161,217	173,535	20,190	131,033
Net cash flow on derivatives	-	68	536	(322)	21	-	303

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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				Consolidated 2017			
	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	17,872	-	-	-	-	-	17,872
Interbank and money market items net of deferred revenue	7,711	103,795	1,015	-	-	-	112,521
Investments, net							
Trading securities and general investments	-	8	2	94	516	309 ⁽²⁾	929
Available-for-sale securities	-	11,918	8,771	13,986	2,187	3 ⁽²⁾	36,865
Held-to-maturity debt securities	-	509	941	14,156	7,905	-	23,511
Loans to customers net of deferred revenue	127,843	131,417	90,324	138,495	137,773	17,521 ⁽³⁾	643,373
Other financial assets	1,275	746	-	-	275	3,955	6,251
Total financial assets	154,701	248,393	101,053	166,731	148,656	21,788	841,322
<i>Financial liabilities</i>							
Deposits	528,647	33,299	45,863	3,621	-	-	611,430
Interbank and money market items	6,485	51,534	1,550	749	31	-	60,349
Liabilities payable on demand	3,665	-	-	-	-	-	3,665
Financial liabilities designated at fair value through profit or loss	-	-	-	-	296	-	296
Debts issued and borrowings	5	3,011	11	30,266	59	-	33,352
Other financial liabilities	3,964	1,803	-	-	545	9,151	15,463
Total financial liabilities	542,766	89,647	47,424	34,636	931	9,151	724,555
Net liquidity gap	(388,065)	158,746	53,629	132,095	147,725	12,637	116,767
Net cash flow on derivatives	-	128	311	(342)	61	-	158

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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				Bank only 2018			
	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	15,231	-	-	-	-	-	15,231
Interbank and money market items net of deferred revenue	8,403	104,511	296	348	-	-	113,558
Investments, net							
Trading securities and general investments	-	-	4	1,198	91	235 ⁽²⁾	1,528
Available-for-sale securities	-	3,058	17,098	16,438	4,234	2 ⁽²⁾	40,830
Held-to-maturity debt securities	-	500	6,016	17,355	7,248	-	31,119
Investments in subsidiaries and associate, net	-	-	-	-	-	222 ⁽²⁾	222
Loans to customers net of deferred revenue	122,537	141,981	86,237	146,083	167,149	21,674 ⁽³⁾	685,661
Other financial assets	1,503	479	-	-	212	2,246	4,440
Total financial assets	147,674	250,529	109,651	181,422	178,934	24,379	892,589
Financial liabilities							
Deposits	574,600	31,796	38,920	4,259	-	-	649,575
Interbank and money market items	6,780	55,856	1,150	458	23	-	64,267
Liabilities payable on demand	3,505	-	-	-	-	-	3,505
Financial liabilities designated at fair value through profit or loss	-	-	-	298	-	-	298
Debts issued and borrowings	5	2	15,010	15,190	4,917	-	35,124
Other financial liabilities	2,174	1,975	-	-	459	8,591	13,199
Total financial liabilities	587,064	89,629	55,080	20,205	5,399	8,591	765,968
Net liquidity gap	(439,390)	160,900	54,571	161,217	173,535	15,788	126,621
Net cash flow on derivatives	-	68	536	(322)	21	-	303

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Bank only 2017 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	17,872	-	-	-	-	-	17,872
Interbank and money market items net of deferred revenue	7,594	103,352	322	-	-	-	111,268
Investments, net							
Trading securities and general investments	-	8	2	94	516	309 ⁽²⁾	929
Available-for-sale securities	-	8,793	8,771	13,986	2,187	3 ⁽²⁾	33,740
Held-to-maturity debt securities	-	509	941	14,156	7,905	-	23,511
Investments in subsidiaries and associate, net	-	-	-	-	-	3,754 ⁽²⁾	3,754
Loans to customers net of deferred revenue	127,843	131,417	90,324	138,495	137,773	17,473 ⁽³⁾	643,325
Other financial assets	1,275	746	-	-	275	3,819	6,115
Total financial assets	154,584	244,825	100,360	166,731	148,656	25,358	840,514
Financial liabilities							
Deposits	528,725	33,299	45,863	3,621	-	-	611,508
Interbank and money market items	6,485	51,534	1,550	749	31	-	60,349
Liabilities payable on demand	3,665	-	-	-	-	-	3,665
Financial liabilities designated at fair value through profit or loss	-	-	-	-	296	-	296
Debts issued and borrowings	5	3,011	11	30,266	59	-	33,352
Other financial liabilities	3,964	1,771	-	-	545	9,001	15,281
Total financial liabilities	542,844	89,615	47,424	34,636	931	9,001	724,451
Net liquidity gap	(388,260)	155,210	52,936	132,095	147,725	16,357	116,063
Net cash flow on derivatives	-	128	311	(342)	61	-	158

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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5 Fair value of assets and liabilities

5.1 Financial assets and liabilities

The significant different 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 at 31 December 2018 and 2017 were as follows:

	Consolidated			
	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Derivatives assets	7,917	7,937	8,674	8,811
Investments, net	73,477	73,784	61,305	61,928
Total financial assets	81,394	81,721	69,979	70,739
<i>Financial liabilities</i>				
Deposits	649,568	649,586	611,430	611,430
Derivatives liabilities	7,328	7,677	8,559	8,764
Debts issued and borrowings	35,124	35,005	33,352	34,380
Total financial liabilities	692,020	692,268	653,341	654,574

	Bank only			
	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Derivatives assets	7,917	7,937	8,674	8,811
Investments, net	73,477	73,784	58,180	58,803
Total financial assets	81,394	81,721	66,854	67,614
<i>Financial liabilities</i>				
Deposits	649,575	649,592	611,508	611,508
Derivatives liabilities	7,328	7,677	8,559	8,764
Debts issued and borrowings	35,124	35,005	33,352	34,380
Total financial liabilities	692,027	692,274	653,419	654,652

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 value 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.

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- 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 held for trading and as available-for-sale 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 the net asset value of the investee company.

- Loans to customers and accrued interest receivable, net:

The fair value is based on the carrying value of loans to customers and accrued interest receivable net of deferred revenue and allowance for doubtful accounts as most loans are floating rate loans or fixed rate loans with repricing periods of less than 1 year.

- 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 value 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 value, 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.

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- Other financial liabilities:

The fair value is approximated based on its carrying value.

- Derivatives:

In cases where there is an active market, the Bank uses 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 counter party and own entity credit risk when appropriate.

Fair value hierarchy

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 value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 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 2018 and 2017.

5.1.1 Financial assets and liabilities measured at fair value

The Bank and its subsidiaries have an established control framework with respect to the measurement of fair values. This is to ensure that prudent revaluation principles and proper internal control procedures are in place.

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The following table analyses financial assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Consolidated Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in million Baht)</i>			
31 December 2018				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	5,625	-	5,625
- Interest rate related	-	2,291	-	2,291
Investments				
- Trading investments	-	1,293	-	1,293
- Available-for-sale investments	-	40,830	-	40,830
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	397	-	397
Derivatives (trading book)				
- Foreign currency related	-	5,171	-	5,171
- Interest rate related	-	2,152	-	2,152
31 December 2017				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	5,048	-	5,048
- Interest rate related	-	3,603	-	3,603
Investments				
- Trading investments	-	620	-	620
- Available-for-sale investments	-	36,865	-	36,865
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	386	-	386
Derivatives (trading book)				
- Foreign currency related	-	4,713	-	4,713
- Interest rate related	-	3,728	-	3,728

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	Bank only			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in million Baht)</i>			
31 December 2018				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	5,625	-	5,625
- Interest rate related	-	2,291	-	2,291
Investments				
- Trading investments	-	1,293	-	1,293
- Available-for-sale investments	-	40,830	-	40,830
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	397	-	397
Derivatives (trading book)				
- Foreign currency related	-	5,171	-	5,171
- Interest rate related	-	2,152	-	2,152
31 December 2017				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	5,048	-	5,048
- Interest rate related	-	3,603	-	3,603
Investments				
- Trading investments	-	620	-	620
- Available-for-sale investments	-	33,740	-	33,740
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	386	-	386
Derivatives (trading book)				
- Foreign currency related	-	4,713	-	4,713
- Interest rate related	-	3,728	-	3,728

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5.1.2 Financial assets and liabilities not measured at fair value

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

	Carrying value	Consolidated Fair value			Total
		Level 1	Level 2 (in million Baht)	Level 3	
31 December 2018					
Financial assets					
Derivatives (banking book)	1	-	21	-	21
Investments					
- Held-to-maturity debt securities	31,119	-	31,143	-	31,143
- General investments	235	-	-	518	518
Financial liabilities					
Deposits	649,568	-	649,586	-	649,586
Derivatives (banking book)	5	-	354	-	354
Debts issued and borrowings	35,124	-	35,005	-	35,005
31 December 2017					
Financial assets					
Derivatives (banking book)	23	-	160	-	160
Investments					
- Held-to-maturity debt securities	23,511	-	23,851	-	23,851
- General investments	309	-	-	592	592
Financial liabilities					
Deposits	611,430	-	611,430	-	611,430
Derivatives (banking book)	117	-	323	-	323
Debts issued and borrowings	33,352	-	34,380	-	34,380

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	Carrying value	Bank only Fair value			Total
		Level 1	Level 2 (in million Baht)	Level 3	
31 December 2018					
Financial assets					
Derivatives (banking book)	1	-	21	-	21
Investments					
- Held-to-maturity debt securities	31,119	-	31,143	-	31,143
- General investments	235	-	-	518	518
Financial liabilities					
Deposits	649,575	-	649,592	-	649,592
Derivatives (banking book)	5	-	354	-	354
Debts issued and borrowings	35,124	-	35,005	-	35,005
31 December 2017					
Financial assets					
Derivatives (banking book)	23	-	160	-	160
Investments					
- Held-to-maturity debt securities	23,511	-	23,851	-	23,851
- General investments	309	-	-	592	592
Financial liabilities					
Deposits	611,508	-	611,508	-	611,508
Derivatives (banking book)	117	-	323	-	323
Debts issued and borrowings	33,352	-	34,380	-	34,380

5.2 Non-financial assets measured at fair value

The following table analyses non-financial assets carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

		Consolidated and Bank only			
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
			(in million Baht)		
31 December 2018					
Non-financial assets					
Premises, net	9,679	-	-	9,679	9,679
31 December 2017					
Non-financial assets					
Premises, net	9,983	-	-	9,983	9,983

The fair value of premises were determined by external, independent property appraisers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of premises were determined by the independent valuers using the market approach for land and the depreciated replacement cost approach for buildings.

The independent appraisers provided the fair value of the Bank's premises on a regular basis such that the carrying values of such assets as at the end of the reporting period do not materially differ from their fair values.

