

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

Financial statements for the year ended
31 December 2019
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 2019, 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 2019 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	
Refer to notes 3, 12 and 14.	
The key audit matter	How the matter was addressed in the audit
As at 31 December 2019, loans to customers recorded in the consolidated and the Bank only financial statements amounted to Baht 1,458.96 billion and Baht 671.66 billion (approximately 78.21% and 64.25% of total assets), against which allowances for doubtful accounts of Baht 44.54 billion and Baht 24.47 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 consideration 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	
Refer to note 3 and 6.	
The key audit matter	How the matter was addressed in the audit
As at 31 December 2019, financial assets measured at fair value in the consolidated and the Bank only financial statements amounted to Baht 174.58 billion and Baht 67.55 billion, respectively. Financial liabilities measured at fair value in the consolidated and the Bank only financial statements amounted to Baht 10.03 billion and Baht 7.70 billion, respectively. The entire amount is classified as “level 1” and “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 I valued a selection of the Group’s and the Bank’s debt securities and derivative positions and compared the valuation to the Group’s and the Bank’s valuation.

Acquisition of businesses	
Refer to Notes 3 (a) and 4 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
On 3 December 2019, the Group completed an acquisition of businesses resulting in the recording of goodwill of Baht 14,015 million in the consolidated statement of financial position as at 31 December 2019. The acquisition method of accounting for business combinations is complex, requiring the Group to determine the fair value of assets acquired and liabilities assumed, and consideration transferred at the acquisition date with any resulting differences recognised as goodwill. Due to the materiality of the transaction and the significant judgment and complexities involved in determining the fair value of assets acquired and liabilities assumed, I considered accounting for the acquisition of businesses as a key audit matter.	My audit procedures included the following: • Read the sale and purchase agreement, the share subscription agreement, regulatory approvals, minutes of board of directors’ meeting and minutes of shareholders’ meeting to understand key terms and conditions; • Evaluated the appropriateness of the identification of assets acquired and liabilities assumed at the acquisition date including understanding on the procedures of identification of fair value which was prepared by the management; • Evaluated the appropriateness of the identification of consideration transferred including understanding the analysis which was prepared by the management; • Evaluated the independence and competency of independent appraisers of the Group; • Evaluated significant assumptions underpinning the valuations of fair value with reference to internal and external information; • Involved my valuation specialist in evaluating methodologies and key assumptions of the valuations of fair value; • Evaluated the adequacy of the disclosures in accordance with the relevant Thai Financial Reporting Standards.

Estimation of the impact of TFRS 9	
Refer to Notes 49 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
The Group and the Bank are adopting TFRS 9 “Financial Instruments” from 1 January 2020. This new Financial Reporting Standard will affect the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting; such financial assets and liabilities comprise a substantial portion approximately 97% - 98% of the total assets and liabilities of the Group and of the Bank. Management have disclosed the estimation of the impact of TFRS 9, in particular the allowance for doubtful accounts on loans to customers which is based on expected credit losses, in note 49. Management’s estimation of the expected credit losses on loans measured at amortised cost is based on new and complex credit models which are dependent on significant management judgements and estimates including economic forward looking assumptions. For newly developed models, there is a large increase in the data inputs used to develop the models. Due to the significance of the financial assets and liabilities affected by this new Financial Reporting Standard and significant judgements and estimates made by management, I consider this a key audit matter.	In planning my audit procedures, I performed the risk assessment and the model scoping by considering the size, complexity and credit risk characteristic of each portfolio. I inspected of the Group and the Bank accounting policies to determine whether these have been set up in accordance with the requirements of TFRS 9, the relevant Bank of Thailand notification and guidance. My audit procedures included testing the design and operating effectiveness of selected controls over governance, model development and data including test in sampling basis of accuracy of data. Certain key technical decisions, assumptions and model methodologies were tested where appropriate, including involvement of my own credit risk specialists to inspect model documentation and model validation reports performed by experts engaged by the Group and the Bank’s management. I assessed the adequacy of the disclosure in accordance with relevant the TFRS and the Bank of Thailand notification and guidance.

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
20 February 2020

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

Assets	Note	Consolidated		Bank only	
		31 December		31 December	
		2019	2018	2019	2018
		(in thousand Baht)			
Cash		23,852,593	15,234,235	13,426,535	15,231,053
Interbank and money market items, net	8, 36.2	236,311,431	113,522,391	121,581,398	113,522,391
Derivative assets	9	10,399,080	7,916,452	7,394,611	7,916,452
Investments, net	10	166,264,819	73,476,647	60,507,036	73,476,629
Investments in subsidiaries and associate, net	11	8,953,266	4,577,259	168,062,145	221,942
Loans to customers and accrued interest receivables, net	12, 36.2				
Loans to customers		1,458,961,400	685,793,189	671,661,003	685,747,048
Accrued interest receivables		1,882,694	1,308,437	1,284,536	1,308,437
Total loans to customers and accrued interest receivables		1,460,844,094	687,101,626	672,945,539	687,055,485
Less deferred revenue		(66,736,455)	(86,234)	(58,031)	(86,234)
Less allowance for doubtful accounts	12.4, 14, 36.2	(44,538,479)	(31,975,862)	(24,470,200)	(31,947,442)
Less revaluation allowance for debt restructuring	12.7	(938,797)	(999,484)	(938,631)	(999,484)
Total loans to customers and accrued interest receivables, net		1,348,630,363	654,040,046	647,478,677	654,022,325
Properties for sale, net	15	4,809,518	2,613,771	2,738,073	2,613,771
Premises and equipment, net	16	23,642,382	11,876,263	13,116,145	11,876,236
Goodwill and other intangible assets, net	17	22,363,484	2,592,359	3,000,545	2,592,345
Deferred tax assets	18	1,495,622	400,882	2,331,399	1,245,983
Other receivables, net	19	4,968,981	1,251,198	1,640,390	1,220,229
Other assets, net	20, 36.2	6,498,736	4,211,807	4,065,994	4,212,122
Total assets		1,858,190,275	891,713,310	1,045,342,948	888,151,478

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	
		2019	2018	2019	2018
		(in thousand Baht)			
Liabilities					
Deposits	21, 36.2	1,398,111,964	649,568,443	663,558,564	649,574,715
Interbank and money market items	22, 36.2	86,625,985	64,266,589	72,750,828	64,266,589
Liabilities payable on demand		3,382,081	3,504,740	2,361,742	3,504,740
Financial liabilities designated at fair value through profit or loss	23	417,774	396,560	417,774	396,560
Derivative liabilities	9	9,719,225	7,327,950	7,330,647	7,327,950
Debts issued and borrowings, net	24, 36.2	108,835,439	35,124,014	77,353,190	35,124,014
Provisions for employee benefits	25	5,149,671	1,220,760	1,727,687	1,219,606
Provisions for other liabilities	26	1,855,094	630,217	659,369	630,061
Deferred tax liabilities	18	4,729,838	-	-	-
Deferred revenue	27	18,186,197	17,593,616	16,450,378	17,593,634
Other liabilities	28, 36.2, 36.4	26,365,526	13,301,508	11,617,999	13,271,849
Total liabilities		1,663,378,794	792,934,397	854,228,178	792,909,718
Equity					
Share capital					
Authorised share capital					
106,223,552,373 ordinary shares of Baht 0.95 each					
(31 December 2018: 44,108,738,479 ordinary shares of Baht 0.95 each)					
	31	100,912,375	41,903,302	100,912,375	41,903,302
Issued and paid-up share capital					
96,359,354,380 ordinary shares of Baht 0.95 each					
(31 December 2018: 43,851,893,110 ordinary shares of Baht 0.95 each)					
	31	91,541,387	41,659,299	91,541,387	41,659,299
Premium on share capital	31	43,217,044	403,596	43,217,044	403,596
Other reserves		6,041,580	4,810,560	6,008,916	4,810,560
Retained earnings					
Appropriated					
Legal reserve					
	32, 33	3,360,000	3,000,000	3,360,000	3,000,000
Unappropriated					
		50,616,859	48,905,458	46,987,423	45,368,305
Equity attributable to equity holders of the Bank		194,776,870	98,778,913	191,114,770	95,241,760
Non-controlling interest		34,611	-	-	-
Total equity		194,811,481	98,778,913	191,114,770	95,241,760
Total liabilities and equity		1,858,190,275	891,713,310	1,045,342,948	888,151,478

Mr. Piti Tantakasem
Chief Executive Officer

Mr. Ekniti Nitithanprapas
Chairman of the Board

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

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

	Note	Consolidated		Bank only	
		For the year ended		For the year ended	
		31 December		31 December	
		2019	2018	2019	2018
		<i>(in thousand Baht)</i>			
Interest income	36.1, 39	39,836,787	35,128,359	36,324,503	35,096,749
Interest expenses	36.1, 40	12,971,567	10,631,612	11,729,913	10,659,172
Net interest income		26,865,220	24,496,747	24,594,590	24,437,577
Fees and service income	36.1, 41	11,342,976	12,763,657	10,488,314	11,676,463
Fees and service expenses	36.1, 41	3,245,226	3,426,064	2,952,151	3,165,876
Net fees and service income		8,097,750	9,337,593	7,536,163	8,510,587
Gains on trading and foreign exchange transactions, net	42	1,527,702	1,528,793	1,488,881	1,528,793
Losses on financial liabilities designated at fair value through profit or loss, net	43	(22,070)	(10,862)	(22,070)	(10,862)
Gains on investments, net	44	1,956,192	11,963,440	1,949,787	7,992,485
Share of profit from investment using equity method		324,407	63,944	-	-
Other operating income	36.1	1,072,059	662,575	1,112,443	1,449,697
Total operating income		39,821,260	48,042,230	36,659,794	43,908,277
Other operating expenses					
Employee expenses	36.3, 36.4	9,628,586	8,198,289	8,790,859	7,991,436
Directors' remuneration	36.3	48,443	44,415	48,023	44,236
Premises and equipment expenses		3,597,892	3,430,873	3,387,948	3,383,822
Taxes and duties		1,357,633	1,263,576	1,299,987	1,262,435
Others	36.1, 45	6,041,818	4,537,510	5,477,074	4,388,382
Total other operating expenses		20,674,372	17,474,663	19,003,891	17,070,311
Impairment loss on loans and debt securities	36.1, 46	10,336,853	16,100,376	8,985,609	16,114,041
Profit from operations before income tax		8,810,035	14,467,191	8,670,294	10,723,925
Income tax	18	1,587,549	2,865,956	1,571,046	1,906,466
Profit for the year		7,222,486	11,601,235	7,099,248	8,817,459
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Gains (losses) on remeasuring available-for-sale investments		423,190	(79,978)	365,081	(79,740)
Losses arising from translating the financial statements of foreign operations		(41,422)	(10,128)	(41,422)	(10,128)
Income tax relating to items that will be reclassified subsequently to profit or loss	18	(76,354)	18,021	(64,732)	17,973
		305,414	(72,085)	258,927	(71,895)
Items that will not be reclassified subsequently to profit or loss					
Change in revaluation surplus on assets		1,338,233	(48,526)	1,338,233	(48,526)
Actuarial gains (losses) on post-employment benefit plan	25	(111,790)	79,137	(55,826)	85,956
Income tax relating to items that will not be reclassified subsequently to profit or loss	18	(245,288)	(6,122)	(256,482)	(7,486)
		981,155	24,489	1,025,925	29,944
Total other comprehensive income for the year, net of income tax		1,286,569	(47,596)	1,284,852	(41,951)
Total comprehensive income for the year		8,509,055	11,553,639	8,384,100	8,775,508

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>	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Profit attributable to:				
Equity holders of the Bank	7,222,478	11,601,235	7,099,248	8,817,459
Non-controlling interest	8	-	-	-
Profit for the year	7,222,486	11,601,235	7,099,248	8,817,459
Total comprehensive income attributable to:				
Equity holders of the Bank	8,509,047	11,553,639	8,384,100	8,775,508
Non-controlling interest	8	-	-	-
Total comprehensive income for the year	8,509,055	11,553,639	8,384,100	8,775,508
Earnings per share				
Basic earnings per share <i>(in Baht)</i>	0.1485	0.2646	0.1460	0.2011
Diluted earnings per share <i>(in Baht)</i>	0.1485	0.2646	0.1460	0.2011

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Mr. Piti Tantakasem
Chief Executive Officer

Mr. Ekniti Nitithanprapas
Chairman of the Board

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

TMB Bank Public Company Limited and its subsidiaries
Statements of changes in equity

Consolidated												
Other reserves								Retained earnings				
Note	Issued and paid-up share capital	Premium on share capital	Other reserve - share-based payments (Note 29)	Revaluation surplus on assets, net (Note 30)	Revaluation surplus on available-for-sale investments, net (Note 10.4)	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 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
Transactions with owners, recorded directly in equity												
Contributions by and distribution to owners of the bank												
Expenses in relation to share-based payments	29.1, 29.3	-	-	707	-	-	707	-	-	707	-	707
Issued ordinary shares to employees	29.3	11,433	25,151	(36,584)	-	-	(36,584)	-	-	-	-	-
Expenses in relation to issuance of ordinary shares to employees	29.3	-	(486)	-	-	-	-	-	-	(486)	-	(486)
Dividend paid	33	-	-	-	-	-	-	-	(2,630,494)	(2,630,494)	-	(2,630,494)
Total transactions with owners, recorded directly in equity	11,433	24,665	(35,877)	-	-	-	(35,877)	-	(2,630,494)	(2,630,273)	-	(2,630,273)
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
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
Year ended 31 December 2019												
Balance at 1 January 2019	41,659,299	403,596	-	4,828,409	(37,311)	19,462	4,810,560	3,000,000	48,905,458	98,778,913	-	98,778,913
Transactions with owners, recorded directly in equity												
Contributions by and distribution to owners of the bank												
Issue of ordinary shares	31	49,882,088	42,813,448	-	-	-	-	-	-	92,695,536	-	92,695,536
Dividend paid	33	-	-	-	-	-	-	-	(5,206,626)	(5,206,626)	-	(5,206,626)
Total contributions by and distribution to owners of the bank	49,882,088	42,813,448	-	-	-	-	-	-	(5,206,626)	87,488,910	-	87,488,910
Change in ownership interests in subsidiary												
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	-	-	-	34,603	34,603
Total change in ownership interests in subsidiary	-	-	-	-	-	-	-	-	-	-	34,603	34,603
Total transactions with owners, recorded directly in equity	49,882,088	42,813,448	-	-	-	-	-	-	(5,206,626)	87,488,910	34,603	87,523,513
Comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	7,222,478	7,222,478	8	7,222,486
Other comprehensive income	-	-	-	1,070,586	338,552	(33,137)	1,376,001	-	(89,432)	1,286,569	-	1,286,569
Total comprehensive income for the year	-	-	-	1,070,586	338,552	(33,137)	1,376,001	-	7,133,046	8,509,047	8	8,509,055
Transfer to legal reserve	-	-	-	-	-	-	-	360,000	(360,000)	-	-	-
Transfer to retained earnings	-	-	-	(144,981)	-	-	(144,981)	-	144,981	-	-	-
Balance at 31 December 2019	91,541,387	43,217,044	-	5,754,014	301,241	(13,675)	6,041,580	3,360,000	50,616,859	194,776,870	34,611	194,811,481

