

## Part 1: Business Operations

### 1. Policy and Business Overview

#### 1.1 The Bank's vision, target and strategy

##### 1.1.1 Background

TMB Bank Public Company Limited. ("TMB" or "the Bank") was established on November 5, 1957 at Mansion 2, Rajdamnern Avenue, Bangkok. At that time, Field Marshal Saridi Dhanarajata was Chairman of the Board of Directors, Mr. Chote Guna-Kasem was the Bank's President, and the Bank had a total workforce of 26. TMB's initial registered capital was THB 10 million, divided into 100,000 shares, each with THB 100 par value. Most of the shareholders in the initial stage were military personnel both in-service and out-of-service.

The year 1982 marked a milestone for the Bank as His Majesty King Bhumibol Adulyadej graciously bestowed the Royal Garuda Emblem to TMB and its registered capital had its first increase, from THB 10 million to THB 100 million. To expand the fund raising capability, the Bank was listed on the Stock Exchange of Thailand (SET) on December 23, 1983 and transformed into a public company limited in 1994. As of December 31, 2013, the Bank's registered capital was THB 41,903,301,555 of which THB 41,426,006,153 was paid up and 43,606,322,266 from common stock with par value of THB 0.95 per share.

Thai Military Bank Pcl., DBS Thai Danu Bank Pcl. and the Industrial Finance Corporation of Thailand legally merged to become TMB Bank Pcl. on September 1, 2004. This merger enabled the Bank to operate as a universal bank, with total assets of THB 673 billion as of December 31, 2004.

In December 2007, TMB underwent a share capital increase of THB 37,622 million by forming a new business partnership with ING Group, a leading financial institution from The Netherlands. After recapitalization, the Ministry of Finance held 26.1% and ING Group held 25.2% of the entire issued and offered shares of the Bank. ING Group also held NVDRs (Non-Voting Depository Receipts) representing rights to TMB's securities and/or ordinary shares for 4.92% of the entire issued and offered shares of the Bank.

Currently, TMB is the seventh largest bank in Thailand in term of total assets, deposits and loans. The Bank has total assets of THB888.2 billion, deposits of THB649.6 billion and net loans of THB685.7 billion as of December 31, 2018 (Bank only statements).

##### 1.1.2 The Bank's vision and strategy in business operations for the next 5 years

- TMB Strategy

The Bank has formulated 7 Strategic Intents which will drive TMB to achieve the targets, which are derived from deposit-led strategy introduced since 2008:

**1. Strong Customer Understanding**

TMB places emphasis on the importance to understand customers at both individual and segment level (including cross-segment) so that the Bank can develop innovative products and services that matched with customer' needs.

**2. Grow Quality Deposits**

TMB aims to acquire quality deposits while managing the cost of deposits to be in line with peers. This will help TMB establish new relationships with customers while the quality deposits can in turn be redeployed into assets that provide the bank with profitable returns.

**3. Build Transactional Banking Excellence**

TMB prioritises Transactional Banking since it serves the basic banking needs of all customers and therefore allows the Bank to become 'closer' to and understand customers better. Better visibility of customers' transactions also provide the Bank with better liquidity management, better risk management and lower funding cost. For TMB, excellent transactional banking also means serving customers in the most efficient and effective way which will result in TMB became main bank of the customers.

**4. Recurring Non-interest Income**

TMB continued to emphasis on building sustainable non-interest income capability. Building non-interest income capability allows the Bank to effectively manage capital because of the minimal capital requirement compare to credit-related income. Moreover, non-interest income will help ensure sustainable bottom line through business cycles.

**5. Optimise Capital Utilisation**

TMB is strongly committed to delivering the level of profit expected by investors and has set the target to earn same level ROE with top bank performers within the next 3-5 years. To achieve this the Bank focused on growing in customer segments with higher risk-adjusted return such as SME segment and also plans to increase share of wallet by cross-selling value-added products and services to existing customers.