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Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Beginning balance	9,983	10,292
Acquisitions	551	545
Disposals/written-off/transfers out	(555)	(540)
Depreciation	(298)	(310)
Loss on impairment during the year	(2)	(4)
Ending balance	9,679	9,983

6 Maintenance of capital fund

The Bank maintains 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. As announced by the BoT in its circulars dated 8 November 2012 and 8 May 2015, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2018 and 2017, the consolidated supervision and the Bank only's total capital funds could be categorised as follows:

	Consolidated supervision	
	2018	2017
	<i>(in million Baht)</i>	
Tier 1 Capital		
Common Equity Tier 1 Capital (CET1)		
Paid-up share capital	41,659	41,648
Share premium	404	379
Legal reserve	3,000	2,550
Net profits after appropriation	40,841	35,129
Other comprehensive income	4,650	4,886
Capital adjustment items on CET1	(57)	(71)
Capital deduction items on CET1	(4,196)	(3,666)
Total Tier 1 Capital	86,301	80,855
Tier 2 Capital		
Allowance for classified assets of "pass" category	3,665	4,940
Subordinated debentures	20,430	20,430
Total Tier 2 Capital	24,095	25,370
Total Capital funds	110,396	106,225
Total Risk-Weighted Assets	637,628	609,097

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	The BoT's regulation minimum requirement*	2018	The BoT's regulation minimum requirement* (%)	2017
Capital Adequacy Ratio/Total Risk-Weighted Asset	10.375	17.31	9.75	17.44
Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.875	13.53	7.25	13.27
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	6.375	13.53	5.75	13.27

	Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 capital (CET1)		
Paid-up share capital	41,659	41,648
Share premium	404	379
Legal reserve	3,000	2,550
Net profits after appropriation	40,514	34,587
Other comprehensive income	4,650	4,885
Capital adjustment items on CET1	(57)	(71)
Capital deduction items on CET1	(5,041)	(3,588)
Total Tier 1 Capital	85,129	80,390
Tier 2 capital		
Allowance for classified assets of “pass” category	3,665	4,940
Subordinated debentures	20,430	20,430
Total Tier 2 Capital	24,095	25,370
Total Capital funds	109,224	105,760
Total Risk-Weighted Assets	625,456	609,875

	The BoT's regulation minimum requirement*	2018	The BoT's regulation minimum requirement* (%)	2017
Capital Adequacy Ratio/Total Risk-Weighted Asset	10.375	17.46	9.75	17.34
Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.875	13.61	7.25	13.18
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	6.375	13.61	5.75	13.18

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

According to Bank of Thailand's notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013, the Bank is required to disclose CET1 after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015. As at 31 December 2018 and 2017, the Bank has no add-on arising from Single Lending Limit.

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The Bank will disclose capital adequacy information for the Bank and the full consolidated financial institutions as at 31 December 2018 through the Bank's website at www.tmbbank.com/ir/capital_funds/basel3 within April 2019.

Capital management

The Bank's 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.

7 Interbank and money market items, net (assets)

		Consolidated				
	At call	2018 Term	Total	At call	2017 Term	Total
			(in million Baht)			
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,749	62,024	67,773	5,225	81,756	86,981
Commercial banks	-	17,315	17,315	118	3,045	3,163
Specialised financial institutions	-	5,740	5,740	-	3,200	3,200
Other financial institutions	1	14,615	14,616	8	14,233	14,241
Total	5,750	99,694	105,444	5,351	102,234	107,585
Add accrued interest receivable	-	52	52	-	37	37
Less allowance for doubtful accounts	-	(73)	(73)	-	(20)	(20)
Total domestic, net	5,750	99,673	105,423	5,351	102,251	107,602
Foreign						
US Dollar	1,752	5,229	6,981	1,335	2,294	3,629
Japanese Yen	233	-	233	231	-	231
Euro	151	-	151	245	-	245
Other currencies	502	248	750	545	286	831
Total	2,638	5,477	8,115	2,356	2,580	4,936
Add accrued interest receivable	-	3	3	-	5	5
Less deferred revenues	-	(1)	(1)	-	-	-
allowance for doubtful accounts	-	(18)	(18)	-	(9)	(9)
Total foreign, net	2,638	5,461	8,099	2,356	2,576	4,932
Total domestic and foreign, net	8,388	105,134	113,522	7,707	104,827	112,534
Bank only						
	At call	2018 Term	Total	At call	2017 Term	Total
			(in million Baht)			
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,749	62,024	67,773	5,225	81,756	86,981
Commercial banks	-	17,315	17,315	-	1,910	1,910
Specialised financial institutions	-	5,740	5,740	-	3,200	3,200
Other financial institutions	1	14,615	14,616	8	14,233	14,241
Total	5,750	99,694	105,444	5,233	101,099	106,332
Add accrued interest receivable	-	52	52	-	31	31
Less allowance for doubtful accounts	-	(73)	(73)	-	(20)	(20)
Total domestic, net	5,750	99,673	105,423	5,233	101,110	106,343

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	Bank only					
	At call	2018 Term	Total	At call	2017 Term	Total
	<i>(in million Baht)</i>					
Foreign						
US Dollar	1,752	5,229	6,981	1,335	2,294	3,629
Japanese Yen	233	-	233	231	-	231
Euro	151	-	151	245	-	245
Other currencies	502	248	750	545	286	831
Total	2,638	5,477	8,115	2,356	2,580	4,936
Add accrued interest receivable	-	3	3	-	5	5
Less deferred revenues	-	(1)	(1)	-	-	-
allowance for doubtful accounts	-	(18)	(18)	-	(9)	(9)
Total foreign, net	2,638	5,461	8,099	2,356	2,576	4,932
Total domestic and foreign, net	8,388	105,134	113,522	7,589	103,686	111,275

8 Derivatives

As at 31 December 2018 and 2017, 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:

as follows:

	Consolidated and Bank only					
	2018			2017		
	Fair value/Readjustment based on an accrual basis			Fair value/Readjustment based on an accrual basis		
Type of risks	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
			(in million Baht)			
Foreign currency related						
- Trading Book	5,625	5,171	696,768	5,048	4,713	560,289
- Banking Book ⁽¹⁾	1	5	561	48	117	9,479
Interest rate related						
- Trading Book	2,291	2,152	375,459	3,603	3,729	686,419
- Banking Book ⁽¹⁾	83	102	25,165	98	136	25,234
Total	8,000	7,430	1,097,953	8,797	8,695	1,281,421

⁽¹⁾ Readjustment made on an accrual basis at the end of year 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 2018, accrued interest receivable and interest paid in advance amounting to Baht 83 million (2017: Baht 123 million) are presented as a part of "Other assets" and accrued interest payable and interest received in advance amounting to Baht 102 million (2017: Baht 136 million) are presented as a part of "Other liabilities" in the consolidated and Bank only financial statements.

As at 31 December 2018 and 2017, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

Counterparties	Consolidated and Bank only	
	2018	2017
	<i>(%)</i>	
Financial institutions	72.50	79.33
Other parties	27.50	20.67
Total	100.00	100.00

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9 Investments, net

9.1 Classified by type of investments

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
<i>Trading securities - Fair value</i>				
Government and state enterprise securities	1,293	620	1,293	620
Total	1,293	620	1,293	620
<i>Available-for-sale securities - Fair value</i>				
Government and state enterprise securities	40,828	36,862	40,828	33,737
Domestic marketable equity securities	2	3	2	3
Total	40,830	36,865	40,830	33,740
<i>Held-to-maturity debt securities - Cost/Amortised cost</i>				
Government and state enterprise securities	31,119	23,511	31,119	23,511
Total	31,119	23,511	31,119	23,511
<i>General investments - Cost</i>				
Domestic non-marketable equity securities	1,024	1,098	1,024	1,098
Foreign non-marketable equity securities	2	2	2	2
Total	1,026	1,100	1,026	1,100
Less allowance for impairment losses	(791)	(791)	(791)	(791)
Net	235	309	235	309
Total investments, net	73,477	61,305	73,477	58,180

As at 31 December 2018, the Bank had purchase and sales of investment in debt securities with net sales amounting to Baht 718 million (2017: net sales amounting to Baht 68 million), for which the settlement was not due at the reporting date.

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

As at 31 December 2018 and 2017, the Bank had investments in entities in which the Bank holds 10% or more of the paid-up share capital of the investee companies but such companies are not treated as its subsidiaries and associate. Those investments were summarized below.

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Property development and construction	34	34
Public utilities and services	14	14
Mutual funds and financial services	47	56
Others	11	11
Total	106	115
Less allowance for impairment losses	(41)	(41)
Investments, net	65	74

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 transactions and providing fund management services. Investment in unit trusts is summarized as equity securities. Lending and derivative transactions are provided under normal business terms and are managed the same way as others counterparties. Fund management is provided to mutual funds and private funds from which the Bank and its subsidiaries earns is management fees.

As at 31 December 2018 and 2017, the Bank and its subsidiaries did not have significant risks and transactions relating to structured entities to disclose in the financial statements.

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

As at 31 December 2018 and 2017, 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:

	Consolidated and Bank only							
	2018				2017			
	No. of Com- panies	Cost value/ book value	Fair value	Allowance for Impairment losses	No. of Com- panies	Cost value/ book value	Fair value	Allowance for Impairment losses
				(in million Baht)				(in million Baht)
- Listed companies under delisting conditions / defaulted debt securities	2	62	-	(62)	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	11	730	-	(730)	11	730	-	(730)
Total	13	792	-	(792)	13	792	-	(792)

9.4 Revaluation surplus (deficit) on available-for-sale investments

As at 31 December 2018 and 2017, revaluation surplus (deficit) on investments could be summarized as follows:

	Consolidated		Bank only	
	2018	2017	2018	2017
		(in million Baht)		
<i>Revaluation surplus on investments</i>				
Debt securities	22	36	22	36
Equity securities	-	1	-	-
Total	22	37	22	36
<i>Revaluation deficit on investments</i>				
Debt securities	(68)	(2)	(68)	(2)
Equity securities	-	(1)	-	(1)
Total	(68)	(3)	(68)	(3)
Total revaluation surplus (deficit) on investments	(46)	34	(46)	33
Add (less) deferred tax	9	(7)	9	(7)
Net	(37)	27	(37)	26

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10 Investments in subsidiaries and associate, net

10.1 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		
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
		(%)		(in million Baht)																
Subsidiaries and associate																				
Phahonyothin Asset Management Co., Ltd.	Asset management business	100.00	-	25	-	-	-	-	-	-	-	-	-	-	-	-	25	-	-	-
Phayathai Asset Management Co., Ltd. *	Asset management business	100.00	100.00	1,070	1,070	-	-	-	-	-	-	649	3,870	(649)	(679)	-	3,191	-	-	
Designee for ETA Contract Ltd.**	Financial support business	-	99.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TMB Asset Management Co., Ltd.	Fund management business	35.00	100.00	35	100	4,577	-	-	-	4,577	-	197	563	-	-	197	563	800	125	
Total						4,577	-	-	-	4,577	-	871	4,433	(649)	(679)	222	3,754	800	125	

* The Company registered the dissolution with the Ministry of Commerce on 26 December 2018 and is currently in the process of liquidation.

** The Company registered the dissolution with the Ministry of Commerce on 29 June 2018 and completed liquidation process on 28 November 2018.

On 27 September 2018, the Bank sold 65% of its interest in TMB Asset Management Co., Ltd., a subsidiary, reducing its ownership interest to 35%, and recognised profit on the loss of control of a subsidiary of Baht 7,851 million, and Baht 7,625 million in the Bank only and consolidated financial statements, respectively. TMB Asset Management Co., Ltd. thereby ceased to be a subsidiary and became an associated company. The fair value of the Bank's retained interested in the associate at the date when control was lost was Baht 4,513 million, which became the carrying value of the Bank's interest in the associate at that date in the consolidated financial statements. The difference of fair value was recognised as a profit on the loss of control of a subsidiary of Baht 4,227 million which is included in "Gain on investments, net" in the consolidated statements of profit or loss and other comprehensive income.

The remaining 35% investment in TMB Asset Management Co., Ltd. is subject to call and put options in the future.