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 29)	Revaluation surplus on assets, net (Note 30)	Revaluation surplus on available-for-sale investments, net (Note 10.4)	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 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	39,422,615	89,096,525	
Transactions with owners, recorded directly in equity												
Contributions by and distribution to owners of the bank												
Expenses in relation to share-based payments		29.1, 29.3	-	-	707	-	-	-	707	-	-	707
Issued ordinary shares to employees		29.3	11,433	25,151	(36,584)	-	-	-	(36,584)	-	-	-
Expenses in relation to issuance of ordinary shares to employees		29.3	-	(486)	-	-	-	-	-	-	-	(486)
Dividend paid		33	-	-	-	-	-	-	-	(2,630,494)	(2,630,494)	
Total transactions with owners, recorded directly in equity			11,433	24,665	(35,877)	-	-	-	(35,877)	-	(2,630,494)	(2,630,273)
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)	-	68,764	(41,951)
Total comprehensive income for the year			-	-	-	(38,820)	(63,793)	(8,102)	(110,715)	-	8,886,223	8,775,508
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	45,368,305	95,241,760
Year ended 31 December 2019												
Balance at 1 January 2019			41,659,299	403,596	-	4,828,409	(37,311)	19,462	4,810,560	3,000,000	45,368,305	95,241,760
Transactions with owners, recorded directly in equity												
Contributions by and distribution to owners of the bank												
Issue of ordinary shares		31	49,882,088	42,813,448	-	-	-	-	-	-	-	92,695,536
Dividend paid		33	-	-	-	-	-	-	-	(5,206,626)	(5,206,626)	-
Total transactions with owners, recorded directly in equity			49,882,088	42,813,448	-	-	-	-	-	(5,206,626)	87,488,910	-
Comprehensive income for the year												
Profit for the year			-	-	-	-	-	-	-	7,099,248	7,099,248	-
Other comprehensive income			-	-	-	1,070,586	292,064	(33,137)	1,329,513	-	(44,661)	1,284,852
Total comprehensive income for the year			-	-	-	1,070,586	292,064	(33,137)	1,329,513	-	7,054,587	8,384,100
Transfer to legal reserve			-	-	-	-	-	-	-	360,000	(360,000)	-
Transfer to retained earnings			-	-	-	(131,157)	-	-	(131,157)	-	131,157	-
Balance at 31 December 2019			91,541,387	43,217,044	-	5,767,838	254,753	(13,675)	6,008,916	3,360,000	46,987,423	191,114,770

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	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit from operations before income tax	8,810,035	14,467,191	8,670,294	10,723,925
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>				
Depreciation and amortisation	1,729,516	1,425,419	1,576,892	1,417,228
Impairment loss on loans and debt securities	10,336,853	16,100,376	8,985,609	16,114,041
Impairment loss on premises and equipment (reversal of)	(68,020)	9,572	(68,020)	9,572
Impairment loss on properties for sale and other assets	578,615	124,509	587,857	124,497
Provisions for employee benefits and other liabilities	661,215	156,565	576,987	158,618
Impairment losses on investment (reversal of)	-	1,263	-	(28,390)
Losses (gains) on revaluation of trading investments	(4,624)	1,569	(2,900)	1,569
Losses on written-off of intangible assets	14,457	-	14,457	-
Gains on disposal of premises and equipment	(79,811)	(17,238)	(79,957)	(17,209)
Gains on disposal of investments	(1,956,192)	(113,108)	(1,949,787)	(112,897)
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	22,070	10,862	22,070	10,862
Unrealised losses (gains) on exchange on derivatives	525,832	(471,317)	532,941	(471,317)
Unrealised gains on exchange on debentures and long-term borrowings	(815,119)	(74,106)	(815,119)	(74,106)
Expenses in relation to share-based payments	-	707	-	707
Share of profit from investments accounted for using the equity method	(324,407)	(63,944)	-	-
Deferred revenue	(1,939,836)	(1,309,599)	(1,939,492)	(1,309,599)
Net interest income	(26,865,220)	(24,496,747)	(24,594,590)	(24,437,577)
Dividend income	(260,635)	(18,563)	(165,510)	(818,563)
Interest received	38,639,377	33,593,350	35,016,423	33,560,218
Interest paid	(11,078,110)	(9,338,927)	(9,954,122)	(9,366,810)
Income tax paid	(2,792,247)	(1,288,316)	(2,770,286)	(1,170,218)
Profit from operations before changes in operating assets and liabilities	15,133,749	16,847,923	13,643,747	16,463,353
<i>Decrease (increase) in operating assets</i>				
Interbank and money market items	42,463,974	(5,031,505)	(8,036,213)	(2,290,223)
Trading investments	(3,999,183)	(674,300)	(3,572,630)	(674,300)
Loans to customers	(9,525,419)	(50,469,452)	(2,518,524)	(50,465,397)
Properties for sale	778,007	(209,272)	14,418	(209,272)
Other receivables	(158,550)	358,410	(158,536)	391,494
Other accrued income	(154,753)	249,383	(8,158)	286,835
Other assets	(220,193)	(313,598)	(593,634)	(319,666)
<i>Increase (decrease) in operating liabilities</i>				
Deposits	5,193,189	38,072,664	13,966,878	38,069,993
Interbank and money market items	(26,658,812)	3,917,491	8,484,239	3,917,491
Liabilities payable on demand	(1,857,380)	(160,184)	(1,142,998)	(160,184)
Financial liabilities designated at fair value through profit or loss	(856)	-	(856)	-
Provision for employee benefits	(100,166)	(246,061)	(100,166)	(246,061)
Provisions for other liabilities	(1,645,954)	(51,090)	(1,645,954)	(51,090)
Account payables	(959,946)	182,982	(953,649)	174,698
Other accrued expenses	152,405	(214,261)	116,917	(128,879)
Other liabilities	1,069,444	(2,093,982)	744,166	(2,258,545)
Net cash provided by operating activities	19,509,556	165,148	18,239,047	2,500,247

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	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>				
Interest received	1,228,474	1,373,467	1,134,898	1,369,051
Dividend received	405,345	18,563	165,510	818,563
Purchase of available-for-sale investments	(78,464,603)	(80,860,373)	(68,206,579)	(80,860,373)
Proceeds from sales of available-for-sale investments	111,714,424	76,804,891	98,030,534	73,679,531
Purchase of held to maturity debt securities	(18,617,054)	(12,899,503)	(18,455,734)	(12,899,503)
Proceeds from redemption of matured held to maturity debt securities	7,716,086	5,285,578	7,716,086	5,285,578
Purchase of general investments	(34,175)	-	(34,175)	-
Proceeds from sales of general investments	78,535	102,292	78,535	102,292
Purchase of investments in subsidiaries	(167,070,371)	-	(167,070,371)	(25,000)
Proceeds from reduction and sales of investment in a subsidiary	-	11,437,527	-	11,437,527
Purchase of premises and equipment	(1,249,684)	(1,068,129)	(1,057,873)	(1,059,435)
Purchase of leasehold rights	(3,480)	(4,782)	(3,480)	(4,782)
Purchase of intangible assets	(1,167,544)	(1,019,035)	(1,042,812)	(1,005,315)
Proceeds from disposals of premises and equipment	206,749	141,311	206,222	135,579
Net cash used in investing activities	(145,257,298)	(688,193)	(148,539,239)	(3,026,287)
<i>Cash flows from financing activities</i>				
Proceeds from long-term borrowings	20,000	-	20,000	-
Repayments of long-term borrowings	(13,559)	(12,679)	(13,559)	(12,679)
Interest paid on long-term debts issued and borrowings	(1,850,208)	(1,319,889)	(1,850,208)	(1,319,889)
Cash receipts on debenture issued	59,660,509	4,868,100	59,660,509	4,868,100
Cash paid for redemption of debenture	(19,622,490)	(3,008,880)	(16,622,490)	(3,008,880)
Increase in issued and fully paid-up - ordinary shares	92,549,470	-	92,549,470	-
Expenses in relation to issuance of ordinary shares to employees	-	(486)	-	(486)
Dividend paid to equity holders of the Bank	(5,206,626)	(2,630,494)	(5,206,626)	(2,630,494)
Net cash provided by (used in) financing activities	125,537,096	(2,104,328)	128,537,096	(2,104,328)
Change in translation adjustments of foreign operations	(41,422)	(10,128)	(41,422)	(10,128)
Net decrease in cash	(252,068)	(2,637,501)	(1,804,518)	(2,640,496)
Cash at 1 January / 4 December for a subsidiary acquisition through business combination	24,104,661	17,871,736	15,231,053	17,871,549
Cash at 31 December	23,852,593	15,234,235	13,426,535	15,231,053
Supplementary disclosures of cash flow information				
Non-cash transactions:				
Issuance of ordinary shares to employees	-	36,584	-	36,584

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 2019

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TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

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 20 February 2020

1 General information

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

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

The principal business of the Bank is operating commercial banking businesses. The subsidiaries are incorporated as limited company under Thai laws and has been operating in Thailand, with its core business being commercial banking and provision of asset management. Details of the Bank’s subsidiaries and associates as at 31 December 2019 and 2018 are given in note 11.

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; 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 primary change is that the Bank and its subsidiaries have initially adopted TFRS 15 Revenue from Contracts with Customers (“*TFRS 15*”), which replaced TAS 18 Revenue (“*TAS 18*”) and related interpretations.

Under TFRS 15, the Bank and its subsidiaries recognise revenue when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Bank and its subsidiaries expect to be entitled to. In addition, judgement is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time. Whereas, under TAS 18, the Bank and its subsidiaries recognise revenue from sale of goods when the significant risks and rewards of ownership of the goods have been transferred to the buyer, and recognise revenue from rendering of services by reference to the stage of completion of the transaction at the end of the reporting period. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due. Such change in accounting policy has no material impacts on the financial statements.

In addition, the Bank and its subsidiaries have not early adopted a number of new and revised TFRSs which are not yet effective for current period in preparing these financial statements before the effective date. Those new and revised TFRSs that are relevant to the Bank and its subsidiaries’ operations are disclosed in note 49.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

(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.

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

- | | |
|---------|----------------------------------|
| Note 9 | Derivatives |
| Note 14 | Allowance for 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 Group's applies the acquisition method for all business combinations when control is transferred to the Group, as described in subsidiaries section, other than those with entities under common control.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2019

The Group's control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The 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 Group to the previous owners of the acquiree, and equity interests issued by the Group. 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 Group incur in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

Acquisitions from entities under common control

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

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

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Group 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 Group measure any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

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

Loss of control

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

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 difference 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.

Foreign operations

The assets and liabilities of foreign operation 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.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2019

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

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

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

(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).

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.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2019

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.

Hire purchase receivables and financial lease receivables are stated at the contract value of the hire purchase and financial lease net of unearned income, which is presented after netting commission expenses and initial direct cost on the inception of the contracts.

(g) Bill purchased, trade finance and factoring

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

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

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

(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.

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

(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.

The Bank and its subsidiaries used the effective interest rates under the original loan agreements or market rates at the restructuring dates as the discount rates to determine the present value of the future cash flows expected to be collected from the debtor.

(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.

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

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

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

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

- (1) When an asset's carrying amount is increased as a result of a revaluation of the assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in other reserve under the heading of "Revaluation surplus on assets". However, if the asset is previously devalued and the Bank and its subsidiaries used to recognise such revaluation decrease as an expense in profit or loss, a revaluation increase from this revaluation is then recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.

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- (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.

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 - 20 years
Equipment	3 - 10 years

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

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

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

(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 4 (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.

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

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 of computer software and car dealer relationship for the current and comparative years are 3 - 14 years.

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

(o) Impairment

The carrying amounts of the 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. Goodwill is allocated to the cash-generating unit expected to benefit from the synergies of the acquisitions. For annual impairment assessment purposes, the recoverable amount of the cash-generating unit is based on their value-in-use.

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.

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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.

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 Group record 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.

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

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Defined benefit plans

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

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

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

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

Share-based payments

The cost of the TMB 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 and its subsidiaries’ management best estimate of number or ordinary shares that will ultimately vest, is recognised for the share-based payment plan at each reporting period-end until the vesting date. The 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 year.

(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 and its subsidiaries provide provisions for those off-balance sheet items having credit risk exposures, such as loan guarantees, avals or commitments irrevocable by financial institutions, or obligation according to letter of guarantee of which the Bank and its subsidiaries were claimed against, using the same criteria and methods applied to allowance for doubtful accounts that are described in note 3 (h).

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(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.

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.

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

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

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

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

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

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

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

(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.

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(x) Related parties

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

(y) 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.

(z) Offsetting

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

4. Acquisition of subsidiary

(a) Acquisition of a subsidiary

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

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

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

On 3 December 2019, the Bank has acquired an aggregate of 6,062,438,397 shares, accounting for 99.96% of the total outstanding shares in TBANK, from TCAP and BNS and paid on an initial amount of Baht 167,044 million. As a result, TBANK is currently a subsidiary of the Bank. The final price, estimated to be Baht 167,813 million, would be concluded after the acquisition date. As disclosed in note 48, the final price was concluded on 20th February 2020.

The merger was congruent with the Bank's business plan to expand its lending business and enhance its competitiveness by integrating with another commercial bank with growth potential, quality assets and strong capital base to increase business competitiveness in a long term.

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If the acquisition had occurred on 1 January 2019, management estimates that consolidated profit for the year would have increased by approximately Baht 10,000 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019. The consolidated profit is estimated by not include profit or loss which is relevant to business restructuring of acquired subsidiary.

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

	<i>Note</i>	Fair value <i>(in million Baht)</i>
Cash		8,870
Interbank and money market items, net		165,209
Derivative assets		3,122
Investment, net		108,490
Loans to customers and accrued interest receivables, net		696,443
Properties for sale, net	15	2,111
Investment in associate		6,300
Land, premises, and equipment, net	16	10,402
Intangible assets, net	17	5,247
Other assets, net		3,743
Deposits		(743,345)
Interbank and money market items		(49,018)
Liabilities payable on demand		(1,735)
Derivative liabilities		(2,513)
Debt issued and borrowings, net		(34,439)
Provisions for employee benefits	25	(3,347)
Provisions for other liabilities	26	(1,139)
Deferred tax liabilities	18	(4,969)
Other liabilities		(15,573)
Net identifiable assets acquired and liabilities assumed		153,859
Non-controlling interest		(61)
Net identifiable assets acquired and liabilities assumed		153,798
Goodwill	17	14,015
Total consideration		167,813

5 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 Oversight Committee (ROC), 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 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 dedicated risk management related functions are under the stewardship of the Chief Risk Officer (CRO) 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.

5.1 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 Credit Risk Policy 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 Credit Risk Policy. 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.

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

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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 Compliance 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.

5.2 Market risk

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

The Bank has established various market risk policies, which set standards and guidelines for market risk management. The senior management risk committee holds the responsibility to assist the BOD and the ROC to ensure that bank-wide market risk management complies with the relevant risk policies and defined levels of risk appetite. The Bank 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 policies for trading book to ensure the proper management of market risks in the trading book as well as impose limits to control the risks to be within the Bank'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 policies for banking book, which outlines the approach for managing market risks in the banking book and setting the relevant limits appropriate to the positions of the risks in the book and in line with the Bank'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.

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.