**6. Ensure Cost Efficiency**

As TMB grows, the Bank must ensure that it takes actions to achieve greater levels of efficiency in terms of business model and operational processes. Efficiency will be driven forwards in every part of the organisation through Lean Organisation and Lean Six Sigma initiatives to support the strong growth of sales and servicing transactions.

**7. High Performance and Empowered Organization**

TMB aims to build highly competent and productive staff who has the mind-set and skillset to collaborate cross-functionally and to make decisions that align with bank's strategies.

## 1.2 Significant changes and development in the past 5 years

### 1.2.1 Significant changes and development in the past 5 years

#### 2013

- TMB had strongly cooperated with FWD Life Insurance, a former ING Life Insurance under a shared vision in terms of long-term business development and customer-centric strategy.
- HR transformation program were mostly under an 'Empowering Organisation' framework and was introduced to ensure that the Bank has an engaging environment that recognizes competency, rewards performance and offers career development opportunities for the Bank's employees. In this year, TMB launched 'Career by ME'. By providing the tools for staff to align their long-term goals with their current skills and any gaps, employees can plan their 'individual development plan', discuss with their line managers and become more accountable for their career path.
- In 2013, the Bank and its subsidiaries recorded the highest operating profit before provision (PPOP) in the bank's history, reaching THB 14.4 Bn.
- TMB outlook was further upgraded by S&P from BB+ to BBB- based on steady improvement of operating performance and ability to manage asset quality and continued strong liquidity. In addition, TMB for the first time was listed in MSCI Global Standard Indices. Inclusion in MSCI was a coveted position and added more prominence to the stock for global investors.

#### 2014

- TMB achieved the target Return on Equity (ROE) of 14.7%. The strong growth is attributed to the successful implementation of the Bank's strategies. Moreover, TMB achieved success in asset quality management shown by the decrease of percentage of non-performing loans (NPL) ratio to 2.85% while the coverage ratio improved to 157%.
- Moody's credit rating agency upgraded TMB's credit rating from Baa3 to Baa2 with "stable" outlook based on steady improvement of operating performance and ability to manage asset quality and continued strong liquidity.
- TMB successfully issued Hybrid Tier 2 with maturity in 2024 amounted THB 15 billion with a 5.50%, where the issuance has the rights to redemption before maturity. The issuance allows TMB's capital adequacy ratio (CAR) to improve to 18.3% in 2014.
- TMB upgraded TMB Internet Banking and introduced TMB Touch, a mobile banking application for both iOS and Android operating system, to help facilitate customers' transactional needs. Customers are able to perform banking activities anytime anywhere. In addition, to provide convenience to customers to make cash deposits, TMB increased number of outlets by 2,400 service areas through the network of Government Saving Bank Branches and Thai Post Offices.
- TMB introduced new credit card products such as TMB So Smart and TMB So Fast. Moreover, TMB improved the benefit and convenience of One Bank account by providing cheque collection to commercial customers.

## 2015

- TMB had strong growth in deposit and loans including 20% increase in PPOP despite economic volatility. In addition, TMB successfully issued Renminbi-denominated bond (Dim Sum Bond) worth RMB 600 mn with three-year maturity, which is the first RMB benchmark bond issued from Thailand. TMB was also awarded “Best Local Currency Bond 2015” from The Asset Triple A Country Awards.

- TMB officially launched TMB Touch, a mobile banking application designed to help make daily banking easier, more convenient and is highly secured. Moreover, TMB further enhanced the commercial internet banking platform or TMB Business Click with the additions of the SMART and BAHTNET fund transfer to provide greater convenience for commercial customers to manage their accounts. Additionally, TMB introduced TMB e-Guarantee, which is a tool for business owners who would like to participate in the governmental auction. Business owners can easily and conveniently request the letter of guarantee without the need to contact the branch.

- TMB All Free is a newly enhanced transactional deposit account that allows customers to perform unlimited transactions within TMB and to make unlimited withdrawals at any bank's ATM free of charge. Additionally, customers can transfer to other bank's account or pay bills including direct debit without charge up to 5 times a month without minimum balance requirements. The success is shown in the strong growth of Transactional deposits that grew 10% in 2015.