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Entire Business Transfer of a Subsidiary

- (a) On 22 November 2018, the Bank has registered Phahonyothin Asset Management Company Limited, which is a new subsidiary, with the Department of Business Development, Ministry of Commerce, to conduct the asset management business, with a registered and paid-up capital of Baht 5 million initially and Baht 20 million on 4 December 2018. The total registered and paid-up capital is Baht 25 million, divided into 2.5 million ordinary shares with a par value of 10 Baht per share. The Bank holds 100% of the registered and paid up capital.
- (b) On 6 December 2018, the Extra-ordinary Shareholders meeting of Phayathai Asset Management Company Limited (“Transferor”) unanimously approved to transfer the entire business to Phahonyothin Asset Management Company Limited (“Transferee”) in accordance with the resolution of the Board of Directors held on 20 November 2018. The Transferor, agreed to sell, convey, assign, transfer, and deliver to the Transferee, and the Transferee agreed to purchase and acquire from the Transferor, all of the Transferor’s assets, liabilities, rights, title, and interest in and to any and all of the entire business and the Transferee agreed to assume the liabilities subject to and in accordance with the terms and conditions as specified in the entire business transfer agreement. The consideration for the transfer of the entire business was the net asset value. The shareholders approved to perform the entire business transfer on 26 December 2018. This agreement is considered as a business combination under common control.

The Bank, the parent company of the Transferor and Transferee, had the objective of the entire business transfer from the Transferor to the Transferee, to restructure the business process as well as to manage the financial business group’s benefit. The entire business transfer was under the tax exemption scheme of the Revenue Code for the Transferor, the Transferee, and the shareholders.

- (c) On 23 November 2018, the Board of Directors of Phahonyothin Asset Management Company Limited passed a resolution to approve the entire business transfer from Phayathai Asset Management Company Limited, in accordance with the above business transfer agreement.
- (d) On 26 December 2018, the Transferor entered into the entire business transfer agreement with the Transferee. The Transferor had transferred the net asset and registered the Company’s dissolution with the Department of Business Development, Ministry of Commerce on 26 December 2018 and returned the capital to the Bank on the same day.
- (e) Assets and liabilities of Phayathai Asset Management Company Limited which were transferred to Phahonyothin Asset Management Company Limited as at the entire business transfer date were as follows:

	Carrying amounts <i>(in million Baht)</i>
Intercompany and money market items	3,201
Loans to customers, net	18
Other accounts receivable	31
Other assets	1
Other liabilities	(29)
Provision for employee benefit	(1)
Net asset value	3,221

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

In accordance with the BoT's Notification Number Sor Nor Sor (01) Wor 3258/2543 dated 27 November 2000, relating to the regulations of the Asset Management Company ("AMC"), the Bank is required to disclose the statements of cash flows of the AMC in the notes to the financial statements. The statements of cash flows of Phayathai Assets Management Co., Ltd. and Phahonyothin Assets Management Co., Ltd., the subsidiaries, were as follows:

Statement of cash flows			
	Phahonyothin Asset Management Co., Ltd.	Phayathai Asset Management Co., Ltd.	
	For the period from 22 November 2018 to 31 December 2018	For the period from 1 January 2018 to 26 December 2018 (in million Baht)	For the year ended 31 December 2017
<i>Cash flows from operating activities</i>			
Profit from operations before income tax	3	53	69
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>			
Reversal of loss on loans and debt securities	-	(2)	(1)
Impairment loss on properties for sale and other assets (reversal of)	-	(3)	3
Provisions (reversal of)	-	(2)	2
Net interest income	(4)	(62)	(79)
Interest received	4	57	35
Income tax paid	-	(9)	(2)
Profit from operations before changes in operating assets and liabilities	3	32	27
<i>Decrease (increase) in operating assets</i>			
Intercompany and money market items	(7)	19	(6)
Investments in receivables	-	-	1
Receivables from Legal Execution Department	-	15	16
Receivables from BAM's promissory notes	-	-	20
Other assets	-	-	(3)
<i>Increase (decrease) in operating liabilities</i>			
Other payables	1	-	-
Accrued expenses	1	4	-
Net cash provided by (used in) operating activities	(2)	70	55
<i>Cash flows from investing activities</i>			
Purchase of available-for-sale investments	-	-	(7,750)
Proceeds from sales of available-for-sale investments	-	3,125	7,694
Interest received	-	5	-
Net payment for business transfer	(20)	-	-
Net proceeds from business transfer	-	20	-
Net cash provided by (used in) investing activities	(20)	3,150	(56)

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Statement of cash flows

	Phahonyothin Asset Management Co., Ltd.	Phayathai Asset Management Co., Ltd.	
	For the period from 22 November 2018 to 31 December 2018	For the period from 1 January 2018 to 26 December 2018 (in million Baht)	For the year ended 31 December 2017
Cash flows from financing activities			
Payment to owners	-	(3,220)	-
Proceeds from issue of shares	25	-	-
Net cash provided by (used in) financing activities	25	(3,220)	-
Net increase (decrease) in cash	3	-	(1)
Cash at 1 January / 22 November	-	-	1
Cash at 31 December	3	-	-

11 Loans to customers and accrued interest receivables, net

11.1 Classified by loan type

	Consolidated		Bank only	
	2018	2017	2018	2017
	(in million Baht)			
Overdrafts	110,833	118,834	110,833	118,834
Loans	409,053	374,105	409,007	374,057
Bills	165,891	150,468	165,891	150,468
Others	16	18	16	18
Less deferred revenue	(86)	(52)	(86)	(52)
Loans to customers net of deferred revenue	685,707	643,373	685,661	643,325
Add accrued interest receivables	1,308	969	1,308	969
Total loans to customers net of deferred revenue and accrued interest receivables	687,015	644,342	686,969	644,294
Less allowance for doubtful accounts				
- Provision at BoT's minimum rates required	(18,576)	(15,049)	(18,547)	(15,019)
- Provision in excess of BoT's minimum rates required	(13,400)	(9,590)	(13,400)	(9,590)
Less revaluation allowance for debt restructuring	(999)	(330)	(999)	(330)
Loans to customers and accrued interest receivables, net	654,040	619,373	654,023	619,355

11.2 Classified by currency and residency of debtors

	Consolidated					
	2018		2017			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	(in million Baht)					
Baht	663,989	2,950	666,939	618,387	3,125	621,512
US Dollars	17,603	381	17,984	18,896	2,084	20,980
Other currencies	742	42	784	831	50	881
Total*	682,334	3,373	685,707	638,114	5,259	643,373

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	Bank only					
	2018		2017			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	663,943	2,950	666,893	618,339	3,125	621,464
US Dollars	17,603	381	17,984	18,896	2,084	20,980
Other currencies	742	42	784	831	50	881
Total*	682,288	3,373	685,661	638,066	5,259	643,325

* Loans to customers net of deferred revenue.

11.3 Classified by business type and quality of loan classification

	Consolidated					
	2018					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and mining	11,686	215	1	15	218	12,135
Manufacturing and commerce	313,735	19,696	462	913	15,537	350,343
Property development and construction	20,801	394	-	1	384	21,580
Infrastructure and services	66,594	1,203	62	62	578	68,499
Housing loans	154,939	4,726	848	832	850	162,195
Others	68,138	1,860	700	104	153	70,955
Total*	635,893	28,094	2,073	1,927	17,720	685,707

	Consolidated					
	2017					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and mining	11,130	209	3	-	291	11,633
Manufacturing and commerce	319,212	18,711	760	404	12,302	351,389
Property development and construction	17,034	784	7	-	267	18,092
Infrastructure and services	62,419	1,093	10	-	746	64,268
Housing loans	128,132	3,330	452	545	871	133,330
Others	61,843	1,955	643	64	156	64,661
Total*	599,770	26,082	1,875	1,013	14,633	643,373

	Bank only					
	2018					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and mining	11,686	215	1	15	210	12,127
Manufacturing and commerce	313,735	19,696	462	913	15,537	350,343
Property development and construction	20,801	394	-	1	363	21,559
Infrastructure and services	66,594	1,203	62	62	561	68,482
Housing loans	154,939	4,726	848	832	850	162,195
Others	68,138	1,860	700	104	153	70,955
Total*	635,893	28,094	2,073	1,927	17,674	685,661

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	Bank only 2017					
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and mining	11,130	209	3	-	284	11,626
Manufacturing and commerce	319,212	18,711	760	404	12,301	351,388
Property development and construction	17,034	784	7	-	245	18,070
Infrastructure and services	62,419	1,093	10	-	728	64,250
Housing loans	128,132	3,330	452	545	871	133,330
Others	61,843	1,955	643	64	156	64,661
Total*	599,770	26,082	1,875	1,013	14,585	643,325

* Loans to customers net of deferred revenue.

11.4 Classified by loan classification

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 2018			
	Loans to customers and accrued interest receivables <i>(in million Baht)</i>	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required <i>(%)</i>	Allowance for doubtful accounts ⁽²⁾ <i>(in million Baht)</i>
Minimum allowance as per BoT's Regulations				
Pass	637,138	570,387	1	6,142
Special mention	28,157	15,603	2	419
Sub-standard	2,073	1,029	100	1,235
Doubtful	1,927	1,050	100	1,065
Doubtful of loss	17,720	6,717	100	9,715
Total*	687,015	594,786		18,576
Provision in excess of BoT's minimum rates required				13,400 ⁽³⁾
Total				31,976

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Consolidated				
2017				
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾ (in million Baht)	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	600,675	527,213	1	5,747
Special mention	26,146	14,963	2	457
Sub-standard	1,875	1,154	100	1,238
Doubtful	1,013	444	100	470
Doubtful of loss	14,633	5,024	100	7,137
Total*	<u>644,342</u>	<u>548,798</u>		<u>15,049</u>
Provision in excess of BoT's minimum rates required				<u>9,590 ⁽³⁾</u>
Total				<u>24,639</u>

Bank only				
2018				
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾ (in million Baht)	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	637,138	570,387	1	6,142
Special mention	28,157	15,603	2	419
Sub-standard	2,073	1,029	100	1,235
Doubtful	1,927	1,050	100	1,065
Doubtful of loss	17,674	6,689	100	9,686
Total*	<u>686,969</u>	<u>594,758</u>		<u>18,547</u>
Provision in excess of BoT's minimum rates required				<u>13,400 ⁽³⁾</u>
Total				<u>31,947</u>

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	Bank only 2017			
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾ (in million Baht)	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	600,675	527,213	1	5,747
Special mention	26,146	14,963	2	457
Sub-standard	1,875	1,154	100	1,238
Doubtful	1,013	444	100	470
Doubtful of loss	14,585	4,994	100	7,107
Total*	<u>644,294</u>	<u>548,768</u>		<u>15,019</u>
Provision in excess of BoT's minimum rates required				<u>9,590 ⁽³⁾</u>
Total				<u>24,609</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 2018, this included provision of Baht 971 million (2017: Baht 1,160 million) provided for non-performing loans.

For the year ended 31 December 2018, the Bank set aside additional provision of approximately Baht 5,000 million (presented as a part of "Provision in excess of BOT's minimum rates required") in anticipation of strengthening regulatory measures on certain credit risk factors and to be more prudent.

11.5 Non-performing loans

NPLs per BoT's regulations refer to all sub-standard, doubtful, doubtful of loss and loss loans.

As at 31 December 2018 and 2017, the Bank and its subsidiary's NPLs (including interbank and money market items) were summarised as follows:

	2018			
	TMB Bank Public Company Limited	Phahonyothin Asset Management Co., Ltd.	Elimination	Consolidated
Net NPLs (principal net of allowance for doubtful accounts)				
NPLs after allowance for doubtful accounts on NPLs (in million Baht)	8,696	18	-	8,714
Total loans after allowance for doubtful accounts on NPLs (in million Baht)	773,474	18	-	773,492
Percentage of net NPLs (%)	1.12	100.00		1.13
NPLs (principal)				
NPLs (in million Baht)	21,674	46	-	21,720
Total loans (in million Baht)	786,451	46	-	786,497
Percentage of NPLs (%)	2.76	100.00		2.76

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	2017			
	TMB Bank Public Company Limited	Phayathai Asset Management Co., Ltd.	Elimination	Consolidated
Net NPLs (principal net of allowance for doubtful accounts)				
NPLs after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	7,495	18	-	7,513
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	735,334	18	-	735,352
Percentage of net NPLs (%)	1.02	100.00		1.02
NPLs (principal)				
NPLs (<i>in million Baht</i>)	17,473	48	-	17,521
Total loans (<i>in million Baht</i>)	745,312	48	-	745,360
Percentage of NPLs (%)	2.34	100.00		2.35

For the year ended 31 December 2018 and 2017, the Bank sold non-performing loans, with principal totalling approximately Baht 2,500 million and Baht 1,300 million, respectively, to Asset Management Company. The selling price in excess of the carrying value of those non-performing loans was presented as a deduction from “Impairment loss on loans and debt securities” in the statement of profit or loss and other comprehensive income.