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As at 31 December 2019 and 2018, financial assets and liabilities classified by types of interest rates were as follows:

	Consolidated 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	23,853	23,853
Interbank and money market items net of deferred revenue	48,114	178,769	9,564	236,447
Investments, net	10,145	154,372	1,748	166,265
Investment in subsidiaries and associate, net	-	-	8,953	8,953
Loans to customers net of deferred revenue	663,318	718,309	10,598	1,392,225
Other financial assets	667	-	9,303	9,970
Total financial assets	722,244	1,051,450	64,019	1,837,713
<i>Financial liabilities</i>				
Deposits	948,771	414,242	35,099	1,398,112
Interbank and money market items	37,096	46,738	2,792	86,626
Liabilities payable on demand	-	-	3,382	3,382
Financial liabilities designated at fair value through profit or loss	299	-	-	299
Debts issued and borrowings	4,527	104,290	18	108,835
Other financial liabilities	2,100	-	24,057	26,157
Total financial liabilities	992,793	565,270	65,348	1,623,411
	Consolidated 2018			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
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
<i>Financial liabilities</i>				
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

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	Bank only 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	13,427	13,427
Interbank and money market items net of deferred revenue	45,644	68,410	7,540	121,594
Investments, net	10,145	50,098	264	60,507
Investment in subsidiaries and associate, net	-	-	168,062	168,062
Loans to customers net of deferred revenue	470,745	190,702	10,156	671,603
Other financial assets	457	-	4,143	4,600
Total financial assets	526,991	309,210	203,592	1,039,793
<i>Financial liabilities</i>				
Deposits	572,216	62,542	28,801	663,559
Interbank and money market items	6,087	65,472	1,192	72,751
Liabilities payable on demand	-	-	2,362	2,362
Financial liabilities designated at fair value through profit or loss	299	-	-	299
Debts issued and borrowings	4,523	72,812	18	77,353
Other financial liabilities	1,468	-	10,055	11,523
Total financial liabilities	584,593	200,826	42,428	827,847
	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

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As at 31 December 2019 and 2018, significant financial assets and liabilities classified by interest repricing periods were as follows:

	Consolidated 2019					
	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	-	-	-	-	23,853	23,853
Interbank and money market items net of deferred revenue	226,471	412	-	-	9,564	236,447
Investments, net	49,914	53,009	61,594	-	1,748	166,265
Investments in subsidiaries and associate, net	-	-	-	-	8,953	8,953
Loans to customers net of deferred revenue	723,476	99,134	521,595	37,746	10,274	1,392,225
Other financial assets	667	-	-	-	9,303	9,970
Total financial assets	1,000,528	152,555	583,189	37,746	63,695	1,837,713
Financial liabilities						
Deposits	1,067,985	278,363	16,665	-	35,099	1,398,112
Interbank and money market items	75,065	7,139	1,630	-	2,792	86,626
Liabilities payable on demand	-	-	-	-	3,382	3,382
Financial liabilities designated at fair value through profit or loss	299	-	-	-	-	299
Debts issued and borrowings	10	34,007	74,800	-	18	108,835
Other financial liabilities	2,100	-	-	-	24,057	26,157
Total financial liabilities	1,145,459	319,509	93,095	-	65,348	1,623,411
	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

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	Bank only 2019					
	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	-	-	-	-	13,427	13,427
Interbank and money market items net of deferred revenue	113,643	411	-	-	7,540	121,594
Investments, net	34,532	8,778	16,933	-	264	60,507
Investments in subsidiaries and associate, net	-	-	-	-	168,062	168,062
Loans to customers net of deferred revenue	502,396	82,565	58,336	18,150	10,156	671,603
Other financial assets	457	-	-	-	4,143	4,600
Total financial assets	651,028	91,754	75,269	18,150	203,592	1,039,793

Financial liabilities						
Deposits	597,800	33,026	3,932	-	28,801	663,559
Interbank and money market items	37,484	33,779	296	-	1,192	72,751
Liabilities payable on demand	-	-	-	-	2,362	2,362
Financial liabilities designated at fair value through profit or loss	299	-	-	-	-	299
Debts issued and borrowings	5	9,588	67,742	-	18	77,353
Other financial liabilities	1,468	-	-	-	10,055	11,523
Total financial liabilities	637,056	76,393	71,970	-	42,428	827,847

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

	Consolidated					
	2019		Average interest rate (% per annum)	2018		Average interest rate (% per annum)
	Average balance (in million Baht)	Interest ⁽¹⁾		Average balance (in million Baht)	Interest ⁽¹⁾	
<i>Interest-bearing financial assets</i>						
Interbank and money market items	109,798	1,965	1.79	106,831	1,761	1.65
Investments and trading transactions and investments in debt securities	86,209	1,686	1.96	62,744	1,275	2.03
Loans to customers net from deferred revenue included hire purchase and finance leases	739,604	36,156	4.89	649,104	32,082	4.94
Total	935,611	39,807		818,679	35,118	
<i>Interest-bearing financial liabilities</i>						
Deposits	685,775	10,255	1.50	605,191	8,589	1.42
Interbank and money market items	51,030	781	1.53	47,737	686	1.44
Debts issued and borrowings	48,519	1,934	3.99	31,617	1,295	4.10
Total	785,324	12,970		684,545	10,570	

⁽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

	Bank only					
	2019		Average interest rate (% per annum)	2018		Average interest rate (% per annum)
	Average balance (in million Baht)	Interest ⁽¹⁾		Average balance (in million Baht)	Interest ⁽¹⁾	
<i>Interest-bearing financial assets</i>						
Interbank and money market items	100,396	1,807	1.80	106,193	1,752	1.65
Investments and trading transactions and investments in debt securities	77,587	1,518	1.96	62,484	1,271	2.03
Loans to customers net from deferred revenue	679,551	32,970	4.85	649,058	32,064	4.94
Total	857,534	36,295		817,735	35,087	
<i>Interest-bearing financial liabilities</i>						
Deposits	625,103	9,096	1.46	606,548	8,617	1.42
Interbank and money market items	50,007	779	1.56	47,737	686	1.44
Debts issued and borrowings	45,896	1,853	4.04	31,617	1,295	4.10
Total	721,006	11,728		685,902	10,598	

⁽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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(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 2019 and 2018, the Bank and its subsidiaries' net foreign currency positions categorised by major foreign currencies were as follows:

	Consolidated					
	2019			2018		
	USD	Euro (*)	Other currencies (*)	USD	Euro (*)	Other currencies (*)
	<i>(in USD million)</i>					
Spot	93	(572)	49	(29)	5	15
Forward	(105)	571	(46)	4	(7)	(16)
Net position	(12)	(1)	3	(25)	(2)	(1)

	Bank only					
	2019			2018		
	USD	Euro (*)	Other currencies (*)	USD	Euro (*)	Other currencies (*)
	<i>(in USD million)</i>					
Spot	(425)	(573)	20	(29)	5	15
Forward	405	571	(19)	4	(7)	(16)
Net position	(20)	(2)	1	(25)	(2)	(1)

(*) 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.

The equity portfolio of the Bank is managed by specific units depending on the strategy, the types of business of the issuers of underlying securities, and the objectives for holding such equities. The equity investment management is under the supervision of the Asset and Liability Management Committee (ALCO) and/or the Chief Executive Committee (CEC) and/or Investment Portfolio Committee. 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 fundamental value, dividend yield and market risk. 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.

5.3 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.

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

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

In order to manage liquidity, the Bank continually monitors its funding sources and access to capital markets. The Bank recognises 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 2019, the Bank Loans to Deposits Ratio (excluding loans and deposits from financial institutions) was 101.21% (*31 December 2018: 105.56%*).

The Bank will disclose Liquidity Coverage Ratio (LCR) information on the Bank's website (www.tmbbank.com/ir/capital_funds/basel3) within April 2020.

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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 2019 and 2018 were summarised as follows:

	At call ⁽¹⁾	Within 1 year	Consolidated 2019 Over 1 year No maturity (in million Baht)	Total
Financial assets				
Cash	23,853	-	-	23,853
Interbank and money market items net of deferred revenue	20,608	215,193	646	236,447
Investments, net				
Trading securities and general investments	-	4,830	1,746	7,189
Available-for-sale securities	5	85,002	72,257	158,394
Held-to-maturity debt securities	-	77	605	682
Investments in subsidiaries and associate, net	-	-	-	8,953 ⁽²⁾
Loans to customers net of deferred revenue	130,713	406,737	817,029	1,392,225
Other financial assets	1,134	2,638	140	9,970
Total financial assets	176,313	714,477	892,423	1,837,713
Financial liabilities				
Deposits	979,481	399,725	18,906	1,398,112
Interbank and money market items	39,888	45,109	1,629	86,626
Liabilities payable on demand	3,382	-	-	3,382
Financial liabilities designated at fair value through profit or loss	-	-	299	299
Debts issued and borrowings	10	29,488	79,337	108,835
Other financial liabilities	785	3,381	347	26,157
Total financial liabilities	1,023,546	477,703	100,518	1,623,411
Net liquidity gap	(847,233)	236,774	791,905	214,302

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	At call ⁽¹⁾	Within 1 year	Consolidated 2018 Over 1 year No maturity (in million Baht)	Total
<i>Financial assets</i>				
Cash	15,234	-	-	15,234
Interbank and money market items net of deferred revenue	8,403	104,807	348	113,558
Investments, net				
Trading securities and general investments	-	4	1,289	1,528
Available-for-sale securities	-	20,156	20,672	40,830
Held-to-maturity debt securities	-	6,516	24,603	31,119
Investments in subsidiaries and associate, net	-	-	-	4,577 ⁽²⁾
Loans to customers net of deferred revenue	122,537	228,218	313,232	685,707
Other financial assets	1,503	479	212	4,470
Total financial assets	147,677	360,180	360,356	897,023
<i>Financial liabilities</i>				
Deposits	574,593	70,716	4,259	649,568
Interbank and money market items	6,780	57,006	481	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	15,012	20,107	35,124
Other financial liabilities	2,174	1,975	459	13,228
Total financial liabilities	587,057	144,709	25,604	765,990
Net liquidity gap	(439,380)	215,471	334,752	131,033

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	At call ⁽¹⁾	Within 1 year	Bank only 2019 Over 1 year No maturity (in million Baht)	Total
<i>Financial assets</i>				
Cash	13,427	-	-	13,427
Interbank and money market items net of deferred revenue	15,414	105,534	646	121,594
Investments, net				
Trading securities and general investments	-	3,122	1,746	5,130
Available-for-sale securities	-	32,448	22,927	55,377
Held-to-maturity debt securities	-	-	-	-
Investments in subsidiaries and associate, net	-	-	-	168,062 ⁽²⁾
Loans to customers net of deferred revenue	112,030	222,589	318,834	671,603
Other financial assets	648	355	139	4,600
Total financial assets	141,519	364,048	344,292	1,039,793
<i>Financial liabilities</i>				
Deposits	601,085	58,504	3,970	663,559
Interbank and money market items	7,279	65,176	296	72,751
Liabilities payable on demand	2,362	-	-	2,362
Financial liabilities designated at fair value through profit or loss	-	-	299	299
Debts issued and borrowings	5	5,069	72,279	77,353
Other financial liabilities	577	2,384	346	11,523
Total financial liabilities	611,308	131,133	77,190	827,847
Net liquidity gap	(469,789)	232,915	267,102	211,946

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	At call ⁽¹⁾	Within 1 year	Bank only 2018 Over 1 year No maturity (in million Baht)	Total
<i>Financial assets</i>				
Cash	15,231	-	-	15,231
Interbank and money market items net of deferred revenue	8,403	104,807	348	113,558
Investments, net				
Trading securities and general investments	-	4	1,289	1,528
Available-for-sale securities	-	20,156	20,672	40,830
Held-to-maturity debt securities	-	6,516	24,603	31,119
Investments in subsidiaries and associate, net	-	-	-	222 ⁽²⁾
Loans to customers net of deferred revenue	122,537	228,218	313,232	685,661
Other financial assets	1,503	479	212	4,440
Total financial assets	147,674	360,180	360,356	892,589
<i>Financial liabilities</i>				
Deposits	574,600	70,716	4,259	649,575
Interbank and money market items	6,780	57,006	481	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	15,012	20,107	35,124
Other financial liabilities	2,174	1,975	459	13,199
Total financial liabilities	587,064	144,709	25,604	765,968
Net liquidity gap	(439,390)	215,471	334,752	126,621

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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6 Fair value of assets and liabilities

6.1 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 2019 and 2018 were as follows:

	Consolidated			
	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
Financial assets				
Derivatives assets	10,399	10,344	7,917	7,937
Investments, net	166,265	166,659	73,477	73,784
Loans to customers and accrued interest receivable, net	1,348,630	1,349,300	654,040	654,040
Total financial assets	1,525,294	1,526,303	735,434	735,761
Financial liabilities				
Deposits	1,398,112	1,398,015	649,568	649,586
Derivatives liabilities	9,719	9,790	7,328	7,677
Debts issued and borrowings	108,835	111,803	35,124	35,005
Total financial liabilities	1,516,666	1,519,608	692,020	692,268
	Bank only			
	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
Financial assets				
Derivatives assets	7,395	7,346	7,917	7,937
Investments, net	60,507	60,828	73,477	73,784
Loans to customers and accrued interest receivable, net	647,479	647,355	654,023	654,023
Total financial assets	715,381	715,529	735,417	735,744
Financial liabilities				
Deposits	663,559	663,569	649,575	649,592
Derivatives liabilities	7,331	7,410	7,328	7,677
Debts issued and borrowings	77,353	80,329	35,124	35,005
Total financial liabilities	748,243	751,308	692,027	692,274

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 common valuation techniques such as the market approach, cost approach or income approach, as well as book value or adjusted book value.

- Loans to customers and accrued interest receivable, net:

The fair value is based on the carrying value of loans to customers and accrued interest receivable net of deferred revenue, revaluation allowance for debt restructuring and allowance for doubtful accounts except for the fair value of fixed rate hire purchase and staff loans which is calculated based on the present value of future cash flow of principal and interest, discounted at interest rate currently being offered on such loans net of deferred revenue, revaluation allowance for debt restructuring and allowance for doubtful accounts.

- Other financial assets:

The fair value is approximated based on its carrying value.

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

The fair value is approximated based on the carrying 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 and its subsidiaries use the market value as the fair value of derivatives. For simple over-the-counter derivative, fair values are based on inputs which are observable from independent and reliable market data sources, mainly based on exchange-traded prices, broker/dealer quotations, or counterparties' quotations. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of over-the-counter derivative reflect the credit risk of the instrument and include adjustments to take account of the 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 2019 and 2018.

6.1.1 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			
	Level 1	Level 2	Level 3	Total
		(in million Baht)		
31 December 2019				
Financial assets				
Derivatives (trading book)				
- Foreign currency related	-	5,085	-	5,085
- Interest rate related	-	4,529	-	4,529
Investments				
- Trading investments	-	6,576	-	6,576
- Available-for-sale investments	1,127	157,267	-	158,394
Financial liabilities				
Financial liabilities designated at fair value through profit or loss	-	418	-	418
Derivatives (trading book)				
- Foreign currency related	-	5,255	-	5,255
- Interest rate related	-	4,361	-	4,361
31 December 2018				
Financial assets				
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
Financial liabilities				
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

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

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6.1.2 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	Level 1	Consolidated Fair value		Total
			Level 2	Level 3	
			<i>(in million Baht)</i>		
31 December 2019					
<i>Financial assets</i>					
Derivatives (banking book)	785	-	730	-	730
Investments					
- Held-to-maturity debt securities	682	-	740	-	740
- General investments	613	-	-	949	949
Loans to customers and accrued interest receivable, net;	1,348,630	-	951,443	397,857	1,349,300
<i>Financial liabilities</i>					
Deposits	1,398,112	-	1,398,015	-	1,398,015
Derivatives (banking book)	103	-	174	-	174
Debts issued and borrowings	108,835	-	111,803	-	111,803
31 December 2018					
<i>Financial assets</i>					
Derivatives (banking book)	1	-	21	-	21
Investments					
- Held-to-maturity debt securities	31,119	-	31,143	-	31,143
- General investments	235	-	-	518	518
Loans to customers and accrued interest receivable, net	654,040	-	654,040	-	654,040
<i>Financial liabilities</i>					
Deposits	649,568	-	649,586	-	649,586
Derivatives (banking book)	5	-	354	-	354
Debts issued and borrowings	35,124	-	35,005	-	35,005

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	Carrying value	Level 1	Bank only Fair value		Total
			Level 2	Level 3	
			(in million Baht)		
31 December 2019					
Financial assets					
Derivatives (banking book)	86	-	37	-	37
Investments					
- General investments	262	-	-	583	583
Loans to customers and accrued interest receivable, net	647,479	-	647,355	-	647,355
Financial liabilities					
Deposits	663,559	-	663,569	-	663,569
Derivatives (banking book)	50	-	129	-	129
Debts issued and borrowings	77,353	-	80,329	-	80,329
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
Loans to customers and accrued interest receivable, net	654,023	-	654,023	-	654,023
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

6.2 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.