As at 31 December 2018, the Bank had loans to customers, amounting to Baht 57,502 million (2017: Baht 50,177 million) on which it ceased recognition of interest income on an accrual basis.

11.6 Troubled debt restructuring

For the years ended 31 December 2018 and 2017, 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:

Consolidated and Bank only						
2018						
	Number of debtors	Before restructuring (<i>in million Baht</i>)	Number of debtors	After restructuring (<i>in million Baht</i>)	Asset acquired Type	Fair value (<i>in million Baht</i>)
Type of restructuring						
Transfer of asset	1	3	1	-	Land and building	3
Modification of terms of payments	7,076	20,310	7,076	20,310	-	-
Combination of methods	4	44	4	33	Land and building	11
Total	7,081	20,357	7,081	20,343		14
Term of debt restructuring agreements						
Not over 5 years	1,068	301	1,068	298		
5 - 10 years	4,165	2,615	4,165	2,611		
Over 10 years	1,848	17,441	1,848	17,434		
Total	7,081	20,357	7,081	20,343		

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Consolidated and Bank only						
2017						
	Number of debtors	Before restructuring (in million Baht)	Number of debtors	After restructuring (in million Baht)	Asset acquired Type	Fair value (in million Baht)
Type of restructuring						
Transfer of asset	1	95	1	33	Land and building	62
Modification of terms of payments	6,241	12,231	6,241	12,231	-	-
Combination of methods	6	1,025	5	618	Land and building	354
Total	6,248	13,351	6,247	12,882		416
Term of debt restructuring agreements						
Not over 5 years	1,133	1,382	1,133	1,315		
5 - 10 years	4,076	1,240	4,076	1,240		
Over 10 years	1,039	10,729	1,038	10,327		
Total	6,248	13,351	6,247	12,882		

Supplemental information relating to restructuring debtors for the years ended 31 December 2018 and 2017 was as follows:

Consolidated and Bank only		
	2018	2017
	(in million Baht)	
Interest income on restructured debts, which is recognised during the year	378	243
Cash settlement by debtors	1,129	755
Debt asset swap by debtors with rights to buy back when complied with criteria in the agreement	-	347
Losses on debt restructuring, net	669	153

As at 31 December 2018 and 2017, the Bank and its subsidiary had the outstanding balances with troubled debt restructuring debtors which had been performing in accordance with debt restructuring agreements, as follows:

	Consolidated				Bank only			
	2018		2017		2018		2017	
	Number of debtors	Outstanding balance (in million Baht)	Number of debtors	Outstanding balance (in million Baht)	Number of debtors	Outstanding balance (in million Baht)	Number of debtors	Outstanding balance (in million Baht)
Troubled debt restructuring debtors	8,469	15,783	6,123	8,347	8,468	15,774	6,122	8,336

11.7 Revaluation allowance for debt restructuring

Consolidated and Bank only		
	2018	2017
	(in million Baht)	
Beginning balance	330	177
Increase during the year	669	153
Ending balance	999	330

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

As at 31 December 2018 and 2017, the Bank and its subsidiary had loans and accrued interest receivables due from listed companies having problems with their financial position and operating results, and set aside allowances for doubtful accounts as follows:

	Consolidated and Bank only							
	2018				2017			
	Loans and		Allowance		Loans and		Allowance	
	Number	accrued	for	doubtful	Number	accrued	for	doubtful
	of debtors	interest	Collateral	accounts	of debtors	interest	Collateral	accounts
		receivables				receivables		
		<i>(in million Baht)</i>				<i>(in million Baht)</i>		
Listed companies under delisting conditions in SET	3	3	-	-	3	12	10	-

12 Classified assets

As at 31 December 2018 and 2017, classified assets were classified in accordance with the BoT's regulation, consisting of investments (including investments in subsidiaries and associate), loans to customers and accrued interest receivables (including interbank and money market items), properties for sale, premises and equipment and other assets as follows:

	Consolidated					
	2018					
	Investments	Loans to customers and accrued interest receivables	Properties for sale	Premises and equipment	Other assets	Total
			<i>(in million Baht)</i>			
Pass	-	737,983	-	-	-	737,983
Special mention	-	28,157	-	-	-	28,157
Sub-standard	-	2,073	-	-	5	2,078
Doubtful	-	1,927	-	-	2	1,929
Doubtful of loss	914	17,720	150	265	500	19,549
Total	914	787,860	150	265	507	789,696

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Consolidated 2017

	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	702,698	-	-	-	702,698
Special mention	-	26,146	-	-	-	26,146
Sub-standard	-	1,875	-	-	3	1,878
Doubtful	-	1,013	-	-	1	1,014
Doubtful of loss	847	14,633	153	285	469	16,387
Total	847	746,365	153	285	473	748,123

Bank only 2018

	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	737,983	-	-	-	737,983
Special mention	-	28,157	-	-	-	28,157
Sub-standard	-	2,073	-	-	5	2,078
Doubtful	-	1,927	-	-	2	1,929
Doubtful of loss	1,563	17,674	150	265	499	20,151
Total	1,563	787,814	150	265	506	790,298

Bank only 2017

	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	702,698	-	-	-	702,698
Special mention	-	26,146	-	-	-	26,146
Sub-standard	-	1,875	-	-	3	1,878
Doubtful	-	1,013	-	-	1	1,014
Doubtful of loss	1,526	14,585	153	285	468	17,017
Total	1,526	746,317	153	285	472	748,753

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13 Allowance for doubtful accounts

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

Consolidated 2018							
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	Total
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss		
	(in million Baht)						
Beginning balance	5,747	457	1,238	470	7,137	9,590	24,639
Allowance for doubtful accounts	395	(38)	(3)	595	10,601	3,810	15,360
Bad debt recovery	-	-	-	-	915	-	915
Bad debt written-off	-	-	-	-	(7,503)	-	(7,503)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(1,435)	-	(1,435)
Ending balance	6,142	419	1,235	1,065	9,715	13,400	31,976

Consolidated 2017							
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	Total
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss		
	(in million Baht)						
Beginning balance	5,288	340	1,251	1,049	6,731	10,252	24,911
Allowance for doubtful accounts	459	117	(13)	(579)	9,572	(662)	8,894
Bad debt recovery	-	-	-	-	828	-	828
Bad debt written-off	-	-	-	-	(9,183)	-	(9,183)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(811)	-	(811)
Ending balance	5,747	457	1,238	470	7,137	9,590	24,639

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Bank only						
2018						
	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	required
	<i>(in million Baht)</i>					Total
Beginning balance	5,747	457	1,238	470	7,107	9,590
Allowance for doubtful accounts	395	(38)	(3)	595	10,615	3,810
Bad debt recovery	-	-	-	-	902	-
Bad debt written-off	-	-	-	-	(7,503)	-
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(1,435)	-
Ending balance	6,142	419	1,235	1,065	9,686	13,400

Bank only						
2017						
	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	required
	<i>(in million Baht)</i>					Total
Beginning balance	5,288	340	1,251	1,049	6,701	10,252
Allowance for doubtful accounts	459	117	(13)	(579)	9,582	(662)
Bad debt recovery	-	-	-	-	818	-
Bad debt written-off	-	-	-	-	(9,183)	-
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(811)	-
Ending balance	5,747	457	1,238	470	7,107	9,590

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14 Properties for sale, net

As at 31 December 2018 and 2017, changes to the properties for sale, net were as follows:

	Beginning balance	Consolidated and Bank only 31 December 2018		Ending balance
		Additions (in million Baht)	Disposals/ Decrease	
Assets foreclosed in settlement of debts				
- Immovable assets	1,931	492	(117)	2,306
Assets for sales	436	180	(158)	458
Total	2,367	672	(275)	2,764
Add (less) allowance for impairment losses	(153)	(19)	22	(150)
Net	2,214	653	(253)	2,614

	Beginning balance	Consolidated and Bank only 31 December 2017		Ending balance
		Additions (in million Baht)	Disposals/ Decrease	
Assets foreclosed in settlement of debts				
- Immovable assets	1,170	1,202	(441)	1,931
Assets for sales	402	220	(186)	436
Total	1,572	1,422	(627)	2,367
Add (less) allowance for impairment losses	(66)	(93)	6	(153)
Net	1,506	1,329	(621)	2,214

As at 31 December 2018 and 2017, 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 633 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 2018 and 2017 as follows:

	Consolidated and Bank only	
	2018	2017
	(in million Baht)	
Assets foreclosed in settlement of debts		
Immovable assets		
- Appraised by external appraisers	2,294	1,704
- Appraised by internal appraisers	12	227
Total	2,306	1,931

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15 Premises and equipment, net

As at 31 December 2018 and 2017, changes in premises and equipment were as follows:

	Cost					Consolidated 2018 Accumulated depreciation				Allowance for impairment losses				
	Net book value as at 1 January 2018	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	Net book value as at 31 December 2018
							<i>(in million Baht)</i>							
Land														
- Cost	1,900	2,144	-	(86)	2,058	-	-	-	-	(244)	-	20	(224)	1,834
- Incremental revaluation*	4,149	4,149	-	(70)	4,079	-	-	-	-	-	-	-	-	4,079
Building under construction	117	117	268	(325)	60	-	-	-	-	-	-	-	-	60
Building														
- Cost	1,912	5,064	283	(113)	5,234	(3,111)	(209)	76	(3,244)	(41)	(2)	2	(41)	1,949
- Incremental revaluation*	1,905	3,734	-	(148)	3,586	(1,829)	(89)	89	(1,829)	-	-	-	-	1,757
Leasehold improvements	351	1,309	137	(84)	1,362	(958)	(113)	76	(995)	-	(8)	8	-	367
Equipment under construction and installation	154	154	792	(564)	382	-	-	-	-	-	-	-	-	382
Equipment	1,583	6,287	540	(624)	6,203	(4,704)	(498)	447	(4,755)	-	-	-	-	1,448
Total	12,071	22,958	2,020	(2,014)	22,964	(10,602)	(909)	688	(10,823)	(285)	(10)	30	(265)	11,876

* The Bank's revaluation has been performed in 2016.

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	Consolidated 2017													
	Cost				Accumulated depreciation				Allowance for impairment losses					
	Net book value as at 1 January 2017	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	Net book value as at 31 December 2017
							(in million Baht)							
Land														
- Cost	1,979	2,241	-	(97)	2,144	-	-	-	-	(262)	(4)	22	(244)	1,900
- Incremental revaluation*	4,224	4,224	-	(75)	4,149	-	-	-	-	-	-	-	-	4,149
Building under construction	37	37	337	(257)	117	-	-	-	-	-	-	-	-	117
Building														
- Cost	1,976	5,002	208	(146)	5,064	(2,981)	(217)	87	(3,111)	(45)	-	4	(41)	1,912
- Incremental revaluation*	2,076	3,928	-	(194)	3,734	(1,852)	(93)	116	(1,829)	-	-	-	-	1,905
Leasehold improvements	377	1,308	117	(116)	1,309	(931)	(123)	96	(958)	-	(18)	18	-	351
Equipment under construction and installation	136	136	676	(658)	154	-	-	-	-	-	-	-	-	154
Equipment	1,578	6,267	700	(680)	6,287	(4,689)	(511)	496	(4,704)	-	-	-	-	1,583
Total	12,383	23,143	2,038	(2,223)	22,958	(10,453)	(944)	795	(10,602)	(307)	(22)	44	(285)	12,071

* The Bank's revaluation has been performed in 2016.

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2018 amounted to Baht 3,591 million (2017: Baht 3,446 million).

Depreciation presented in the consolidated profit or loss for the year ended 31 December 2018 and 2017 amounted to Baht 909 million and Baht 944 million, respectively.

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	Cost				Bank only 2018 Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2018
	Net book value as at 1 January 2018	Beginning balance	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Disposals/ written-off/ transfers out/ adjustments from Depreciation revaluation (in million Baht)	Ending balance	Beginning balance	Reversal of (loss on) impairment during the year	Disposals/ written-off/ transfers out	Ending balance	
Land													
- Cost	1,900	2,144	-	(86)	2,058	-	-	-	(244)	-	20	(224)	1,834
- Incremental revaluation*	4,149	4,149	-	(70)	4,079	-	-	-	-	-	-	-	4,079
Building under construction	117	117	268	(325)	60	-	-	-	-	-	-	-	60
Building													
- Cost	1,912	5,064	283	(113)	5,234	(3,111)	(209)	76	(3,244)	(41)	2	(41)	1,949
- Incremental revaluation*	1,905	3,734	-	(148)	3,586	(1,829)	(89)	89	(1,829)	-	-	-	1,757
Leasehold improvements	351	1,309	137	(84)	1,362	(958)	(113)	76	(995)	-	(8)	8	367
Equipment under construction and installation	154	154	792	(564)	382	-	-	-	-	-	-	-	382
Equipment	1,557	6,171	531	(500)	6,202	(4,614)	(491)	351	(4,754)	-	-	-	1,448
Total	12,045	22,842	2,011	(1,890)	22,963	(10,512)	(902)	592	(10,822)	(285)	(10)	30	11,876

* The Bank's revaluation has been performed in 2016.

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	Bank only													
	2017													
	Cost					Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2017
	Net book value as at 1 January 2017	Beginning balance	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written-off/ transfers out/ adjustments	Ending balance	Beginning balance	Reversal of (loss on) impairment	Disposals/ written-off/ transfers out	Ending balance	
from revaluation								during the year						
(in million Baht)														
Land														
- Cost	1,979	2,241	-	(97)	2,144	-	-	-	-	(262)	(4)	22	(244)	1,900
- Incremental revaluation*	4,224	4,224	-	(75)	4,149	-	-	-	-	-	-	-	-	4,149
Building under construction	37	37	337	(257)	117	-	-	-	-	-	-	-	-	117
Building														
- Cost	1,976	5,002	208	(146)	5,064	(2,981)	(217)	87	(3,111)	(45)	-	4	(41)	1,912
- Incremental revaluation*	2,076	3,928	-	(194)	3,734	(1,852)	(93)	116	(1,829)	-	-	-	-	1,905
Leasehold improvements	377	1,308	117	(116)	1,309	(931)	(123)	96	(958)	-	(18)	18	-	351
Equipment under construction and installation	136	136	676	(658)	154	-	-	-	-	-	-	-	-	154
Equipment	1,549	6,148	693	(670)	6,171	(4,599)	(501)	486	(4,614)	-	-	-	-	1,557
Total	12,354	23,024	2,031	(2,213)	22,842	(10,363)	(934)	785	(10,512)	(307)	(22)	44	(285)	12,045

* The Bank's revaluation has been performed in 2016.

The gross amount of the Bank only's fully depreciated premises and equipment that were still in use as at 31 December 2018 amounted to Baht 3,591 million (2017: Baht 3,378 million).

Depreciation presented in the Bank only's profit or loss for the years ended 31 December 2018 and 2017 amounted to Baht 902 million and Baht 934 million, respectively.

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16 Goodwill and other intangible assets, net

As at 31 December 2018 and 2017, changes in goodwill and other intangible assets were as follows:

	Net book value as at 1 January 2018	Beginning balance	Additions	Cost		Consolidated 2018		Accumulated amortisation		Ending balance	Net book value as at 31 December 2018
				Written-off	Transfers in/ (out)	Ending balance	Beginning balance	Amortisation during the year	Accumulated amortisation on transfer out		
						(in million Baht)					
Goodwill	60	60	-	-	(60)	-	-	-	-	-	-
Computer software	1,730	5,997	65	-	819	6,881	(4,267)	(502)	59	(4,710)	2,171
Computer software under development	342	342	948	-	(869)	421	-	-	-	-	421
Total	2,132	6,399	1,013	-	(110)	7,302	(4,267)	(502)	59	(4,710)	2,592

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	Consolidated 2017										
	Net book value as at 1 January 2017	Cost					Accumulated amortisation				Net book value as at 31 December 2017
		Beginning balance	Additions	Written-off	Transfers in/ (out)	Ending balance <i>(in million Baht)</i>	Beginning balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance	
Goodwill	60	60	-	-	-	60	-	-	-	-	60
Computer software	1,200	5,085	21	(10)	901	5,997	(3,885)	(381)	(1)	(4,267)	1,730
Computer software under development	444	444	740	(5)	(837)	342	-	-	-	-	342
Total	1,704	5,589	761	(15)	64	6,399	(3,885)	(381)	(1)	(4,267)	2,132

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2018 amounted to Baht 3,460 million (2017: Baht 3,234 million).

Amortisation presented in the consolidated profit or loss for the years ended 31 December 2018 and 2017 amounted to Baht 502 million and Baht 381 million, respectively.

		Bank only 2018									
	Net book value as at 1 January 2018	Cost					Accumulated amortisation				Net book value as at 31 December 2018
	Beginning balance	Additions	Written-off	Transfers in/ (out)	Ending balance	Beginning balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance		
										(in million Baht)	
Computer software	1,727	5,930	60	-	886	6,876	(4,203)	(502)	-	(4,705)	2,171
Computer software under development	343	343	945	-	(867)	421	-	-	-	-	421
Total	2,070	6,273	1,005	-	19	7,297	(4,203)	(502)	-	(4,705)	2,592

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						Bank only 2017					
				Cost				Accumulated amortisation			
	Net book value as at 1 January 2017	Beginning balance	Additions	Written-off	Transfers in/ (out)	Ending balance	Beginning balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance	Net book value as at 31 December 2017
						(in million Baht)					
Computer software	1,196	5,019	20	(10)	901	5,930	(3,823)	(379)	(1)	(4,203)	1,727
Computer software under development	445	445	740	(5)	(837)	343	-	-	-	-	343
Total	1,641	5,464	760	(15)	64	6,273	(3,823)	(379)	(1)	(4,203)	2,070

The gross amount of the Bank only's fully amortised intangible assets that were still in use as at 31 December 2018 amounted to Baht 3,455 million (2017: Baht 3,174 million).

Amortisation presented in the Bank only's profit or loss for the years ended 31 December 2018 and 2017 amounted to Baht 502 million and Baht 379 million, respectively.

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17 Deferred tax and income tax

17.1 Deferred tax

Movements in deferred tax assets and liabilities during the years ended 31 December 2018 and 2017 were as follows:

	At 1 January 2018	Consolidated (Charged) / Credited to:		At 31 December 2018
		Profit or loss	Other comprehensive income	
		(note17.2) (in million Baht)		
Deferred tax assets				
Investments	169	-	10	179
Loans to customers and accrued interest receivables	747	413	-	1,160
Properties for sale	43	3	-	46
Premises and equipment	62	(4)	-	58
Provisions for employee benefits	260	-	(16)	244
Provisions for other liabilities	111	15	-	126
Deferred revenue and other liabilities	327	(32)	-	295
Others	261	120	-	381
Total	1,980	515	(6)	2,489
Deferred tax liabilities				
Investments	6	845	(6)	845
Premises and equipment	1,253	(36)	(10)	1,207
Others	38	-	(2)	36
Total	1,297	809	(18)	2,088
Net	683	(294)	12	401

	At 1 January 2017	Consolidated (Charged) / Credited to:		At 31 December 2017
		Profit or loss	Other comprehensive income	
		(note17.2) (in million Baht)		
Deferred tax assets				
Investments	189	(6)	(14)	169
Loans to customers and accrued interest receivables	680	67	-	747
Properties for sale	23	20	-	43
Premises and equipment	66	(4)	-	62
Provisions for obligations on transfers of non-performing assets	332	(332)	-	-
Provisions for employee benefits	290	9	(39)	260
Provisions for other liabilities	142	(31)	-	111
Deferred revenue and other liabilities	256	71	-	327
Others	112	149	-	261
Total	2,090	(57)	(53)	1,980

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	At 1 January 2017	Consolidated (Charged) / Credited to:		At 31 December 2017
		Profit or loss (note 17.2) (in million Baht)	Other comprehensive income	
Deferred tax liabilities				
Investments	-	-	6	6
Premises and equipment	1,291	(30)	(8)	1,253
Others	24	24	(10)	38
Total	1,315	(6)	(12)	1,297
Net	775	(51)	(41)	683
	At 1 January 2018	Bank only (Charged) / Credited to:		At 31 December 2018
		Profit or loss (note 17.2) (in million Baht)	Other comprehensive income	
Deferred tax assets				
Investments	169	-	10	179
Loans to customers and accrued interest receivables	735	425	-	1,160
Properties for sale	43	3	-	46
Premises and equipment	62	(4)	-	58
Provisions for employee benefits	254	7	(17)	244
Provisions for other liabilities	108	18	-	126
Deferred revenue and other liabilities	327	(32)	-	295
Others	265	116	-	381
Total	1,963	533	(7)	2,489
Deferred tax liabilities				
Investments	6	-	(6)	-
Premises and equipment	1,252	(35)	(10)	1,207
Others	38	-	(2)	36
Total	1,296	(35)	(18)	1,243
Net	667	568	11	1,246

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	At 1 January 2017	Bank only (Charged) / Credited to:		At 31 December 2017
		Profit or loss	Other comprehensive income (note 17.2) (in million Baht)	
Deferred tax assets				
Investments	189	(6)	(14)	169
Loans to customers and accrued interest receivables	667	68	-	735
Properties for sale	23	20	-	43
Premises and equipment	66	(4)	-	62
Provisions for obligations on transfers of non-performing assets	332	(332)	-	-
Provisions for employee benefits	285	7	(38)	254
Provisions for other liabilities	140	(32)	-	108
Deferred revenue and other liabilities	256	71	-	327
Others	117	148	-	265
Total	2,075	(60)	(52)	1,963
Deferred tax liabilities				
Investments	-	-	6	6
Premises and equipment	1,290	(30)	(8)	1,252
Others	24	24	(10)	38
Total	1,314	(6)	(12)	1,296
Net	761	(54)	(40)	667

As at 31 December 2018 and 2017, the Bank had tax-deductible temporary differences in relation to investments in subsidiary totaling Baht 649 million and Baht 679 million respectively, for which deferred tax assets have not yet been recognised because certain recognition criteria were not met.