	Carrying value	Level 1	Consolidated Fair value		Total
			Level 2	Level 3	
31 December 2019			(in million Baht)		
Non-financial assets					
Premises, net	20,415	-	-	20,415	20,415
31 December 2018					
Non-financial assets					
Premises, net	9,679	-	-	9,679	9,679

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	Carrying value	Level 1	Bank only Fair value		Total
			Level 2	Level 3	
			<i>(in million Baht)</i>		
31 December 2019					
Non-financial assets					
Premises, net	11,009	-	-	11,009	11,009
31 December 2018					
Non-financial assets					
Premises, net	9,679	-	-	9,679	9,679

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 and its subsidiaries' 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.

Level 3 fair value

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

	Consolidated	
	2019	2018
	<i>(in million Baht)</i>	
Beginning balance	9,679	9,983
Acquisition through business combination	9,431	-
Acquisitions	709	551
Incremental revaluation	1,382	-
Disposals/written-off/transfers out	(535)	(555)
Depreciation	(322)	(298)
Reversal (loss) on impairment during the year	71	(2)
Ending balance	20,415	9,679

	Bank only	
	2019	2018
	<i>(in million Baht)</i>	
Beginning balance	9,679	9,983
Acquisitions	709	551
Incremental revaluation	1,382	-
Disposals/written-off/transfers out	(535)	(555)
Depreciation	(297)	(298)
Reversal (loss) on impairment during the year	71	(2)
Ending balance	11,009	9,679

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7 Maintenance of capital fund

The Bank and its subsidiaries maintain its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 8 May 2015, the Bank and its subsidiaries are required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2019 and 2018, the consolidated supervision and the Bank only's total capital funds could be catagorised as follows:

	Consolidated supervision	
	2019	2018
	<i>(in million Baht)</i>	
<i>Tier 1 Capital</i>		
Common Equity Tier 1 Capital (CET1)		
Paid-up share capital	91,541	41,659
Share premium	43,217	404
Legal reserve	3,360	3,000
Net profits after appropriation	47,299	40,841
Other comprehensive income	5,764	4,650
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that is countable as Common Equity Tier 1 Capital of consolidated financial institutions	15	-
Capital adjustment items on CET1	(61)	(57)
Capital deduction items on CET1	(25,342)	(4,196)
Total Common Equity Tier 1 Capital	165,793	86,301
Addition Tier 1 Capital		
Subordinated debentures classified as additional Tier 1 Capital	12,089	-
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that is countable as Tier 1 of financial instruments of consolidated financial institutions	2	-
Total Tier 1 Capital	177,884	86,301
<i>Tier 2 Capital</i>		
Allowance for classified assets of “pass” category	10,214	3,665
Subordinated debentures classified as additional Tier 2 Capital	42,430	20,430
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that is countable as Tier 2 of consolidated financial institutions	3	-
Total Tier 2 Capital	52,647	24,095
Total Capital funds	230,531	110,396
Total Risk-Weighted Assets	1,216,836	637,628

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	The BoT's regulation minimum requirement*	2019	The BoT's regulation minimum requirement* (%)	2018
Capital Adequacy Ratio/Total Risk-Weighted Asset	11.0	18.95	10.375	17.31
Tier 1 Capital Ratio/Total Risk-Weighted Asset	8.5	14.62	7.875	13.53
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.0	13.62	6.375	13.53
			Bank only	
		2019		2018
			(in million Baht)	
Tier 1 capital				
Common Equity Tier 1 capital (CET1)				
Paid-up share capital		91,541		41,659
Share premium		43,217		404
Legal reserve		3,360		3,000
Net profits after appropriation		43,612		40,514
Other comprehensive income		5,776		4,650
Capital adjustment items on CET1		(61)		(57)
Capital deduction items on CET1		(6,834)		(5,041)
Total Common Equity Tier 1 Capital		180,611		85,129
Addition Tier 1 Capital				
Subordinated debentures classified as additional Tier 1 Capital		12,089		-
Total Tier 1 Capital		192,700		85,129
Tier 2 capital				
Allowance for classified assets of “pass” category		3,698		3,665
Subordinated debentures classified as additional Tier 2 Capital		35,430		20,430
Total Tier 2 Capital		39,128		24,095
Total Capital funds		231,828		109,224
Total Risk-Weighted Assets		779,168		625,456

	The BoT's regulation minimum requirement*	2019	The BoT's regulation minimum requirement* (%)	2018
Capital Adequacy Ratio/Total Risk-Weighted Asset	11.0	29.75	10.375	17.46
Tier 1 Capital Ratio/Total Risk-Weighted Asset	8.5	24.73	7.875	13.61
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.0	23.18	6.375	13.61

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

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As at 31 December 2019 and 2018, the Bank and its subsidiaries have no add-on arising from Single Lending Limit.

The Bank will disclose capital adequacy information for the Bank and the full consolidated financial institutions as at 31 December 2019 through the Bank's website at www.tmbbank.com/ir/capital_funds/basel3 within April 2020.

Capital management

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

8 Interbank and money market items, net (assets)

	Consolidated					
	At call	2019 Term	Total	At call	2018 Term	Total
			(in million Baht)			
Domestic						
Bank of Thailand and Financial Institutions Development Fund	7,499	85,896	93,395	5,749	62,024	67,773
Commercial banks	492	71,387	71,879	-	17,315	17,315
Specialised financial institutions	1	32,698	32,699	-	5,740	5,740
Other financial institutions	700	24,772	25,472	1	14,615	14,616
Total	8,692	214,753	223,445	5,750	99,694	105,444
Add accrued interest receivable	-	57	57	-	52	52
Less allowance for doubtful accounts	(7)	(180)	(187)	-	(73)	(73)
Total domestic, net	8,685	214,630	223,315	5,750	99,673	105,423
Foreign						
US Dollar	10,757	924	11,681	1,752	5,229	6,981
Japanese Yen	224	-	224	233	-	233
Euro	144	-	144	151	-	151
Other currencies	787	166	953	502	248	750
Total	11,912	1,090	13,002	2,638	5,477	8,115
Add accrued interest receivable	1	16	17	-	3	3
Less deferred revenues	-	-	-	-	(1)	(1)
allowance for doubtful accounts	-	(23)	(23)	-	(18)	(18)
Total foreign, net	11,913	1,083	12,996	2,638	5,461	8,099
Total domestic and foreign, net	20,598	215,713	236,311	8,388	105,134	113,522

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	Bank only					
	At call	2019 Term	Total (in million Baht)	At call	2018 Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	6,551	84,996	91,547	5,749	62,024	67,773
Commercial banks	1	3,227	3,228	-	17,315	17,315
Specialised financial institutions	-	6,400	6,400	-	5,740	5,740
Other financial institutions	-	10,470	10,470	1	14,615	14,616
Total	6,552	105,093	111,645	5,750	99,694	105,444
Add accrued interest receivable	-	32	32	-	52	52
Less allowance for doubtful accounts	-	(38)	(38)	-	(73)	(73)
Total domestic, net	6,552	105,087	111,639	5,750	99,673	105,423
Foreign						
US Dollar	8,076	924	9,000	1,752	5,229	6,981
Japanese Yen	224	-	224	233	-	233
Euro	144	-	144	151	-	151
Other currencies	415	166	581	502	248	750
Total	8,859	1,090	9,949	2,638	5,477	8,115
Add accrued interest receivable	-	16	16	-	3	3
Less deferred revenues	-	-	-	-	(1)	(1)
allowance for doubtful accounts	-	(23)	(23)	-	(18)	(18)
Total foreign, net	8,859	1,083	9,942	2,638	5,461	8,099
Total domestic and foreign, net	15,411	106,170	121,581	8,388	105,134	113,522

9 Derivatives

As at 31 December 2019 and 2018, 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:

Type of risks	Consolidated					
	2019		Notional amount (in million Baht)	2018		Notional amount
	Fair value/Readjustment based on an accrual basis			Fair value/Readjustment based on an accrual basis		
	Assets	Liabilities		Assets	Liabilities	
Foreign currency related						
- Trading Book	5,085	5,255	447,248	5,625	5,171	696,768
- Banking Book ⁽¹⁾	785	91	50,230	1	5	561
Interest rate related						
- Trading Book	4,529	4,361	457,776	2,291	2,152	375,459
- Banking Book ⁽¹⁾	24	59	41,068	83	102	25,165
Total	10,423	9,766	996,322	8,000	7,430	1,097,953

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Type of risks	Bank only					
	2019		Notional amount (in million Baht)	2018		Notional amount
	Fair value/Readjustment based on an accrual basis			Fair value/Readjustment based on an accrual basis		
	Assets	Liabilities		Assets	Liabilities	
Foreign currency related						
- Trading Book	4,372	4,502	377,008	5,625	5,171	696,768
- Banking Book ⁽¹⁾	86	91	35,003	1	5	561
Interest rate related						
- Trading Book	2,937	2,779	260,659	2,291	2,152	375,459
- Banking Book ⁽¹⁾	24	6	20,038	83	102	25,165
Total	7,419	7,378	692,708	8,000	7,430	1,097,953

- (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 2019, accrued interest receivable and interest paid in advance amounting to Baht 24 million (2018: Baht 83 million) are presented as a part of “Other assets” and accrued interest payable and interest received in advance amounting to Baht 47 million (2018: Baht 102 million) are presented as a part of “Other liabilities” in the consolidated and Bank only financial statements.

As at 31 December 2019 and 2018, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

Counterparties	Consolidated		Bank only	
	2019	2018 (%)	2019	2018
Financial institutions	84.06	72.50	75.59	72.50
Other parties	15.94	27.50	24.41	27.50
Total	100.00	100.00	100.00	100.00

10 Investments, net

10.1 Classified by type of investments

	Consolidated		Bank only	
	2019	2018	2019	2018
<i>(in million Baht)</i>				
Trading securities - Fair value				
Government and state enterprise securities	6,159	1,293	4,868	1,293
Private debt securities	417	-	-	-
Total	6,576	1,293	4,868	1,293
Available-for-sale securities - Fair value				
Government and state enterprise securities	137,906	40,828	55,375	40,828
Private debt securities	10,166	-	-	-
Foreign debt securities	9,193	-	-	-
Domestic marketable equity securities	1,129	2	2	2
Total	158,394	40,830	55,377	40,830

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	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
<i>Held-to-maturity debt securities</i>				
<i>- Cost/Amortised cost</i>				
Government and state enterprise securities	-	31,119	-	31,119
Private debt securities	682	-	-	-
Total	682	31,119	-	31,119
<i>General investments - Cost</i>				
Domestic non-marketable equity securities	1,410	1,024	1,051	1,024
Foreign non-marketable equity securities	3	2	2	2
Total	1,413	1,026	1,053	1,026
Less allowance for impairment losses	(800)	(791)	(791)	(791)
Net	613	235	262	235
Total investments, net	166,265	73,477	60,507	73,477

As at 31 December 2019 and 2018, the Bank and its subsidiaries had purchase and sales of investment in debt securities with net sales amounting to Baht 662 million and Baht 718 million respectively (*Bank only: net sales amounting to Baht 956 million and Baht 718 million, respectively*), for which the settlement was not due at the reporting date.

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

As at 31 December 2019 and 2018, the Bank and its subsidiaries had investments in entities in which the Bank and its subsidiaries hold 10% or more of the paid-up share capital of the investee companies but such companies are not treated as its subsidiaries and associates. Those investments were summarised below.

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Property development and construction	34	34	34	34
Public utilities and services	14	14	14	14
Mutual funds and financial services	46	47	46	47
Others	12	11	11	11
Total	106	106	105	106
Less allowance for impairment losses	(41)	(41)	(41)	(41)
Investments, net	65	65	64	65

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 summarised 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 2019 and 2018, 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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10.3 Investments in companies with problems in their financial position and operating results

As at 31 December 2019 and 2018, 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							
	2019				2018			
	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	3	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	14	792	-	(792)	13	792	-	(792)

	Bank only							
	2019				2018			
	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)

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

As at 31 December 2019 and 2018, revaluation surplus (deficit) on investments could be summarised as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
<i>Revaluation surplus on investments</i>				
Debt securities	404	22	320	22
Total	404	22	320	22
<i>Revaluation deficit on investments</i>				
Debt securities	5	(68)	(1)	(68)
Equity securities	(33)	-	-	-
Total	(28)	(68)	(1)	(68)
Total revaluation surplus (deficit) on investments	376	(46)	319	(46)
Add (less) deferred tax	(75)	9	(64)	9
Net	301	(37)	255	(37)

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11 Investments in subsidiaries and associate, net

11.1 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	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		(%)		(in million Baht)															
Direct subsidiaries																			
Phahonyothin Asset Management Co., Ltd.	Asset management business	100.00	100.00	25	25	-	-	-	-	-	-	25	25	-	-	25	25	-	-
Phayathai Asset Management Co., Ltd.*	Asset management business	100.00	100.00	1,070	1,070	-	-	-	-	-	-	649	649	(649)	(649)	-	-	-	-
Thanachart Bank PLC	Commercial bank	99.98	-	60,649	-	-	-	-	-	-	-	167,840	-	-	-	167,840	-	-	-
Indirect subsidiary																			
Thanachart Broker Co., Ltd.	Insurance broker business	99.99	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associate																			
TMB Asset Management Co., Ltd.	Fund management business	35.00	35.00	35	35	4,725	4,577	-	-	4,725	4,577	197	197	-	-	197	197	140	800
Thanachart Fund Management Co., Ltd.	Fund management business	49.90	-	50	-	4,228	-	-	-	4,228	-	-	-	-	-	-	-	-	-
Total						8,953	4,577	-	-	8,953	4,577	168,711	871	(649)	(649)	168,062	222	140	800

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

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Sales of investment in subsidiaries

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 recognized 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. TMB Asset Management Co., Ltd. thereby ceased to be a subsidiary and became an associated company. The fair value of the Bank's retained interest in the associate at the date when control was lost was Baht 4,513 million, which become 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 recognized 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.

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

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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 (in million Baht)
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

TMB Bank Public Company Limited and its Subsidiaries
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11.2 Disclosure of the statement of cash flows of the asset management company

	Statement of cash flows		
	Phahonyothin Asset Management Co., Ltd.		Phayathai Asset Management Co., Ltd.
	For the year ended 31 December 2019	For the period from 22 November 2018 to 31 December 2018 (in million Baht)	For the period from 1 January 2018 to 26 December 2018
<i>Cash flows from operating activities</i>			
Profit from operations before income tax	26	3	53
<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	(6)	-	(2)
Reversal of loss on properties for sale and other assets	-	-	(3)
Reversal of provisions	-	-	(2)
Net interest income	(26)	(4)	(62)
Interest received	26	4	57
Income tax paid	(8)	-	(9)
Profit from operations before changes in operating assets and liabilities	12	3	32
<i>Decrease (increase) in operating assets</i>			
Intercompany and money market items	(25)	(7)	19
Loan to customers	17	-	-
Receivables from Legal Execution Department	-	-	15
<i>Increase (decrease) in operating liabilities</i>			
Other payables	(4)	1	-
Accrued expenses	(2)	1	4
Other liabilities	(1)	-	-
Net cash provided by (used in) operating activities	(3)	(2)	70
<i>Cash flows from investing activities</i>			
Proceeds from sales of available-for-sale investments	-	-	3,125
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
<i>Cash flows from financing activities</i>			
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)	3	-
Cash at 1 January / 22 November	3	-	-
Cash at 31 December	-	3	-

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12 Loans to customers and accrued interest receivables, net

12.1 Classified by loan type

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Overdrafts	120,989	110,833	105,734	110,833
Loans	696,534	409,053	427,841	409,007
Bills	167,466	165,891	138,035	165,891
Hire purchase receivables	472,204	-	-	-
Financial lease receivables	1,547	-	-	-
Others	222	16	51	16
Less deferred revenue	(66,737)	(86)	(58)	(86)
Loans to customers net of deferred revenue	1,392,225	685,707	671,603	685,661
Add accrued interest receivables	1,882	1,308	1,285	1,308
Total loans to customers net of deferred revenue and accrued interest receivables	1,394,107	687,015	672,888	686,969
Less allowance for doubtful accounts				
- Provision at BoT's minimum rates required	(27,025)	(18,576)	(13,625)	(18,547)
- Provision in excess of BoT's minimum rates required	(17,513)	(13,400)	(10,845)	(13,400)
Less revaluation allowance for debt restructuring	(939)	(999)	(939)	(999)
Loans to customers and accrued interest receivables, net	1,348,630	654,040	647,479	654,023

12.2 Classified by currency and residency of debtors

	Consolidated					
	2019		2018			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	1,368,941	2,393	1,371,334	663,989	2,950	666,939
US Dollars	14,667	4,668	19,335	17,603	381	17,984
Other currencies	895	661	1,556	742	42	784
Total*	1,384,503	7,722	1,392,225	682,334	3,373	685,707

	Bank only					
	2019		2018			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	655,969	2,393	658,362	663,943	2,950	666,893
US Dollars	12,062	295	12,357	17,603	381	17,984
Other currencies	854	30	884	742	42	784
Total*	668,885	2,718	671,603	682,288	3,373	685,661

* Loans to customers net of deferred revenue.

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12.3 Classified by business type and quality of loan classification

	Consolidated 2019					Total
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	15,492	318	113	36	216	16,175
Manufacturing and commerce	346,308	17,428	1,192	2,031	14,636	381,595
Property development and construction	61,333	1,084	326	64	1,696	64,503
Infrastructure and services	117,880	3,887	314	145	915	123,141
Housing loans	274,925	6,148	2,647	2,347	3,721	289,788
Hire purchase	373,234	27,293	1,859	1,888	1,384	405,658
Others	106,771	2,378	1,207	258	751	111,365
Total*	1,295,943	58,536	7,658	6,769	23,319	1,392,225

	Consolidated 2018					Total
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	
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

	Bank only 2019					Total
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	9,604	243	6	-	201	10,054
Manufacturing and commerce	286,936	16,573	670	106	10,948	315,233
Property development and construction	23,901	969	58	24	315	25,267
Infrastructure and services	65,654	1,637	41	21	566	67,919
Housing loans	173,468	4,743	1,338	1,350	1,591	182,490
Others	67,990	1,735	682	74	159	70,640
Total*	627,553	25,900	2,795	1,575	13,780	671,603

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	Bank only 2018					
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	Total
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

* Loans to customers net of deferred revenue.

12.4 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 2019			
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	1,297,716	1,020,132	1	10,103
Special mention	58,645	44,296	2	3,128
Sub-standard	7,658	4,073	100	3,294
Doubtful	6,769	3,420	100	2,458
Doubtful of loss	23,319	6,523	100	8,042
Total*	1,394,107	1,078,444		27,025
Provision in excess of BoT's minimum rates required				17,513 ⁽³⁾
Total				44,538

	Consolidated 2018			
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	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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Bank only				
2019				
	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	628,768	566,437	1	6,082
Special mention	25,970	14,678	2	407
Sub-standard	2,795	1,431	100	1,579
Doubtful	1,575	497	100	563
Doubtful of loss	13,780	2,706	100	4,994
Total*	<u>672,888</u>	<u>585,749</u>		<u>13,625</u>
Provision in excess of BoT's minimum rates required				<u>10,845⁽³⁾</u>
Total				<u>24,470</u>

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>

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

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- (1) Net amount used to set the allowance for doubtful account: In the case of loans that are classified as pass and special mention means the principal balance net of the value of collateral, excluding land, buildings and constructions thereon, leasehold rights and machinery. In the case of loans that are classified as sub-standard, doubtful and doubtful of loss, it means the debt balance after deduction of the present value of future cash flows expected to be received from debt collection, or from the disposal of collateral, excluding machinery.
- (2) Allowance for doubtful accounts on loans guaranteed by Thai Credit Guarantee Corporation according to the Portfolio Guarantee Scheme was made in accordance with the Bank of Thailand's notification on supervisory guidelines on loans guaranteed in the Portfolio Guarantee Scheme by Thai Credit Guarantee Corporation.
- (3) As at 31 December 2019 and 2018, the Bank and its subsidiaries, this included provision of Baht 3,900 million and Baht 971 million respectively (*Bank only: Baht 1,849 million and Baht 971 million, respectively*) 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.

12.5 Non-performing loans

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

As at 31 December 2019 and 2018, the Bank and its subsidiaries' NPLs (including interbank and money market items) were summarised as follows:

	TMB Bank Public Company Limited	Phahonyothin Asset Management Co., Ltd.	2019 Thanachart Bank Public Company Limited	Elimination	Consolidated
Net NPLs (principal net of allowance for doubtful accounts)					
NPLs after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	9,161	7	10,880	-	20,048
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	768,797	7	854,171	(32,806)	1,590,169
Percentage of net NPLs (%)	1.19	100.00	1.27		1.26
NPLs (principal)					
NPLs (<i>in million Baht</i>)	18,150	29	19,567	-	37,746
Total loans (<i>in million Baht</i>)	777,786	29	862,859	(32,806)	1,607,868
Percentage of NPLs (%)	2.33	100.00	2.27		2.35
	TMB Bank Public Company Limited	Phayathai Asset Management Co., Ltd.	2018 Elimination	Consolidated	
Net NPLs (principal net of allowance for doubtful accounts)					
NPLs after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	8,696	18	-		8,714
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	773,474	18	-		773,492
Percentage of net NPLs (%)	1.12	100.00			1.13
NPLs (principal)					
NPLs (<i>in million Baht</i>)	21,674	46	-		21,720
Total loans (<i>in million Baht</i>)	786,451	46	-		786,497
Percentage of NPLs (%)	2.76	100.00			2.76

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For the year ended 31 December 2019 and 2018, the Bank and its subsidiaries sold non-performing loans, with principal totalling approximately Baht 6,100 million and Baht 2,500 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 2019 and 2018, the Bank and its subsidiaries had loans to customers, amounting to Baht 76,163 million and Baht 57,502 million, respectively (*Bank only: Baht 51,281 million and Baht 57,502 million, respectively*) on which it ceased recognition of interest income on an accrual basis.

12.6 Troubled debt restructuring

For the years ended 31 December 2019 and 2018, 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 2019						
	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						
Modification of terms of payments	6,267	11,952	6,267	11,952	-	-
Total	6,267	11,952	6,267	11,952		-
Term of debt restructuring agreements						
Not over 5 years	1,163	534	1,163	534		
Over 5 - 10 years	3,640	1,930	3,640	1,930		
Over 10 years	1,464	9,488	1,464	9,488		
Total	6,267	11,952	6,267	11,952		
Bank only 2019						
	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						
Modification of terms of payments	6,180	11,739	6,180	11,739	-	-
Total	6,180	11,739	6,180	11,739		-
Term of debt restructuring agreements						
Not over 5 years	1,126	469	1,126	469		
Over 5 - 10 years	3,596	1,794	3,596	1,794		
Over 10 years	1,458	9,476	1,458	9,476		
Total	6,180	11,739	6,180	11,739		

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Consolidated and Bank only						
2018						
	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	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		
Over 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		

Supplemental information relating to restructuring debtors for the years ended 31 December 2019 and 2018 was as follows:

	Consolidated 2019	2018	Bank only 2019	2018
	(in million Baht)			
Interest income on restructured debts, which is recognised during the year	531	378	504	378
Cash settlement by debtors	1,860	1,129	1,672	1,129
Losses on (reversal of) debt restructuring, net	(61)	669	(61)	669

As at 31 December 2019 and 2018, the Bank and its subsidiaries had the outstanding balances with troubled debt restructuring debtors which had been performing in accordance with debt restructuring agreements, as follows:

	Consolidated				Bank only			
	2019		2018		2019		2018	
	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	14,292	22,237	8,469	15,783	8,797	13,529	8,468	15,774

12.7 Revaluation allowance for debt restructuring

	Consolidated and Bank only	
	2019	2018
	(in million Baht)	
Beginning balance	999	330
Increase (decrease) during the year	(61)	669
Ending balance	938	999

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

As at 31 December 2019 and 2018, the Bank and its subsidiaries had loans and accrued interest receivables due from listed companies having problems with their financial position and operating results, and set aside allowances for doubtful accounts as follows:

	Consolidated							
	2019				2018			
	Number	Loans and	Allowance	Number	Loans and	Allowance		
	of debtors	accrued interest receivables	for doubtful accounts	of debtors	accrued interest receivables	for doubtful accounts	Collateral	
		(in million Baht)			(in million Baht)			
Listed companies under delisting conditions in SET	2	197	-	2	3	3	-	-

	Bank only							
	2019				2018			
	Number	Loans and	Allowance	Number	Loans and	Allowance		
	of debtors	accrued interest receivables	for doubtful accounts	of debtors	accrued interest receivables	for doubtful accounts	Collateral	
		(in million Baht)			(in million Baht)			
Listed companies under delisting conditions in SET	1	3	-	3	3	-	-	-

12.9 Hire purchase and finance lease receivables

	Consolidated			
	2019			
	Portion due within one year	Portion due after one year but within five years	Portion due after five years	Total
	(in million Baht)			
Hire purchase receivables	120,574	312,489	39,141	472,204
Finance lease receivables	488	1,035	24	1,547
Less unearned interest income	(23,171)	(41,420)	(2,088)	(66,679)
Total	97,891	272,104	37,077	407,072
Less allowance for doubtful accounts				(10,189)
Net				396,883
Bad debts and doubtful accounts for the period from an acquisition date				1,322

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Aging analysis for hire purchase and finance lease receivables were as follows:

	Consolidated 2019 (in million Baht)
Within credit terms	331,735
Overdue:	
1 - 90 days	70,256
91 - 120 days	957
Over 120 days	4,124
Total	407,072
Less allowance for doubtful accounts	(10,189)
Net	396,883

As at 31 December 2019, total gross investment under hire purchase and finance lease contracts and present value of minimum lease payments receivable were as follows:

	Consolidated 2019	
	Total gross investment under hire purchase contracts (in million Baht)	Present value of minimum lease payments receivable
Portion due within one year	121,062	97,891
Portion due after one year but within five years	313,524	272,104
Portion due after five years	39,165	37,077
Total	473,751	407,072
Less unearned interest income	(66,679)	
Net investment under hire purchase and finance lease contracts	407,072	

13 Classified assets

As at 31 December 2019 and 2018, 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 2019					
	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	1,513,431	-	-	126	1,513,557
Special mention	-	58,645	-	-	108	58,753
Sub-standard	-	7,658	-	-	21	7,679
Doubtful	-	6,769	-	-	17	6,786
Doubtful of loss	1,052	23,319	350	165	961	25,847
Total	1,052	1,609,822	350	165	1,233	1,612,622

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Consolidated 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	914	17,720	150	265	500	19,549
Total	914	787,860	150	265	507	789,696

Bank only 2019

	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	734,998	-	-	-	734,998
Special mention	-	25,970	-	-	-	25,970
Sub-standard	-	2,795	-	-	7	2,802
Doubtful	-	1,575	-	-	3	1,578
Doubtful of loss	1,496	13,780	134	165	679	16,254
Total	1,496	779,118	134	165	689	781,602

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

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14 Allowance for doubtful accounts

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

Consolidated 2019							
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	Total
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss		
	(in million Baht)						
Beginning balance	6,142	419	1,235	1,065	9,715	13,400	31,976
Acquisition through business combination	3,964	2,781	1,745	1,924	3,435	5,961	19,810
Allowance for doubtful accounts	(3)	(72)	314	(531)	12,151	(1,848)	10,011
Bad debt recovery	-	-	-	-	1,107	-	1,107
Bad debt written-off	-	-	-	-	(15,564)	-	(15,564)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(2,802)	-	(2,802)
Ending balance	10,103	3,128	3,294	2,458	8,042	17,513	44,538

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

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Bank only							
2019							
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss		Total
	(in million Baht)						
Beginning balance	6,142	419	1,235	1,065	9,686	13,400	31,947
Allowance for doubtful accounts	(60)	(12)	344	(502)	11,431	(2,555)	8,646
Bad debt recovery	-	-	-	-	1,045	-	1,045
Bad debt written-off	-	-	-	-	(14,366)	-	(14,366)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(2,802)	-	(2,802)
Ending balance	6,082	407	1,579	563	4,994	10,845	24,470

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		Total
	(in million Baht)						
Beginning balance	5,747	457	1,238	470	7,107	9,590	24,609
Allowance for doubtful accounts	395	(38)	(3)	595	10,615	3,810	15,374
Bad debt recovery	-	-	-	-	902	-	902
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	9,686	13,400	31,947

15 Properties for sale, net

As at 31 December 2019 and 2018, changes to the properties for sale, net were as follows:

Consolidated					
2019					
	Beginning balance	Acquisition through business combination	Additions	Disposals/ Decrease	Ending balance
<i>(in million Baht)</i>					
Assets foreclosed in settlement of debts					
- Immovable assets	2,306	1,147	329	(220)	3,562
- Movable assets	-	848	691	(762)	777
Assets for sales	458	327	199	(164)	820
Total	2,764	2,322	1,219	(1,146)	5,159
Add (less) allowance for impairment losses	(150)	(211)	(148)	160	(349)
Net	2,614	2,111	1,071	(986)	4,810

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			Consolidated		
			2018		
	Beginning balance	Acquisition through business combination	Additions	Disposals/ Decrease	Ending balance
	(in million Baht)				
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

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

			Bank only		
			2018		
	Beginning balance	Acquisition through business combination	Additions	Disposals/ Decrease	Ending balance
	(in million Baht)				
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

As at 31 December 2019 and 2018, 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.