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17.2 Income tax

Income tax recognised in profit or loss

	Note	Consolidated		Bank only	
		2018	2017	2018	2017
		(in million Baht)			
Current tax expense					
Current year		2,564	1,977	2,466	1,875
Under (over) provided in prior years		8	(24)	8	(24)
		<u>2,572</u>	<u>1,953</u>	<u>2,474</u>	<u>1,851</u>
Deferred tax expense					
Movements in temporary differences	17.1	294	51	(568)	54
		<u>294</u>	<u>51</u>	<u>(568)</u>	<u>54</u>
Total		<u>2,866</u>	<u>2,004</u>	<u>1,906</u>	<u>1,905</u>

Income tax recognised in other comprehensive income

	Consolidated					
	2018			2017		
	Tax			Tax		
	Before	(expense)	Net of	Before	(expense)	Net of
	tax	benefit	tax	tax	benefit	tax
	(in million Baht)					
Investments	(80)	16	(64)	103	(20)	83
Premises and equipment	(49)	10	(39)	(40)	8	(32)
Provisions for employee benefits	79	(16)	63	193	(39)	154
Others	(10)	2	(8)	(51)	10	(41)
Total	<u>(60)</u>	<u>12</u>	<u>(48)</u>	<u>205</u>	<u>(41)</u>	<u>164</u>

	Bank only					
	2018			2017		
	Tax			Tax		
	Before	(expense)	Net of	Before	(expense)	Net of
	tax	benefit	tax	tax	benefit	tax
	(in million Baht)					
Investments	(80)	16	(64)	103	(20)	83
Premises and equipment	(49)	10	(39)	(40)	8	(32)
Provisions for employee benefits	86	(17)	69	190	(38)	152
Others	(10)	2	(8)	(51)	10	(41)
Total	<u>(53)</u>	<u>11</u>	<u>(42)</u>	<u>202</u>	<u>(40)</u>	<u>162</u>

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Reconciliation of effective tax rate

	Consolidated			
	2018		2017	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		14,467		10,732
Income tax using the Thai corporation tax rate	20	2,893	20	2,146
Deferred tax expense which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the year	-	(1)	-	(11)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	-	(34)	(1)	(107)
Under (over) provided in prior years	-	8	-	(24)
Total	20	2,866	19	2,004

	Bank only			
	2018		2017	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		10,724		10,377
Income tax using the Thai corporation tax rate	20	2,144	20	2,075
Deferred tax expense which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the year	-	(1)	-	(11)
Deferred tax expense which deductible temporary difference had not been met the recognition criteria during the year	-	(6)	-	(13)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(2)	(239)	(1)	(122)
Under (over) provided in prior years	-	8	-	(24)
Total	18	1,906	19	1,905

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

18 Other receivables, net

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Receivables from Legal Execution				
Department	581	468	549	421
Other receivables	939	1,459	939	1,452
Total	1,520	1,927	1,488	1,873
Less allowance for impairment losses	(269)	(237)	(268)	(236)
Net	1,251	1,690	1,220	1,637

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19 Other assets, net

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Accrued income	710	1,096	710	1,061
Collateral on derivative transactions	599	898	599	898
Suspense account - debtors	1,408	1,268	1,408	1,268
Prepaid expenses	365	212	365	204
Others	1,369	2,087	1,369	2,039
Total	4,451	5,561	4,451	5,470
Less allowance for impairment losses	(239)	(236)	(239)	(236)
Net	4,212	5,325	4,212	5,234

20 Deposits

20.1 Classified by type of deposits

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Current	58,482	53,034	58,483	53,045
Savings	515,908	475,506	515,914	475,573
Term	75,281	82,989	75,281	82,989
Total	649,671	611,529	649,678	611,607
Less prepaid interest expense	(103)	(99)	(103)	(99)
Total	649,568	611,430	649,575	611,508

20.2 Classified by currency and residency of depositors

	Consolidated					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	636,088	5,613	641,701	602,705	5,556	608,261
US Dollar	5,659	1,726	7,385	2,378	390	2,768
Other currencies	467	15	482	379	22	401
Total	642,214	7,354	649,568	605,462	5,968	611,430

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	Bank only					
	Domestic	2018 Foreign	Total	Domestic	2017 Foreign	Total
			<i>(in million Baht)</i>			
Thai Baht	636,095	5,613	641,708	602,783	5,556	608,339
US Dollar	5,659	1,726	7,385	2,378	390	2,768
Other currencies	466	16	482	379	22	401
Total	642,220	7,355	649,575	605,540	5,968	611,508

21 Interbank and money market items (liabilities)

	Consolidated and Bank only					
	At call	2018 Term	Total	At call	2017 Term	Total
			<i>(in million Baht)</i>			
Domestic						
Bank of Thailand and Financial Institutions						
Development Fund	-	1,850	1,850	-	420	420
Commercial banks	379	32,700	33,079	337	38,290	38,627
Specialised financial institutions	59	22,881	22,940	68	7,905	7,973
Other financial institutions	5,298	56	5,354	4,417	60	4,477
Total domestic	5,736	57,487	63,223	4,822	46,675	51,497
Foreign						
US Dollar	405	-	405	280	7,190	7,470
Other currencies	639	-	639	1,382	-	1,382
Total foreign	1,044	-	1,044	1,662	7,190	8,852
Total domestic and foreign	6,780	57,487	64,267	6,484	53,865	60,349

22 Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as at 31 December 2018 and 2017 were as follows:

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Debt issued	397	386
Total	397	386

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Proportion of transactions classified by the contract parties based on the amount of the contract as at 31 December 2018 and 2017 were as follows:

Contract parties	Consolidated and Bank only	
	2018	2017
	(%)	
Financial institutions	100.00	100.00
Total	100.00	100.00

23 Debts issued and borrowings, net

	Consolidated and Bank only							
	Interest rates		Maturities	2018			2017	
	as at	31 December 2018		Domestic	Foreign	Total	Domestic	Foreign
	(%)					(in million Baht)		
Subordinated debentures ⁽¹⁾	3.50 and 5.50		2019 ⁽²⁾ and 2022 ⁽²⁾	20,430	-	20,430	20,430	-
Senior debentures	3.108 and 6mLibor +1.05		2021 and 2025	-	14,602	14,602	-	12,813
Bills of exchange ⁽³⁾	2.15		2012	5	-	5	5	-
Other borrowings	0.00 - 0.75		2018 - 2031	6	81	87	12	92
Total				20,441	14,683	35,124	20,447	12,905
								33,352

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification (note 6)

⁽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.

23.1 Subordinated debentures

23.1.1 On 29 August 2014, the Bank issued the Subordinated Debenture No.1/2557 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 15,000 million, which has a 10-year maturity period and carries a fixed interest rate of 5.50% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the Subordinated Debenture No.1/2557 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.

23.1.2 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.

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23.2 Senior debentures

- 23.2.1 On 9 March 2015, the Bank issued the unsecured senior debentures of CNY 600 million, with a 3-year maturity carrying a fixed interest rate of 5.50% per annum, payable semi-annually in March and September of every year. The debentures have been issued under the Bank's Euro Medium Term Note Programme.

The debentures were matured on 9 March 2018, which has already fully paid with the total amount of CNY 600 million.

- 23.2.2 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.

- 23.2.3 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.

- 23.2.4 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.

23.3 Other borrowings

Borrowings with specific uses (other borrowings) as at 31 December 2018 and 2017 were as follows:

Borrowings from	Objectives of borrowings	Consolidated and Bank only			
		2018		2017	
		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 6 million	6	Baht 12 million	12
KfW Bankengruppe (KfW)	For small industry businesses	EUR 2 million	81	EUR 2 million	92
Total			87		104

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24 Provision for employee benefits

24.1 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 5 - 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 years ended 31 December 2018 and 2017, the Bank and its subsidiaries contributed Baht 399 million and Baht 396 million, respectively, to the funds (Bank only: Baht 390 million and Baht 387 million, respectively).

24.2 Defined benefit plans

(a) Detail of defined benefit plans

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Post-employment benefit plans	1,212	1,291	1,211	1,261
Other long-term employee benefit plans	9	10	9	10
Total	1,221	1,301	1,220	1,271

(b) Movement in post-employment benefit obligations

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
At 1 January	1,291	1,442	1,261	1,414
Included in profit or loss:				
Current service cost	259	153	254	149
Loss on benefit settlement	-	3	-	3
Interest on obligation	29	30	28	29
	288	186	282	181
Included in other comprehensive income				
Actuarial gains	(79)	(193)	(86)	(190)
Others				
Benefits paid	(246)	(144)	(246)	(144)
Provision reversed from the loss of control of a subsidiary	(42)	-	-	-
	(288)	(144)	(246)	(144)
At 31 December	1,212	1,291	1,211	1,261

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Actuarial gains recognised in other comprehensive income arising from:

	Consolidated		Bank only	
	2018	2017	2018	2017
		<i>(in million Baht)</i>		
Demographic assumptions	(23)	31	(25)	31
Financial assumptions	25	(139)	20	(138)
Experience adjustments	(81)	(85)	(81)	(83)
Total	(79)	(193)	(86)	(190)

(c) 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	
	2018	2017	2018	2017
		<i>(%)</i>		
Discount rate	2.71	2.69, 2.91	2.71	2.69
Future salary growth	4.50	4.50, 5.00	4.50	4.50
Staff turnover rates	0.00 - 29.00	0.00 - 29.00	0.00 - 29.00	0.00 - 29.00

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

(d) 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				
2018				
	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%	(97)	-1%	111
Future salary growth	+1%	104	-1%	(93)
Turnover rate	+1%	(104)	-1%	25
Future mortality	+ 1 year	6	- 1 year	(6)

Consolidated				
2017				
	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%	(107)	- 1%	123
Future salary growth	+ 1%	115	- 1%	(103)
Turnover rate	+ 1%	(115)	- 1%	30
Future mortality	+ 1 year	9	- 1 year	(9)

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Bank only				
2018				
	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%	(97)	-1%	111
Future salary growth	+1%	104	-1%	(93)
Turnover rate	+1%	(104)	-1%	25
Future mortality	+ 1 year	6	- 1 year	(6)

Bank only				
2017				
	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%	(105)	- 1%	119
Future salary growth	+ 1%	111	- 1%	(100)
Turnover rate	+ 1%	(111)	- 1%	29
Future mortality	+ 1 year	9	- 1 year	(9)

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.

25 Provision for other liabilities

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

Consolidated				
	Commitment from letters of guarantee issued, avals and other guarantees	Obligation for litigation cases (note 33.2) (in million Baht)	Others	Total
At 1 January 2017	433	162	106	701
Provisions increase (decrease)	(105)	8	(41)	(138)
Paid during the year	-	(5)	(14)	(19)
At 31 December 2017 and 1 January 2018	328	165	51	544
Provision increase (decrease)	(24)	(109)	270	137
Paid during the year	-	(12)	(39)	(51)
At 31 December 2018	304	44	282	630

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	Bank only			
	Commitment from letters of guarantee issued, avals and other Guarantees	Obligation for litigation cases (note 33.2) (in million Baht)	Others	Total
At 1 January 2017	433	162	106	701
Provisions increase (decrease)	(105)	6	(41)	(140)
Paid during the year	-	(5)	(14)	(19)
At 31 December 2017 and 1 January 2018	328	163	51	542
Provision increase (decrease)	(24)	(107)	270	139
Paid during the year	-	(12)	(39)	(51)
At 31 December 2018	304	44	282	630

26 Deferred revenue

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Deferred revenue		
- Funds and Bancassurance	17,431	18,774
- Credit card	158	124
- Others	5	10
Total	17,594	18,908

27 Other liabilities

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Accrued expenses	5,644	5,382	5,635	5,275
Accrued interest expenses	459	545	459	545
Deposits and guarantees received	198	1,250	198	1,250
Collateral on derivative transactions	1,943	1,741	1,943	1,741
Suspense accounts electronic money and money transferred	2,761	4,370	2,761	4,370
Suspense accounts - others	580	764	565	749
Other payables	1,259	1,081	1,253	1,078
Others	458	389	458	332
Total	13,302	15,522	13,272	15,340

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28 Share-based payments - TMB Performance Share Bonus Scheme

28.1 Information of TMB Performance Share Bonus Scheme

On 24 June 2010, the Extraordinary General Meeting of Shareholders No.1/2553 approved the TMB Performance Share Bonus 2010 Project (TMB PSBP 2010 scheme) which will offer newly issued ordinary shares of the Bank to its employees (including employees who hold a position of director of the Bank) who have qualifications under TMB PSBP 2010. The employees under TMB PSBP 2010 shall be entitled to subscribe for the newly issued shares according to the conditions specified in TMB PSBP 2010 with mandatory participation of top management but optional participation of staff at other levels.