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The value of immovable assets acquired from debt repayment was appraised by external and internal appraisers as at 31 December 2019 and 2018 as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Assets foreclosed in settlement of debts				
Immovable assets				
- Appraised by external appraisers	3,554	2,294	2,371	2,294
- Appraised by internal appraisers	8	12	7	12
Total	3,562	2,306	2,378	2,306

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16 Premises and equipment, net

As at 31 December 2019 and 2018, changes in premises and equipment were as follows:

	Consolidated														
	2019														
	Cost						Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2019
	Net book value as at 1 January 2019	Beginning balance	Acquisition through business combination	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written-off/ transfers out/ adjustments from revaluation	Ending balance	Beginning balance	Reversal of (loss on) impairment during the year	Disposals/ written-off/ transfers out	Ending balance	
(in million Baht)															
Land															
- Cost	1,834	2,058	3,894	-	(24)	5,928	-	-	-	-	(224)	62	-	(162)	5,766
- Incremental revaluation*	4,079	4,079	3,070	820	(134)	7,835	-	-	-	-	-	-	-	-	7,835
Building under construction	60	60	-	405	(293)	172	-	-	-	-	-	-	-	-	172
Building															
- Cost	1,949	5,234	1,082	304	(103)	6,517	(3,244)	(203)	51	(3,396)	(41)	9	30	(2)	3,119
- Incremental revaluation*	1,757	3,586	1,385	2,281	(205)	7,047	(1,829)	(119)	(1,576)	(3,524)	-	-	-	-	3,523
Leasehold improvements	367	1,362	-	54	(43)	1,373	(995)	(111)	40	(1,066)	-	(3)	3	-	307
Equipment under construction and installation	382	382	35	676	(865)	228	-	-	-	-	-	-	-	-	228
Equipment	1,448	6,203	936	918	(322)	7,735	(4,755)	(620)	332	(5,043)	-	-	-	-	2,692
Total	11,876	22,964	10,402	5,458	(1,989)	36,835	(10,823)	(1,053)	(1,153)	(13,029)	(265)	68	33	(164)	23,642

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

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	Consolidated 2018													
	Cost					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	Depreciation from revaluation (in million Baht)	Disposals/ written-off/ transfers out/ adjustments	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)	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

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2019 amounted to Baht 3,857 million (2018: Baht 3,591 million).

Depreciation presented in the consolidated profit or loss for the year ended 31 December 2019 and 2018 amounted to Baht 1,053 million and Baht 909 million, respectively.

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

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

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	Bank only 2018													
	Cost					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
	(in million Baht)													
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	1,557	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	(265)	11,876

* 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 2019 amounted to Baht 3,850 million (2018: Baht 3,591 million). Depreciation presented in the Bank only's profit or loss for the years ended 31 December 2019 and 2018 amounted to Baht 984 million and Baht 902 million, respectively.

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

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17 Goodwill and other intangible assets, net

As at 31 December 2019 and 2018, changes in goodwill and other intangible assets were as follows:

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

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	Consolidated										
	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	

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2019 amounted to Baht 3,714 million (2018: Baht 3,460 million).

Amortisation presented in the consolidated profit or loss for the years ended 31 December 2019 and 2018 amounted to Baht 687 million and Baht 502 million, respectively.

	Bank only 2019										
	Cost					Accumulated amortisation					
	Net book value as at 1 January 2019	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 2019
	(in million Baht)										
Computer software	2,171	6,876	90	(42)	921	7,845	(4,705)	(657)	28	(5,334)	2,511
Computer software under development	421	421	953	-	(884)	490	-	-	-	-	490
Total	2,592	7,297	1,043	(42)	37	8,335	(4,705)	(657)	28	(5,334)	3,001

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	Net book value as at 1 January 2018	Cost				Bank only 2018		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

The gross amount of the Bank only's fully amortised intangible assets that were still in use as at 31 December 2019 amounted to Baht 3,704 million (2018: Baht 3,455 million).

Amortisation presented in the Bank only's profit or loss for the years ended 31 December 2019 and 2018 amounted to Baht 657 million and Baht 502 million, respectively.

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18 Deferred tax and income tax

18.1 Deferred tax

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

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Deferred tax assets	1,496	401	2,332	1,246
Deferred tax liabilities	4,730	-	-	-
Net	(3,234)	401	2,332	1,246

Movements in deferred tax assets and liabilities during the years ended 31 December 2019 and 2018 were as follows:

	Consolidated			
	(Charged) / Credited to:			
	At 1 January 2019	Acquisition through business combination	Profit or loss (note 18.2) (in million Baht)	At 31 December 2019
<i>Deferred tax assets</i>				
Deposit	-	49	(2)	47
Investments	179	3	120	292
Loans to customers and accrued interest receivables	1,160	225	833	2,218
Properties for sale	46	42	(1)	87
Premises and equipment	58	4	(26)	36
Intangible assets	-	6	-	6
Provisions for employee benefits	244	669	94	1,030
Provisions for other liabilities	126	227	18	371
Deferred revenue and other liabilities	563	518	171	1,252
Others	113	259	31	403
Total	2,489	2,002	1,238	5,742
<i>Deferred tax liabilities</i>				
Investments	845	1,323	(389)	1,854
Properties for sale	-	1	-	1
Premises and equipment	1,207	1,341	(36)	2,780
Intangible assets	-	793	9	802
Others	36	3,513	(2)	3,539
Total	2,088	6,971	(418)	8,976
Net	401	(4,969)	1,656	(3,234)

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	At 1 January 2018	Consolidated (Charged) / Credited to:		At 31 December 2018
		Profit or loss	Other comprehensive income (note 18.2) (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	461	102	-	563
Others	127	(14)	-	113
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 2019	Bank only (Charged) / Credited to:		At 31 December 2019
		Profit or loss	Other comprehensive income (note 18.2) (in million Baht)	
Deferred tax assets				
Investments	179	120	(10)	289
Loans to customers and accrued interest receivables	1,160	977	-	2,137
Properties for sale	46	(3)	-	43
Premises and equipment	58	(25)	-	33
Provisions for employee benefits	244	90	12	346
Provisions for other liabilities	126	6	-	132
Deferred revenue and other liabilities	563	190	-	753
Others	113	36	-	149
Total	2,489	1,391	2	3,882
Deferred tax liabilities				
Investments	-	1	63	64
Premises and equipment	1,207	(33)	268	1,442
Intangible assets	-	9	-	9
Others	36	7	(8)	35
Total	1,243	(16)	323	1,550
Net	1,246	1,407	(321)	2,332

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	At 1 January 2018	Bank only (Charged) / Credited to:		At 31 December 2018
		Profit or loss	Other comprehensive income	
		(note 18.2) (in million Baht)		
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	461	102	-	563
Others	131	(18)	-	113
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

As at 31 December 2019, the Bank had tax-deductible temporary differences in relation to investments in subsidiaries totaling Baht 649 million, for which deferred tax assets have been recognised because certain recognition criteria were met (as at 31 December 2018, the certain recognition criteria were not met).

18.2 Income tax

Income tax recognised in profit or loss

	Note	Consolidated		Bank only	
		2019	2018	2019	2018
		(in million Baht)			
Current tax expenses					
Current year		3,246	2,564	2,980	2,466
Under (over) provided in prior years		(2)	8	(2)	8
		3,244	2,572	2,978	2,474
Deferred tax expenses					
Movements in temporary differences	18.1	(1,656)	294	(1,407)	(568)
		(1,656)	294	(1,407)	(568)
Total		1,588	2,866	1,571	1,906

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Income tax recognised in other comprehensive income

	Consolidated					
	Before tax	2019 Tax (expenses) benefit	Net of tax	Before tax	2018 Tax (expenses) benefit	Net of tax
			<i>(in million Baht)</i>			
Investments	423	(85)	338	(80)	16	(64)
Premises and equipment	1,338	(268)	1,070	(49)	10	(39)
Provisions for employee benefits	(112)	23	(89)	79	(16)	63
Others	(41)	8	(33)	(10)	2	(8)
Total	1,608	(322)	1,286	(60)	12	(48)

	Bank only					
	Before tax	2019 Tax (expenses) benefit	Net of tax	Before tax	2018 Tax (expenses) benefit	Net of tax
			<i>(in million Baht)</i>			
Investments	365	(73)	292	(80)	16	(64)
Premises and equipment	1,338	(268)	1,070	(49)	10	(39)
Provisions for employee benefits	(56)	12	(44)	86	(17)	69
Others	(41)	8	(33)	(10)	2	(8)
Total	1,606	(321)	1,285	(53)	11	(42)

Reconciliation of effective tax rate

	Consolidated			
	Rate (%)	2019 (in million Baht)	Rate (%)	2018 (in million Baht)
Profit before income tax		8,810		14,467
Income tax using the Thai corporation tax rate	20	1,762	20	2,893
Deferred tax expenses which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the year	(2)	(146)	-	(1)
Deferred tax expenses which deductible temporary difference had not been met the recognition criteria during the period	-	22	-	-
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(1)	(48)	-	(34)
Under (over) provided in prior years	-	(2)	-	8
Total	17	1,588	20	2,866

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	Bank only			
	2019	2018	2019	2018
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		<u>8,670</u>		<u>10,724</u>
Income tax using the Thai corporation tax rate	20	1,734	20	2,144
Deferred tax expense which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the year	(2)	(146)	-	(1)
Deferred tax expense which deductible temporary difference had not been met the recognition criteria during the year	-	22	-	(6)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	-	(37)	(2)	(239)
Under (over) provided in prior years	-	(2)	-	8
Total	18	1,571	18	1,906

19 Other receivables, net

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Receivables from Legal Execution Department	650	581	618	549
Receivables from purchase and sale of securities	2,254	-	146	-
Other receivables	<u>2,425</u>	<u>939</u>	<u>1,236</u>	<u>939</u>
Total	5,329	1,520	2,000	1,488
Less allowance for impairment losses	<u>(360)</u>	<u>(269)</u>	<u>(360)</u>	<u>(268)</u>
Net	4,969	1,251	1,640	1,220

20 Other assets, net

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Accrued income	1,359	710	646	710
Collateral on derivative transactions	619	599	444	599
Suspense account - debtors	1,106	1,408	704	1,408
Prepaid expenses	792	365	701	365
VAT refundable	402	-	2	-
Others	<u>2,870</u>	<u>1,369</u>	<u>1,898</u>	<u>1,369</u>
Total	7,148	4,451	4,395	4,451
Less allowance for impairment losses	<u>(649)</u>	<u>(239)</u>	<u>(329)</u>	<u>(239)</u>
Net	6,499	4,212	4,066	4,212

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21 Deposits

21.1 Classified by type of deposits

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Current	76,095	58,482	64,055	58,483
Savings	903,198	515,908	536,873	515,914
Term	418,905	75,281	62,717	75,281
Total	1,398,198	649,671	663,645	649,678
Less prepaid interest expenses	(86)	(103)	(86)	(103)
Total	1,398,112	649,568	663,559	649,575

21.2 Classified by currency and residency of depositors

	Consolidated					
	Domestic	2019 Foreign	Total	Domestic	2018 Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	1,382,912	5,694	1,388,606	636,088	5,613	641,701
US Dollar	7,847	1,122	8,969	5,659	1,726	7,385
Other currencies	520	17	537	467	15	482
Total	1,391,279	6,833	1,398,112	642,214	7,354	649,568

	Bank only					
	Domestic	2019 Foreign	Total	Domestic	2018 Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	649,040	5,691	654,731	636,095	5,613	641,708
US Dollar	7,313	1,101	8,414	5,659	1,726	7,385
Other currencies	399	15	414	466	16	482
Total	656,752	6,807	663,559	642,220	7,355	649,575

22 Interbank and money market items (liabilities)

	Consolidated					
	At call	2019 Term	Total	At call	2018 Term	Total
	<i>(in million Baht)</i>					
Domestic						
Bank of Thailand and Financial Institutions						
Development Fund	410	-	410	-	1,850	1,850
Commercial banks	519	25,200	25,719	379	32,700	33,079
Specialised financial institutions	32	10,003	10,035	59	22,881	22,940
Other financial institutions	37,638	9,187	46,825	5,298	56	5,354
Total domestic	38,599	44,390	82,989	5,736	57,487	63,223

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	Consolidated					
	At call	2019 Term	Total (in million Baht)	At call	2018 Term	Total
Foreign						
US Dollar	233	1,809	2,042	405	-	405
Other currencies	1,057	538	1,595	639	-	639
Total foreign	1,290	2,347	3,637	1,044	-	1,044
Total domestic and foreign	39,889	46,737	86,626	6,780	57,487	64,267
	Bank only					
	At call	2019 Term	Total (in million Baht)	At call	2018 Term	Total
Domestic						
Bank of Thailand and Financial Institutions	-	-	-	-	1,850	1,850
Development Fund	381	58,006	58,387	379	32,700	33,079
Commercial banks	24	7,412	7,436	59	22,881	22,940
Specialised financial institutions	6,372	54	6,426	5,298	56	5,354
Total domestic	6,777	65,472	72,249	5,736	57,487	63,223
Foreign						
US Dollar	114	-	114	405	-	405
Other currencies	388	-	388	639	-	639
Total foreign	502	-	502	1,044	-	1,044
Total domestic and foreign	7,279	65,472	72,751	6,780	57,487	64,267

23 Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as at 31 December 2019 and 2018 were as follows:

	Consolidated and Bank only	
	2019	2018
	<i>(in million Baht)</i>	
Debt issued	418	397
Total	418	397

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Proportion of transactions classified by the contract parties based on the amount of the contract as at 31 December 2019 and 2018 were as follows:

Contract parties	Consolidated and Bank only	
	2019	2018
Financial institutions	100.00	100.00
Total	100.00	100.00

24 Debts issued and borrowings, net

	Interest rates as at 31 December 2019 (%)	Maturities	Domestic	Consolidated				
				2019		2018		
				Foreign	Total	Domestic	Foreign	Total
					<i>(in million Baht)</i>			
Subordinated debentures ⁽¹⁾	3.50, 4.00, 4.65 and 4.90	2022 ⁽²⁾ - 2025 ⁽²⁾	42,488	12,062	54,550	20,430	-	20,430
Senior debentures	1.90, 1.93, 1.96, 3.108, 6mLibor +1.05 and 0.10 - 0.85	2020 - 2025	24,419	29,770	54,189	-	14,602	14,602
Bills of exchange ⁽³⁾ and promissory notes	2.15 and 0.20 - 2.50	At call and 2012	10	-	10	5	-	5
Other borrowings	0.00 - 0.75	2019 - 2031	18	68	86	6	81	87
Total			66,935	41,900	108,835	20,441	14,683	35,124

	Interest rates as at 31 December 2019 (%)	Maturities	Domestic	Bank only				
				2019		2018		
				Foreign	Total	Domestic	Foreign	Total
					<i>(in million Baht)</i>			
Subordinated debentures ⁽¹⁾	3.50, 4.90 and 4.00	2022 ⁽²⁾ - 2024 ⁽²⁾	35,430	12,062	47,492	20,430	-	20,430
Senior debentures	3.108, 6mLibor +1.05 and 0.10 - 0.85	2020 - 2025	-	29,770	29,770	-	14,602	14,602
Bills of exchange ⁽³⁾	2.15	2012	5	-	5	5	-	5
Other borrowings	0.00 - 0.75	2019 - 2031	18	68	86	6	81	87
Total			35,453	41,900	77,353	20,441	14,683	35,124

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification (note 7)

⁽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.

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24.1 Subordinated debentures

- 24.1.1 On 11 May 2015, Thanachart Bank Public Company Limited (TBANK) issued the Subordinated Debenture No.1/2015 to be counted as Tier 2 capital, amounting to Baht 7,000 million, which has a 10-year 6 month maturity period and carries a fixed interest rate of 4.65% per annum, payable quarterly in February, May, August and November of every year. TBANK can early redeem the Subordinated Debenture No.1/2015 after 5 years from the issue date or according to certain specified conditions. TBANK has to get the Bank of Thailand's approval before early redemption of the Subordinated Debenture. The Subordinated Debenture are name-registered, unsecured instruments with no instrument holder's representative. The Subordinated Debenture will be fully converted to ordinary shares of TBANK in the event that a Point of Non-Viability is triggered requiring financial assistance from the regulators. TBANK has a call option to early redeem these instruments at par if the conditions specified are met.
- 24.1.2 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.
- 24.1.3 On 28 June 2019, the Bank issued the Subordinated Debenture No.1/2562 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 30,000 million, which has a 10-year maturity period and carries a fixed interest rate of 4.00% per annum, payable quarterly in March, June, September and December of every year. The Bank can early redeem the Subordinated Debenture No.1/2562 after 5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before early redemption of the Subordinated Debenture.
- 24.1.4 On 2 December 2019, the Bank issued the Perpetual Additional Tier 1 Capital Securities amounting to USD 400 million, which has no expiration date and carries a fixed interest rate of 4.90% per annum, payable semi-annually in June and December of every year. The Bank can early redeem the Perpetual Additional Tier 1 Capital Securities after 5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before proceeding an early redemption. The Securities have been issued under the Bank's Euro Medium Term Note Programme.

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24.2 Senior debentures

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

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

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

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

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

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

24.3 Other borrowings

Borrowings with specific uses (other borrowings) as at 31 December 2019 and 2018 were as follows:

Borrowings from	Objectives of borrowings	Consolidated and Bank only			
		2019		2018	
		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 18 million	18	Baht 6 million	6
KfW Bankengruppe (KfW)	For small industry businesses	EUR 2 million	68	EUR 2 million	81
Total			86		87

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25 Provision for employee benefits

25.1 Defined contribution plan

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

For the years ended 31 December 2019 and 2018, the Bank and its subsidiaries contributed Baht 429 million and Baht 399 million, respectively, to the funds (Bank only: Baht 398 million and Baht 390 million, respectively).

25.2 Defined benefit plans

(a) Detail of defined benefit plans

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Post-employment benefit plans	5,142	1,212	1,720	1,211
Other long-term employee benefit plans	8	9	8	9
Total	5,150	1,221	1,728	1,220

(b) Movement in post-employment benefit obligations

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
At 1 January	1,212	1,291	1,211	1,261
Acquisition through business combination	3,347	-	-	-
Included in profit or loss:				
Current service cost	222	259	206	254
Loss on (reversal of) benefit settlement	(4)	-	2	-
Past service cost	312	-	312	-
Interest on obligation	41	29	33	28
	571	288	553	282
Included in other comprehensive income				
Actuarial losses (gains)	112	(79)	56	(86)
Others				
Benefits paid	(100)	(246)	(100)	(246)
Provision reversed from the loss of control of a subsidiary	-	(42)	-	-
	(100)	(288)	(100)	(246)
At 31 December	5,142	1,212	1,720	1,211

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

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Actuarial gains recognised in other comprehensive income arising from:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Demographic assumptions	12	(23)	(24)	(25)
Financial assumptions	195	25	169	20
Experience adjustments	(95)	(81)	(89)	(81)
Total	112	(79)	56	(86)

(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	
	2019	2018	2019	2018
	<i>(%)</i>			
Discount rate	1.49 , 1.71	2.71	1.49	2.71
Future salary growth	4.50 , 5.00	4.50	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			
	2019			
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>	Change (-) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>
Discount rate	+1%	(456)	-1%	526
Future salary growth	+1%	499	-1%	(443)
Turnover rate	+1%	(478)	-1%	423
Future mortality	+1 year	7	-1 year	(7)

	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)

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

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)

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.

26 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 35.2) (in million Baht)	Others	Total
At 1 January 2018	328	165	51	544
Provisions increase (decrease)	(24)	(109)	270	137
Paid during the year	-	(12)	(39)	(51)
At 31 December 2018 and 1 January 2019	304	44	282	630
Acquisition through business combination	131	840	168	1,139
Provision increase (decrease)	30	(10)	1,722	1,742
Paid during the year	-	(20)	(1,636)	(1,656)
At 31 December 2019	465	854	536	1,855

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	Bank only			
	Commitment from letters of guarantee issued, avals and other Guarantees	Obligation for litigation cases (note 35.2) (in million Baht)	Others	Total
At 1 January 2018	328	163	51	542
Provisions increase (decrease)	(24)	(107)	270	139
Paid during the year	-	(12)	(39)	(51)
At 31 December 2018 and 1 January 2019	304	44	282	630
Provision increase (decrease)	34	(12)	1,653	1,675
Paid during the year	-	(20)	(1,626)	(1,646)
At 31 December 2019	338	12	309	659

27 Deferred revenue

	Consolidated	
	2019	2018
	<i>(in million Baht)</i>	
Deferred revenue		
- Funds and Bancassurance	16,997	17,431
- Credit card	164	158
- Hire purchase	632	-
- Others	393	5
Total	18,186	17,594

	Bank only	
	2019	2018
	<i>(in million Baht)</i>	
Deferred revenue		
- Funds and Bancassurance	16,087	17,431
- Credit card	164	158
- Others	199	5
Total	16,450	17,594

28 Other liabilities

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Accrued expenses	7,592	4,235	4,369	4,230
Accrued interest expenses	2,483	459	347	459
Deposits and guarantees received	181	198	181	198
Collateral on derivative transactions	2,009	1,943	1,378	1,943
Suspense accounts electronic money and money transferred	1,316	2,761	1,316	2,761
Suspense accounts - others	2,228	580	713	565
Other payables	1,495	1,259	299	1,253
Corporate income tax payable	6,023	1,409	1,612	1,405
Others	3,039	458	1,403	458
Total	26,366	13,302	11,618	13,272

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29 Share-based payments - TMB Performance Share Bonus Scheme

29.1 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).

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29.2 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 2019
	(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.

29.3 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 shares (No. of shares)	share capital (in Baht)	Share premium (in Baht)	Other reserve - share-based payments
At 1 January 2018	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 2018	43,851,893,110	41,659,298,454	403,596,246	-

30 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	
	2019	2018
	<i>(in million Baht)</i>	
At 1 January	6,035	6,259
Revalued during the period / year	1,383	-
Amortised during the year	(119)	(89)
Derecognised during the year	(62)	(86)
Transferred out during the year	(44)	(49)
Ending balance	7,193	6,035
Less deferred tax	(1,439)	(1,207)
At 31 December, net of deferred tax	5,754	4,828

Bank only

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	Bank only	
	2019	2018
	<i>(in million Baht)</i>	
At 1 January	6,035	6,259
Revalued during the period / year	1,383	-
Amortised during the year	(102)	(89)
Derecognised during the year	(62)	(86)
Transferred out during the year	(44)	(49)
Ending balance	7,210	6,035
Less deferred tax	(1,442)	(1,207)
At 31 December, net of deferred tax	5,768	4,828

31 Share capital

	Par value per share (in Baht)	2019		2018	
		Number	Amount	Number	Amount
		<i>(million shares / million Baht)</i>			
Authorised shares at 31 December	0.95	106,224	100,912	44,109	41,903
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	0.95	43,852	41,659	43,852	41,659
Issue of new shares	0.95	52,507	49,882	-	-
At 31 December					
- ordinary shares	0.95	96,359	91,541	43,852	41,659

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

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

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

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

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32 Legal reserve

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

33 Appropriation of profit and dividend payment

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

34 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2019 and 2018 were as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Interbank and money market items				
- Deposit under restriction of oversea branch	5	10	5	10
- Placed at insurance registrar	1	-	-	-
Investments in securities				
- Placed at court	5	-	-	-
- Pledged as collateral against repurchase transactions	7,005	17,446	7,005	17,446
Property foreclosed under restriction	1	-	-	-
Total	7,017	17,456	7,010	17,456

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35 Commitments and contingent liabilities

35.1 Commitments

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Avals to bills ⁽¹⁾	336	319	243	319
Guarantees of loans	2,386	-	38	-
Liability under unmatured import bills	2,392	2,722	2,226	2,722
Letters of credit	13,720	15,772	12,789	15,772
Other commitments				
- Other guarantees	63,368	65,584	63,368	65,584
- Amount of unused bank overdrafts	104,962	81,632	83,245	81,632
- Committed line	44,371	3,882	4,844	3,882
- Others ⁽²⁾	41,968	30,069	23,028	30,069
Total	273,503	199,980	189,781	199,980

⁽¹⁾ As at 31 December 2019 and 2018, this included bank and its subsidiaries acceptance amounting to Baht 4 million and Baht 5 million, respectively (*Bank only: Baht 2 million and Baht 5 million, respectively*).

⁽²⁾ As at 31 December 2019, this included the financial assets accepted as collateral that had been sold or pledged amounting to Baht 22,463 million (2018: 29,375 million). The Bank is obliged to return those securities in equivalent amount.

As at 31 December 2019 and 2018, the Bank and its subsidiaries had no commitments from providing other guarantees to listed companies, which meet criteria for delisting conditions from the Stock Exchange of Thailand.

35.2 Litigation

- (a) As at 31 December 2019 and 2018, the Bank and its subsidiaries were claimed pursuant to obligations under the letters of guarantee and other claims for 119 cases and 63 cases, respectively (Bank only: claims for 49 cases and 60 cases, respectively). The said claims were made against the Bank and its subsidiaries for the approximate liability amounts of Baht 2,336 million ⁽¹⁾ and Baht 468 million ⁽¹⁾, respectively (Bank only: Baht 265million ⁽¹⁾ and Baht 259 million ⁽¹⁾, respectively).
- (b) As at 31 December 2019 and 2018, the Bank and its subsidiaries have recognised provisions for possible losses from the litigation cases totalling Baht 854 million and Baht 44 million, respectively (Bank only: Baht 12 million and Baht 44 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 2019 and 2018 of Baht 1,862 million and Baht 1,789 million, respectively (Bank only: Baht 1,312 million and Baht 1,266 million, respectively), which the Court of First Instance and the Appeals Court dismissed the cases.

35.3 Non-cancellable operating lease commitments

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
<i>Future minimum lease payments</i>				
Within one year	2,342	725	606	725
After one year but within five years	2,161	892	647	892
After five years	43	18	19	18
Total	4,546	1,635	1,272	1,635
<i>Amount recognised in profit or loss</i>				
Lease expense	996	1,042	930	1,030

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36 Related parties

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

Definitions and characteristics of relationships

Related parties are as follows:

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

The additional information on investments in subsidiaries and associate is disclosed in note 11.

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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
Thanachart Capital PCL	Thailand	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
Entities whose shares have been owned or have been controlled by the Ministry of Finance	Thailand	Related through the major shareholder of the Bank, owning over 10% of the Bank's paid-up share capital
Phayathai Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, currently on the liquidation process
Phahonyothin Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank
Thanachart Bank PCL	Thailand	Subsidiary, 99.98% shareholding, more than 50% of directors are representatives of the Bank
Thanachart Broker Co., Ltd.	Thailand	Indirect subsidiary, 99.99% shareholding by Thanachart Bank PCL
Thanachart Fund Management Co., Ltd.	Thailand	Associated, 49.9% shareholding by the Group, less than 50% of directors are representatives of the Group
TMB Asset Management Co., Ltd.	Thailand	Associated, 35% shareholding, less than 50% of directors are representatives of the Bank

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

Transactions	Pricing policies
Interest rates of loans	Based on market rate and the collateral consideration process, the same as the Bank's normal course of business, except for the interest rates of staff welfare loans which are in accordance with the Bank's regulation.
Fee and service income	Registrar and related services, money transfer services for unit holders, agents and support services for funds managed by its 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

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

Significant related parties transactions for the years ended 31 December 2019 and 2018 with key management and other related parties were as follows:

Consolidated 2019							Impairment
	Interest	Interest	Fees and	Fees and	Other	Other	loss on loans
	income	expenses	service	service	operating	operating	and debt
			income	expenses	income	expenses	securities
							(reversal of)
			<i>(in million Baht)</i>				
1. Major shareholders	-	2	1	-	-	64	-
2. Subsidiaries	-	-	-	-	-	-	-
3. Associate	-	-	1,621	-	140	-	-
4. Key management personnel of the Bank	1	4	-	-	-	-	-
5. Other related parties	623	642	175	4	34	277	78

Consolidated 2018							Impairment
	Interest	Interest	Fees and	Fees and	Other	Other	loss on loans
	income	expenses	service	service	operating	operating	and debt
			income	expenses	income	expenses	securities
							(reversal of)
			<i>(in million Baht)</i>				
1. Major shareholders	-	4	-	-	-	28	-
2. Subsidiaries	-	-	-	-	-	-	-
3. Associate	-	-	374	-	-	-	-
4. Key management personnel of the Bank	1	3	-	-	-	-	-
5. Other related parties	344	278	4	-	11	209	(38)

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	Bank only 2019						Impairment
	Interest	Interest	Fees and	Fees and	Other	Other	loss on loans
	income	expenses	service	service	operating	operating	and debt
			income	expenses	income	expenses	securities
							(reversal of)
	<i>(in million Baht)</i>						
1. Major shareholders	-	-	-	-	-	7	-
2. Subsidiaries	-	39	5	-	1	-	-
3. Associate	-	-	1,621	-	140	-	-
4. Key management personnel of the Bank	1	3	-	-	-	-	-
5. Other related parties	380	348	8	-	20	210	78

	Bank only 2018						Impairment
	Interest	Interest	Fees and	Fees and	Other	Other	loss on loans
	income	expenses	service	service	operating	operating	and debt
			income	expenses	income	expenses	securities
							(reversal of)
	<i>(in million Baht)</i>						
1. Major shareholders	-	4	-	-	-	28	-
2. Subsidiaries	-	-	2,021	-	800	28	-
3. Associate	-	-	374	-	-	-	-
4. Key management personnel of the Bank	1	3	-	-	-	-	-
5. Other related parties	338	278	4	-	11	209	(38)

36.2 Outstanding balances with related parties

As at 31 December 2019 and 2018, significant outstanding balances with related persons or parties were as follows:

36.2.1 Significant balances between the Bank and its subsidiaries and their major shareholders as at 31 December 2019 and 2018 were as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Other receivables				
Thanachart Capital PCL	112	-	112	-
Other assets				
Ministry of Finance	1	-	-	-
Thanachart Capital PCL	1	-	-	-
Deposits (including interbank and money market items - liabilities)				
ING Bank N.V.	5	12	5	12
Thanachart Capital PCL	33	-	-	-
Other liabilities				
Thanachart Capital PCL	392	-	392	-
Commitments - Derivatives ⁽¹⁾				
ING Bank N.V.	4,523	4,867	4,523	4,867
⁽¹⁾ Presented in notional amount				
Other commitments				
ING Bank N.V.	15	16	15	16

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36.2.2 Significant balances between the Bank and its subsidiaries and associate as at 31 December 2019 and 2018 were as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Other assets				
Phahonyothin Asset Management Co., Ltd.	-	-	-	1
TMB Asset Management Co., Ltd.	140	124	140	124
Total	140	124	140	125
Deposits				
Phahonyothin Asset Management Co., Ltd.	-	-	31	6
TMB Asset Management Co., Ltd.	99	50	99	50
Thanachart Asset Management Co., Ltd.	9	-	9	-
Total	108	50	139	56
Debts issued and borrowings (including interbank and market items - liabilities)				
Thanachart Bank Public Company Limited	-	-	32,806	-
Commitments – Derivatives ⁽¹⁾				
Thanachart Bank Public Company Limited	-	-	2,614	-
TMB Asset Management Co., Ltd.	12	-	12	-

⁽¹⁾ Presented in notional amount

36.2.3 Significant balances between the Bank and its subsidiaries, and their key management personnel as at 31 December 2019 and 2018 were as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Loans to customers and accrued interest receivables, net	90	10	14	10
Welfare loans	27	28	27	28
Deposits	609	223	169	223

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36.2.4 Significant balances between the Bank and its subsidiaries, and other related parties as at 31 December 2019 and 2018 were as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Interbank and money market items - assets and loans to customers and accrued interest receivables, net	107,091	14,352	17,512	14,352
Allowance for doubtful accounts	112	87	112	87
Other assets	317	-	-	-
Deposits (including interbank and money market items - liabilities)	70,525	11,919	14,380	11,919
Debts issued and borrowings (including interbank and money market items - liabilities)	13,011	22,881	12,612	22,881
Other liabilities	630	12	4	12
Commitments - Derivatives ⁽¹⁾	106,519	105,161	106,519	105,161
⁽¹⁾ Presented in notional amount				
Other commitments	1,030	855	391	855

36.3 Senior management personnel compensation

For the years ended 31 December 2019 and 2018, senior management personnel compensation, included in profit or loss, was classified as follows:

	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Short-term employee benefits - directors	49	44	48	44
Short-term employee benefits - management	893	812	864	781
Post-employment benefits	36	43	35	38
Share-based payments (performance share bonus)	-	2	-	2
Total	978	901	947	865

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.