Term of continuing scheme: 5 years starting from the first offering date.

Number of ordinary shares to be offered: Not exceeding the total of 400,000,000 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 PSBP 2010 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 90 calendar days prior to each 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 PSBP 2010 Project 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 PSBP 2010 who will subscribe for the newly issued shares shall be employees of the 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).

For the years ended 31 December 2018 and 2017, the Bank recorded expenses in relation to share-based payments of Baht 0.71 million and Baht 15 million, respectively.

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28.2 The offering of new ordinary shares

The offering of new ordinary shares	Par value	Offering Price	The offering of new ordinary shares	Ordinary shares issued to employees ⁽¹⁾	Ordinary shares not to be issued	Balance of new ordinary shares unissued as at 31 December 2018
	(Baht/share)			(shares)		
The first offering, 2011	0.95	2.25	68,393,400	(61,556,286)	(6,837,114)	-
The second offering, 2012	0.95	1.67	101,795,300	(88,262,936)	(13,532,364)	-
The third offering, 2013	0.95	2.28	78,634,700	(66,598,950)	(12,035,750)	-
The fourth offering, 2014	0.95	2.30	85,191,700	(64,686,616)	(20,505,084)	-
The fifth offering, 2015	0.95	3.04	53,599,400	(42,049,843)	(11,549,557)	-
Total			387,614,500	(323,154,631)	(64,459,869)	-

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

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

Consolidated and Bank only				
2018				
	Issued and paid-up ordinary share capital (No. of shares)	(in Baht)	Share premium (in Baht)	Other reserve - share-based payments
At 1 January	43,839,858,871	41,647,865,927	378,930,710	35,876,140
Issued ordinary shares to employees	12,034,239	11,432,527	25,151,560	(36,584,087)
Expenses in relation to issue of ordinary shares to employees	-	-	(486,024)	-
Expenses in relation to share-based payments	-	-	-	707,947
At 31 December	43,851,893,110	41,659,298,454	403,596,246	-

Consolidated and Bank only				
2017				
	Issued and paid-up ordinary share capital (No. of shares)	(in Baht)	Share premium (in Baht)	Other reserve - share-based payments
At 1 January	43,807,370,307	41,617,001,792	325,405,639	105,376,845
Issued ordinary shares to employees	32,488,564	30,864,135	54,036,957	(84,901,092)
Expenses in relation to issue of ordinary shares to employees	-	-	(511,886)	-
Expenses in relation to share-based payments	-	-	-	15,400,387
At 31 December	43,839,858,871	41,647,865,927	378,930,710	35,876,140

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29 Revaluation surplus on assets

This represents surplus arising from revaluation of land and buildings. The revaluation surplus can neither be offset against deficit nor used for dividend distribution.

The movements in revaluation surplus on assets during the year were as follows:

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
At 1 January	6,259	6,450
Amortised during the year	(89)	(92)
Derecognised during the year	(86)	(59)
Transferred out during the year	(49)	(40)
Ending balance	6,035	6,259
Less deferred tax	(1,207)	(1,252)
At 31 December, net of deferred tax	4,828	5,007

30 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 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.

31 Appropriation of profit and dividend payment

(a) On 12 April 2018, the 2018 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2017 operating profit and dividend payment as follows:

- (1) Appropriation of net profit of Baht 430 million to be legal reserve.
- (2) Payment of a dividend of Baht 0.06 per share from the 2017 operating profit to the shareholders. The Bank paid such dividend to its shareholders on 9 May 2018.

(b) On 7 April 2017, the 2017 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2016 operating profit and dividend payment as follows:

- (1) Appropriation of net profit of Baht 410 million to be legal reserve.
- (2) Payment of a dividend of Baht 0.06 per share from the 2016 operating profit to the shareholders. The Bank paid such dividend to its shareholders on 4 May 2017.

32 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2018 and 2017 were as follows:

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Interbank and money market items		
- Deposit under restriction of oversea branch	10	12
Investments in securities		
- Pledged as collateral against repurchase transactions	17,446	19,323
Total	17,456	19,335

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33 Commitments and contingent liabilities

33.1 Commitments

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Avals to bills ⁽¹⁾	319	633
Liability under unmatured import bills	2,722	2,529
Letters of credit	15,772	19,360
Other commitments		
- Other guarantees	65,584	62,045
- Amount of unused bank overdrafts	81,632	80,908
- Committed line	3,882	5,566
- Others ⁽²⁾	30,069	23,110
Total	199,980	194,151

⁽¹⁾ As at 31 December 2018, this included bank acceptance amounting to Baht 5 million (2017: Baht 3 million)

⁽²⁾ As at 31 December 2018, this included the financial assets accepted as collateral that had been sold or pledged amounting to Baht 29,375 million (2017: 22,641 million). The Bank is obliged to return those securities in equivalent amount.

As at 31 December 2018 and 2017, the Bank had no commitments from providing other guarantees to listed companies, which meet criteria for delisting conditions from the Stock Exchange of Thailand.

33.2 Litigation

- (a) As at 31 December 2018 and 2017, the Bank and its subsidiaries were claimed pursuant to obligations under the letters of guarantee and other claims for 63 cases and 75 cases, respectively (Bank only: claims for 60 cases and 69 cases, respectively). The said claims were made against the Bank and its subsidiaries for the approximate liability amounts of Baht 468 million ⁽¹⁾ and Baht 1,394 million ⁽¹⁾, respectively (Bank only: Baht 259 million ⁽¹⁾ and Baht 1,173 million ⁽¹⁾, respectively).
- (b) As at 31 December 2018 and 2017, the Bank and its subsidiaries have recognised provisions for possible losses from the litigation cases totalling Baht 44 million and Baht 165 million, respectively (Bank only: Baht 44 million and Baht 163 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 2018 and 2017 of Baht 1,789 million and Baht 930 million, respectively (Bank only: Baht 1,266 million and Baht 407 million, respectively), which the Court of First Instance and the Appeals Court dismissed the cases.

33.3 Non-cancellable operating lease commitments

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
<i>Future minimum lease payments</i>				
Within one year	503	534	503	519
After one year but within five years	743	381	743	371
Total	1,246	915	1,246	890
<i>Amount recognised in profit or loss</i>				
Lease expense	674	584	662	569

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34 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has 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. Entities with joint control or significant influence over the entity are
 - 2.1 Related companies of major shareholders
 - 2.2 Entities in which related companies of major shareholders hold over 10% of paid-up share capital
 - 2.3 Entities in which the Bank holds over 10% of paid-up share capital (excluding subsidiaries and associate)
3. Subsidiaries
4. Associate
5. Key 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.
6. Other related parties are
 - 6.1 Close family members of key management personnel
 - 6.2 Entities in which key management personnel and their close family members hold over 10% of paid-up share capital
 - 6.3 Entities of which key management personnel and their close family members are directors exercising control or having significant influence

The additional information on investments in subsidiaries and associate is disclosed in note 10.

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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
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, more than 50% of directors are representatives of the Bank
Phaholyothin Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank
TMB Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank and associate since 27 September 2018, 35% shareholding, less than 50% of directors are representative from 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 subsidiary/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
Sale of government and state enterprise securities to a subsidiary	Based on market price

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

Significant related parties transactions for the years ended 31 December 2018 and 2017 with key management and other related parties were as follows:

	Consolidated 2018						Impairment loss on loans and debt securities (reversal of)
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	
	<i>(in million Baht)</i>						
1. Major shareholders	-	4	-	-	-	28	-
2. Entities with joint control or significant influence over the entity	344	277	4	-	11	191	(38)
3. Subsidiaries	-	-	-	-	-	-	-
4. Associate	-	-	374	-	-	-	-
5. Key management personnel of the Bank	1	3	-	-	-	-	-
6. Other related parties	-	1	-	-	-	18	-

	Consolidated 2017						Impairment loss on loans and debt securities (reversal of)
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	
	<i>(in million Baht)</i>						
1. Major shareholders	22	9	-	-	-	11	-
2. Entities with joint control or significant influence over the entity	341	222	24	-	15	199	58
3. Subsidiaries	-	-	-	-	-	-	-
4. Associate	-	-	-	-	-	-	-
5. Key management personnel of the Bank	1	2	-	-	-	-	-
6. Other related parties	2	2	-	-	-	43	(1)

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Bank only							
2018							
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
	<i>(in million Baht)</i>						
1. Major shareholders	-	4	-	-	-	28	-
2. Entities with joint control or significant influence over the entity	338	277	4	-	11	191	(38)
3. Subsidiaries	-	-	2,021	-	800	28	-
4. Associate	-	-	374	-	-	-	-
5. Key management personnel of the Bank	1	3	-	-	-	-	-
6. Other related parties	-	1	-	-	-	18	-

Bank only							
2017							
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
	<i>(in million Baht)</i>						
1. Major shareholders	22	9	-	-	-	11	-
2. Entities with joint control or significant influence over the entity	334	222	24	-	15	199	58
3. Subsidiaries	-	-	2,798	-	126	-	-
4. Associate	-	-	-	-	-	-	-
5. Key management personnel of the Bank	1	2	-	-	-	-	-
6. Other related parties	2	2	-	-	-	43	(1)

34.2 Outstanding balances with related parties

As at 31 December 2018 and 2017, significant outstanding balances with related persons or parties were as follows:

- 34.2.1 Significant balances between the Bank and its subsidiaries and their major shareholders as at 31 December 2018 and 2017 were as follows:

	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Loans to customers and accrued interest receivables, net		
Ministry of Finance	-	687
Deposits (including interbank and money market items - liabilities)		
ING Bank N.V.	12	4

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	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Debts issued and borrowings (including interbank and money market items - liabilities)		
ING Bank N.V.	-	1,634
Other liabilities		
ING Bank N.V.	-	4
Commitments - Derivatives ⁽¹⁾		
ING Bank N.V.	4,867	5,422
⁽¹⁾ Presented in notional amount		
Other commitments		
ING Bank N.V.	16	16

34.2.2 Significant balances between the Bank and its subsidiaries and other entities with joint control or significant influence over the entities as at 31 December 2018 and 2017 were as follows:

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Interbank and money market items - assets and loans to customers and accrued interest receivables				
Entities whose shares are owned or controlled by the Ministry of Finance	14,351	16,219	14,351	15,694
Allowance for doubtful accounts				
Entities whose shares are owned or controlled by the Ministry of Finance	87	125	87	125
Deposits (including interbank and money market items - liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	11,789	7,877	11,789	7,877
TMB Property Development Co., Ltd.	4	4	4	4
Total	11,793	7,881	11,793	7,881
Debts issued and borrowings (including interbank and money market items - liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	22,881	9,907	22,881	9,907
Other liabilities				
Entities whose shares are owned or controlled by the Ministry of Finance	12	9	12	9
Commitments - Derivatives ⁽¹⁾				
Entities whose shares are owned or controlled by the Ministry of Finance	105,161	120,930	105,161	120,930
⁽¹⁾ Presented in notional amount				
Other commitments				
Entities whose shares are owned or controlled by the Ministry of Finance	854	1,107	854	1,107

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34.2.3 Significant balances between the Bank and its subsidiaries and associate as at 31 December 2018 and 2017 were as follows:

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Other assets				
Phahonyothin Asset Management Co., Ltd.	-	-	1	-
Phayathai Asset Management Co., Ltd.	-	-	-	1
TMB Asset Management Co., Ltd.	124	-	124	252
Total	124	-	125	253
Deposits				
Phahonyothin Asset Management Co., Ltd.	-	-	6	-
Phayathai Asset Management Co., Ltd.	-	-	-	16
TMB Asset Management Co., Ltd.	50	-	50	62
Total	50	-	56	78

34.2.4 Significant balances between the Bank and its subsidiaries, and their key management personnel as at 31 December 2018 and 2017 were as follows:

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Loans to customers and accrued				
interest receivables, net	10	15	10	15
Welfare loans	28	45	28	45
Allowance for doubtful accounts	-	1	-	1
Deposits	223	289	223	280

34.2.5 Significant balances between the Bank and its subsidiaries, and other related parties as at 31 December 2018 and 2017 were as follows:

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Loans to customers and accrued				
interest receivables, net	1	31	1	31
Deposits	126	163	126	160
Other commitments	1	45	1	45

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34.3 Senior management personnel compensation

For the years ended 31 December 2018 and 2017, senior management personnel compensation, included in profit or loss, was classified as follows:

	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Short-term employee benefits - directors	44	45	44	45
Short-term employee benefits - management	812	846	781	812
Post-employment benefits	43	38	38	33
Share-based payments (performance share bonus)	2	13	2	13
Total	901	942	865	903

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.