36.4 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 36.3 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.

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37 Segment information

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

1. Commercial Banking

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

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

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

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

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 2019

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	13,440	11,705	1,720	-	26,865
Net fees and service income	2,003	5,887	214	-	8,104
Other operating income	1,363	347	3,139	-	4,849
Total operating income	16,806	17,939	5,073	-	39,818
Operating expenses	(8,104)	(10,793)	(1,262)	-	(20,159)
Profits from operation	8,702	7,146	3,811	-	19,659
Provision for doubtful accounts on loans and loan - related transactions					(10,849)
Profit before income tax					8,810
Income tax					(1,588)
Profit for the year					7,222
 Depreciation and amortisation	 206	 774	 696	 -	 1,676

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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
Net fees and service income	2,151	6,295	939	(48)	9,337
Other operating income	1,468	220	12,458	-	14,146
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
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

Reconciliation of reportable segment profit or loss

For the year ended

31 December 2019

	Net interest income	Net fees and service income	Consolidated Other operating income (in million Baht)	Operating expenses	Impairment loss on loans and debt securities
Segment reporting	26,865	8,104	4,849	(20,159)	(10,849)
Bad debts, doubtful accounts and impairment losses	(10)	(6)	12	(508)	512
Others	10	-	(3)	(7)	-
Consolidated financial statements	26,865	8,098	4,858	(20,674)	(10,337)

For the year ended

31 December 2018

	Net interest income	Net fees and service income	Consolidated Other operating income (in million Baht)	Operating expenses	Impairment loss on loans and debt securities
Segment reporting	24,497	9,337	14,146	(17,470)	(16,043)
Bad debts, doubtful accounts and impairment losses	-	-	53	4	(57)
Others	-	-	9	(9)	-
Consolidated financial statements	24,497	9,337	14,208	(17,475)	(16,100)

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	Consolidated				
	2019				
	Commercial Banking	Retail Banking	Other segments	Elimination	Total
	<i>(in million Baht)</i>				
Assets	<u>737,778</u>	<u>807,323</u>	<u>503,548</u>	<u>(190,459)</u>	<u>1,858,190</u>
Liabilities and equity	<u>393,815</u>	<u>1,035,092</u>	<u>619,742</u>	<u>(190,459)</u>	<u>1,858,190</u>

	Consolidated				
	2018				
	Commercial Banking	Retail Banking	Other segments	Elimination	Total
	<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>

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

38.1 As at 31 December 2019 and 2018, the financial position classified by domestic and foreign business was as follows:

	Consolidated					
	Domestic business	2019 Foreign business	Total	Domestic business	2018 Foreign business	Total
	(in million Baht)					
Total assets	1,857,699	491	1,858,190	891,039	674	891,713
Interbank and money market items, net (assets)	235,907	404	236,311	112,925	597	113,522
Investments, net	166,265	-	166,265	73,477	-	73,477
Investments in subsidiaries and associate, net	8,953	-	8,953	4,577	-	4,577
Loans to customers and accrued interest receivables, net	1,348,600	30	1,348,630	653,998	42	654,040
Deposits	1,398,064	48	1,398,112	649,466	102	649,568
Interbank and money market items (liabilities)	86,554	72	86,626	64,102	165	64,267
Debts issued and borrowings, net	89,235	19,600	108,835	25,389	9,735	35,124

For the year ended 31 December 2019

*For the years ended
31 December*

39 Interest income

40 Interest expenses

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41 Net fees and service income

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptance, avals and guarantees	362	484	351	484
- ATM, Debit card, Credit card and other banking electronic	3,495	3,267	3,310	3,267
- Funds and Bancassurance	5,430	7,604	5,430	6,411
- Others	2,056	1,409	1,397	1,515
Total	11,343	12,764	10,488	11,677
Fees and service expenses				
- ATM, Debit card, Credit card and other banking electronic	(2,377)	(2,323)	(2,234)	(2,323)
- Others	(868)	(1,104)	(718)	(843)
Total	(3,245)	(3,427)	(2,952)	(3,166)
Net	8,098	9,337	7,536	8,511

42 Gains on trading and foreign exchange transactions, net

<i>For the years ended 31 December</i>	Consolidated	
	2019	2018
	<i>(in million Baht)</i>	
Gains on trading and foreign exchange transactions, net		
- Foreign currencies and derivatives on foreign exchange	1,346	1,174
- Derivatives on interest rates	94	367
- Debt securities	88	(12)
Total	1,528	1,529
<i>For the years ended 31 December</i>	Bank only	
	2019	2018
	<i>(in million Baht)</i>	
Gains on trading and foreign exchange transactions, net		
- Foreign currencies and derivatives on foreign exchange	1,312	1,174
- Derivatives on interest rates	92	367
- Debt securities	85	(12)
Total	1,489	1,529

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43 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 2019 and 2018 were as follows:

<i>For the years ended 31 December</i>	Consolidated and Bank only	
	2019	2018
	<i>(in million Baht)</i>	
Net change in fair value	(22)	(11)
Losses on financial liabilities designated at fair value through profit or loss, net	(22)	(11)

44 Gains on investments, net

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Gains on sales				
- Available-for-sale investments	1,881	16	1,875	16
- Held to maturity	4	96	4	96
- General investments	71	-	71	-
- Profit on the loss of control of a subsidiary	-	11,852	-	7,851
Total	1,956	11,964	1,950	7,963
Reversal of (losses on) impairment				
- Available-for-sale investments	-	(1)	-	(1)
- Investments in subsidiaries	-	-	-	30
Total	-	(1)	-	29
Net	1,956	11,963	1,950	7,992

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45 Other operating expenses

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Marketing and business promotion expenses	1,387	1,500	1,286	1,374
Communication expenses	347	341	343	340
Amortisation of intangible assets	686	502	657	502
Losses on impairment of properties foreclosed and other assets	579	125	588	124
Outsourcing expenses	594	603	594	603
Credit collection expenses	463	447	461	440
Software rental expenses	331	291	331	291
Professional fee	471	84	376	76
Others	1,184	645	841	638
Total	6,042	4,538	5,477	4,388

46 Impairment loss on loans and debt securities

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Bad debts and doubtful accounts (reversal of)				
- Interbank and money market items	(44)	62	(30)	62
- Loans to customers	10,442	15,369	9,077	15,383
Allowance for debt restructuring on loan to customers	(61)	669	(61)	669
Total	10,337	16,100	8,986	16,114

47 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2019 and 2018 were based on the profit for the years attributable to equity holders of the Bank and the weighted average number of ordinary shares outstanding during the years as follows:

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2019	2018	2019	2018
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	7,222	11,601	7,099	8,817
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	48,624	43,849	48,624	43,849
Basic earnings per share <i>(in Baht)</i>	0.1485	0.2646	0.1460	0.2011

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Diluted earnings per share

The calculations of diluted earnings per share for the years ended 31 December 2019 and 2018 were based on the profit for the years attributable to equity holders of the Bank and the weighted average number of ordinary shares outstanding during the years after adjusting for the effects of all dilutive potential ordinary shares as follows:

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2019	2018	2019	2018
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	<u>7,222</u>	<u>11,601</u>	<u>7,099</u>	<u>8,817</u>
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	48,624	43,849	48,624	43,849
Effect of dilutive potential ordinary shares from TMB PSBP 2010 Scheme <i>(in million shares)</i>	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
Weighted average number of diluted ordinary shares outstanding <i>(in million shares)</i>	<u>48,624</u>	<u>43,852</u>	<u>48,624</u>	<u>43,852</u>
Diluted earnings per share <i>(in Baht)</i>	<u>0.1485</u>	<u>0.2646</u>	<u>0.1460</u>	<u>0.2011</u>

48 Events after the reporting period

- (a) On 19 February 2020, the Board of Directors Meeting of Thanachart Bank Public Company Limited passed a resolution to propose the payment of a dividend of Baht 3.34 per share to the ordinary shareholders, or a total of Baht 20,254 million, to be considered by the Annual General Meeting of Shareholders.
- (b) On 20 February 2020, 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 0.01 per share to the Bank's ordinary shareholders from its 2019 operating results for a total of Baht 964 million (Such dividend amount is calculated on the number of issued and paid-up share capital as at 31 December 2019 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.
- (c) On 20 February 2020, the final price of the acquired shares was approved and concluded by the Bank at Baht 27.70 per share in a total amount of Baht 167,903 million. An increase of Baht 90 million will be recorded as an adjustment to Goodwill and Investment in subsidiaries in the Consolidated and Bank only financial statement, respectively.

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49 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRSs which are relevant to the Bank and its subsidiaries' operations are expected to have significant impact on the consolidated and bank only financial statements on the date of initial application. Those TFRSs which become effective for annual financial reporting periods beginning on or after 1 January 2020 are as follows:

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments

** TFRS - Financial instruments standards*

(a) TFRS - Financial instruments standards

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRS are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled. The impact from adoption of TFRS - Financial instruments are as follows:

(i) Classification - Financial assets

TFRS 9 classifies financial assets into three categories: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The standard eliminates the existing TAS 105 categories of held to maturity debt securities, available for sale, trading and general investment. The classification is based on the cash flow characteristics of the financial asset and the business model in which they are managed.

(ii) Measurement at amortised cost

Under TFRS 9, interest income and interest expenses recognised from all financial assets and financial liabilities measured at amortised cost shall be calculated using effective interest rate method. TFRS 9 shall replace current Group's accounting policy on recognising both finance cost and finance income by contract rate.

(iii) Impairment - Financial assets and contract assets

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Bank and its subsidiaries determine allowance for doubtful account based on relevant BoT's criteria and regulations. TFRS 9 will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

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The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under TAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

Under TFRS 9, no impairment loss is recognized on equity investments.

Three stage approach

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

- **Stage 1: 12 month ECL**
Financial assets that have not had a significant increase in credit risk since initial recognition (i.e. no Stage 2 or 3 triggers apply). Financial assets are classified as stage 1 upon initial recognition (with the exception of purchased or originated credit impaired (POCI) assets) and have a provision for ECL associated with the probability of default (PD) events occurring with the next 12 months (12 months ECL). For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity;
- **Stage 2: Lifetime ECL not credit impaired**
Financial assets showing a significant increase in credit risk since initial recognition. A provision is made for the life time ECL representing losses over the life of the financial assets (lifetime ECL); or
- **Stage 3: Lifetime ECL credit impaired**
Financial assets that are credit impaired require a life time provision.

Measurement of ECL

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

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

Modification

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

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- If the modification will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. The gross carrying amount of the financial asset will be recalculated using the original effective interest rate of the existing financial asset.
- If the modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

Credit impaired financial assets (Stage 3)

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

An asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly since initial recognition.

Purchase or Originated Credit Impaired (POCI) assets

POCI assets are financial assets that are credit-impaired on initial recognition. Impairment on a POCI asset is determined based on lifetime ECL from initial recognition. POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods any changes to the estimated lifetime ECL are recognised in profit or loss. Favourable changes are recognised as an impairment gain even if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at origination.

(iv) Classification - Financial liabilities

TFRS 9 contains a new classification and measurement approach for financial liabilities consisting of two principal classification categories: amortised cost and FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Under TFRS 9, fair value changes for financial liabilities classified as FVTPL are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

(v) Hedge accounting

TFRS 9 provides guidance on hedge accounting while current TFRSs are silent. There are three hedge accounting models and the type of model applied depends on the hedged exposures consisting of a fair value exposure, a cash flow exposure or a foreign currency exposure on a net investment in a foreign operation. Under TFRS 9, the Bank and its subsidiaries are required to ensure that hedge accounting relationships are aligned with the Bank and its subsidiaries' risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

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Currently, the Bank and its subsidiaries had derivative, entering for the banking book purpose, with interest components which are recognised on an accrual basis and foreign exchange components which are recognised based on exchange rate ruling on the reporting period-end date. However, TFRS 9 had an option to apply hedge accounting for any transaction that meets the specific requirement of hedge accounting under TFRS 9 at date of initial application.

(vi) Disclosures

TFRS - Financial instruments standards will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs.

(vii) Impact assessment

The Bank and its subsidiaries expect to initially adopt these TFRS by adjusting the impact to retained earnings or other component of equity on 1 January 2020. Therefore, the Bank and its subsidiaries will not apply the requirements of these TFRS to comparative information.

Based on the preliminary impact assessment of initially applying TFRS - Financial instruments on the financial statements, the management estimate that there is no material impact to retained earnings and other components of equity of the Group and the Bank.

Management has developed a number of models to estimate the ECL allowance in accordance with Thai Financial Reporting Standards 9 and the Bank of Thailand notification and guidance. In addition, there may be uncertain events in the future that are still not reflected in the current credit models, so the management provide additional ECL as management overlay based on their assessment and judgement. Management expect that there will be no additional allowance required to be recorded by the Group and the Bank as at 1 January 2020, based on current results from the models and estimates of management overlay, compared to amounts recorded under the existing requirement as at 31 December 2019.

(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Bank and its subsidiaries recognise payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Bank and its subsidiaries will recognise right-of-use assets and lease liabilities for its operating leases as disclosed in Note 35.3. As a result, the nature of expenses related to those leases will be changed because the Bank and its subsidiaries will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

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Impact assessment

The Bank and its subsidiaries plan to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting TFRS 16 will be recognised as an adjustment to the retained earnings at 1 January 2020, with no restatement of comparative information.

The Bank and its subsidiaries plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply TFRS 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with TAS 17 and TFRIC 4.

Based on the preliminary impact assessment of initially applying TFRS 16 on the financial statements, the management estimate that it will recognize additional lease liabilities and the right-of-use assets of the Group and the Bank by Baht 3,256 million and Baht 1,242 million, respectively.