34.4 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 34.3 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.

35 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: These are corporate customers and owner operators with annual revenues of Baht 100 million and over which was changed in 2017 from Baht 1,000 million and over. 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: These are corporate customers and owner operators with annual revenues of less than Baht 100 million which was changed in 2017 from less than Baht 1,000 million. 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 and personal loans, cards services, bancassurance and mutual funds, and foreign currency services.

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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.

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 base, 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.

Information about reportable segments:

For the year ended 31 December 2018

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	13,395	8,948	2,154	-	24,497
Other operating income	3,619	6,515	13,397	(48)	23,483
Total operating income	17,014	15,463	15,551	(48)	47,980
Operating expenses	(7,867)	(9,086)	(565)	48	(17,470)
Profits from operation	9,147	6,377	14,986	-	30,510
Other income (expenses), net					-
Provision for doubtful accounts on loans and loan - related transactions					(16,043)
Profit before income tax					14,467
Income tax					(2,866)
Profit for the year					11,601
Depreciation and amortisation	192	725	508	-	1,425
Source of operating income breakdown by operating segments					
Third party	23,721	9,280	14,979	-	47,980
Inter - segment	(6,707)	6,183	572	(48)	-
Total operating income	17,014	15,463	15,551	(48)	47,980

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*For the year ended
31 December 2017*

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	13,830	8,808	2,131	-	24,769
Other operating income	3,255	7,681	1,744	(56)	12,624
Total operating income	17,085	16,489	3,875	(56)	37,393
Operating expenses	(7,699)	(9,312)	(769)	56	(17,724)
Profits from operation	9,386	7,177	3,106	-	19,669
Other income (expenses), net					-
Provision for doubtful accounts on loans and loan - related transactions					(8,937)
Profit before income tax					10,732
Income tax					(2,004)
Profit for the year					8,728
Depreciation and amortisation	136	725	479	-	1,340
Source of operating income breakdown by operating segments					
Third party	24,081	9,285	4,027	-	37,393
Inter - segment	(6,996)	7,204	(152)	(56)	-
Total operating income	17,085	16,489	3,875	(56)	37,393

Reconciliation of reportable segment profit or loss

*For the year ended
31 December 2018*

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	24,497	23,483	(17,470)	-	(16,043)
Bad debts, doubtful accounts and impairment losses	-	53	4	-	(57)
Others	-	9	(9)	-	-
Consolidated financial statements	24,497	23,545	(17,475)	-	(16,100)

*For the year ended
31 December 2017*

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	24,769	12,624	(17,724)	-	(8,937)
Bad debts, doubtful accounts and impairment losses	-	116	(160)	-	22
Others	(36)	(34)	92	-	-
Consolidated financial statements	24,733	12,706	(17,792)	-	(8,915)

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	Consolidated				
	2018				
	Commercial	Retail	Other	Elimination	Total
	Banking	Banking	segments		
	<i>(in million Baht)</i>				
Assets	<u>592,967</u>	<u>211,987</u>	<u>83,256</u>	<u>3,503</u>	<u>891,713</u>
Liabilities and equity	<u>260,939</u>	<u>450,747</u>	<u>176,524</u>	<u>3,503</u>	<u>891,713</u>

	Consolidated				
	2017				
	Commercial	Retail	Other	Elimination	Total
	Banking	Banking	segments		
	<i>(in million Baht)</i>				
Assets	<u>579,813</u>	<u>179,939</u>	<u>88,149</u>	<u>(4,029)</u>	<u>843,872</u>
Liabilities and equity	<u>236,303</u>	<u>425,314</u>	<u>186,284</u>	<u>(4,029)</u>	<u>843,872</u>

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

36.1 As at 31 December 2018 and 2017, the financial position classified by domestic and foreign business was as follows:

	Consolidated					
	2018		2017			
	Domestic	Foreign	Domestic	Foreign		
	business	business	business	business	Total	Total
	<i>(in million Baht)</i>					
Total assets	891,039	674	891,713	843,202	670	843,872
Interbank and money market items, net (assets)	112,925	597	113,522	111,977	557	112,534
Investments, net	73,477	-	73,477	61,305	-	61,305
Investments in subsidiaries and associate, net	4,577	-	4,577	-	-	-
Loans to customers and accrued interest receivables, net	653,998	42	654,040	619,323	50	619,373
Deposits	649,466	102	649,568	611,310	120	611,430
Interbank and money market items (liabilities)	64,102	165	64,267	53,005	7,344	60,349
Debts issued and borrowings, net	25,389	9,735	35,124	20,539	12,813	33,352

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36.2 The results of operations classified by domestic and foreign business for the years ended 31 December 2018 and 2017 were as follows:

<i>For the years ended 31 December</i>	Consolidated					
	Domestic business	2018 Foreign business	Total	Domestic business	2017 Foreign business	Total
			<i>(in million Baht)</i>			
Interest income	35,111	17	35,128	34,705	8	34,713
Interest expense	10,256	375	10,631	9,448	532	9,980
Net interest income (expense)	24,855	(358)	24,497	25,257	(524)	24,733
Net fees and service income	9,337	-	9,337	10,585	1	10,586
Total other operating income	14,208	-	14,208	2,121	(1)	2,120
Total other operating expenses	17,462	13	17,475	17,781	11	17,792
Impairment loss on loans and debt securities	16,100	-	16,100	8,914	1	8,915
Profit from operations before income tax	14,838	(371)	14,467	11,268	(536)	10,732

37 Interest income

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2018	2017	2018	2017
			<i>(in million Baht)</i>	
Interbank and money market items	1,761	1,824	1,752	1,808
Investments and trading transactions	56	61	56	61
Investments in debt securities	1,219	1,213	1,215	1,169
Loans to customers	32,082	31,580	32,064	31,564
Others	10	35	10	35
Total	35,128	34,713	35,097	34,637

38 Interest expenses

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2018	2017	2018	2017
			<i>(in million Baht)</i>	
Deposits	5,626	4,990	5,654	4,990
Interbank and money market items	686	744	686	744
Contribution to Deposits Protection Agency and BoT	2,965	2,842	2,965	2,842
Debt issued				
- Subordinated debentures	914	970	914	970
- Others	363	399	363	399
Borrowings	16	29	16	29
Others	61	6	61	6
Total	10,631	9,980	10,659	9,980

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39 Net fees and service income

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptance, avals and guarantees	484	568	484	568
- ATM, Debit card, Credit card and other banking electronic	3,267	3,154	3,267	3,154
- Funds and Bancassurance	7,604	8,562	6,411	7,208
- Others	1,409	1,249	1,515	1,365
Total	12,764	13,533	11,677	12,295
Fees and service expenses				
- ATM, Debit card, Credit card and other banking electronic	(2,323)	(1,902)	(2,323)	(1,902)
- Others	(1,104)	(1,045)	(843)	(768)
Total	(3,427)	(2,947)	(3,166)	(2,670)
Net	9,337	10,586	8,511	9,625

40 Gains on trading and foreign exchange transactions, net

<i>For the years ended 31 December</i>	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Gains on trading and foreign exchange transactions, net		
- Foreign currencies and derivatives on foreign exchange	1,174	1,078
- Derivatives on interest rates	367	30
- Debt securities	(12)	39
Total	1,529	1,147

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

Losses on financial liabilities designated at fair value through profit or loss, net for the years ended 31 December 2018 and 2017 were as follows:

<i>For the years ended 31 December</i>	Consolidated and Bank only	
	2018	2017
	<i>(in million Baht)</i>	
Net change in fair value	(11)	(24)
Losses on financial liabilities designated at fair value through profit or loss, net	(11)	(24)

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42 Gains on investments, net

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Gains on sales				
- Available-for-sale investments	16	41	16	41
- Held to maturity	96	-	96	-
- General investments	-	1	-	1
- Profit on the loss of control of a subsidiary	11,852	-	7,851	-
Total	11,964	42	7,963	42
Reversal of (losses on) impairment				
- Available-for-sale investments	(1)	-	(1)	-
- General investments	-	22	-	22
- Investments in subsidiaries	-	-	30	66
Total	(1)	22	29	88
Net	11,963	64	7,992	130

43 Other operating expenses

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Marketing and business promotion expenses	1,500	1,632	1,374	1,461
Communication expenses	341	346	340	345
Amortisation of intangible assets	502	381	502	379
Losses on impairment of properties foreclosed and other assets	125	286	124	284
Outsourcing expenses	603	542	603	542
Credit collection expenses	447	397	440	391
Software rental expenses	291	324	291	324
Others	729	694	714	674
Total	4,538	4,602	4,388	4,400

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44 Impairment loss on loans and debt securities

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2018	2017	2018	2017
	<i>(in million Baht)</i>			
Bad debts and doubtful accounts (reversal of)				
- Interbank and money market items	62	(17)	62	(17)
- Loans to customers	15,369	8,779	15,383	8,789
Allowance for debt restructuring on loan to customers	669	153	669	153
Total	16,100	8,915	16,114	8,925

45 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2018 and 2017 were based on the profit for the years attributable to equity holders of the Bank and the number of ordinary shares outstanding during the years as follows:

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2018	2017	2018	2017
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	11,601	8,687	8,817	8,472
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	43,849	43,831	43,849	43,831
Basic earnings per share <i>(in Baht)</i>	0.2646	0.1982	0.2011	0.1933

Diluted earnings per share

The calculations of diluted earnings per share for the years ended 31 December 2018 and 2017 were based on the profit for the years attributable to equity holders of the Bank and the 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	
	2018	2017	2018	2017
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	11,601	8,687	8,817	8,472
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	43,849	43,831	43,849	43,831
Effect of dilutive potential ordinary shares from TMB PSBP 2010 Scheme <i>(in million shares)</i>	3	22	3	22
Weighted average number of diluted ordinary shares outstanding <i>(in million shares)</i>	43,852	43,853	43,852	43,853
Diluted earnings per share <i>(in Baht)</i>	0.2646	0.1981	0.2011	0.1932

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46 Events after the reporting period

On 14 February 2019, 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 0.07 per share to the Bank's ordinary shareholders from its 2018 operating results for a total of Baht 3,070 million (Such dividend amount is calculated on the number of issued and paid-up share capital as at 31 December 2018 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.