- TMB launched ‘Talent Development Program’ because TMB believes that capable employees are the driving force in improving customer experience and TMB's competitiveness. Through the talent development program, employees are given opportunities to strengthen their knowledge and experiences with a clear career development plan within TMB and necessary supports to further enhance their capabilities.

- Over 6 years of “FAI-FAH” program, TMB aims to give the opportunities and cultivate young people to create value and return back to the community through various activities. Moreover, TMB introduced “FAI FAH in a box” which allowed Branch staff to connect with local residents and to address the needs of surrounding communities. The initiative aimed to help address local issues and to develop surrounding communities in a sustainable approach by truly understand their needs and establishing “Make THE Difference”. In 2015, TMB was awarded “The Best Community Development for “FAI FAH” CSR Program” and “CSR Practice in Banking and Finance in Asia” in the 5<sup>th</sup> Asia Best CSR Practice Awards.

## 2016

- TMB has successfully delivered transformation initiatives in 2016 and will continue to deliver transformation's success to Make THE Differences and to enable the bank to gain competitive edge against competitors.

- Achieved 10% Growth in Pre-Provision Operating Profit (PPOP) Despite Slow Economic Growth. There was a strong growth in Bancassurance products as TMB has better understanding of customer needs, thus, TMB offered products that easy to use at affordable price with “simple and affordable” concept.

- Moreover, TMB continued to deliver operational excellence in 2016. TMB improved turnaround time of retail secure lending applications from submission to approval down from more than 30 days to 5 days.

- TMB is committed to deliver transactional banking efficiency and convenience that relieves banking pains and allows customers to efficiently connect to their business partners and communities. In 2016, TMB enhanced TMB All Free account in order to better address customers' transactional needs. With the enhancement, not only customers continued to unlimited transact within TMB and withdraw cash at any bank's ATMs free of charge, the customers now can make unlimited, not just 5 times a month, transfers to other bank's accounts and bill payments including direct debit without charge and without any minimum balance requirement.

- Since the official launch of TMB Touch, TMB's mobile application that facilitates customers on their daily financial transactions, in 2015, numbers of retail electronic transaction rapidly grew in 2016 and surpassed numbers of transaction at branches.

- The National E-Payment Initiative, a collaborative effort between Thai Government and Private sectors in laying the foundation of payments and economy of Thailand, gained tremendous traction with the announcement of PromptPay, the first e-payment initiative that offers convenience for consumers to make payments and receive payments from other individuals or government agencies quicker and easier, which TMB had enhanced our infrastructure and services to accommodate the official launch in 2017.

- TMB was the first bank to launch a product that supports Business Security Act which was enforced on July 2<sup>nd</sup>, 2016. The product, named TMB Top-Up Credit, aims to provide Thai SMEs greater opportunities to access funding and thereby start their businesses. SME customers can use "Asset with economic value" on top of land and building as collateral for business loan.

- TMB believes that capable employees are critical in driving better customer experience which ultimately TMB's competitiveness. In 2016, TMB delinked remunerations and benefits from corporate titles in order to stimulate staff to effectively improve their capabilities and to drive the organization forward. TMB also restructured the organization by reducing the corporate levels down from 6 to 5 to improve agility and to allow staff to effectively demonstrate their capabilities.

## 2017

- Grow in customer base from primary banking benefits and right transactional products. With PromptPay's value proposition that offers receive payment free of charge together with All Free account that provide customers free payment transaction, the customers could get complete free transactional account that allow them to manage their financial transaction at better efficiency resulted in 50.9% growth in All Free account deposit.

- To build relationship with customers to use TMB as their main bank and increase digital channel transaction, TMB launched loyalty program offering primary banking benefits called TMB WOW. There was a good response from the market, over 40% of mobile banking customers joined the program. From continuous improvement in both marketing benefits and customer experiences, TMB Touch, TMB's mobile application has been rapidly adopted with over 1 million users in 2017.

- Non-interest income continuously improved at 21.4% in 2017. TMB renew strategic collaboration with FWD Life Insurance Public Company Limited for initial term 15 years, starting from January 1st, 2017. For this alliance with FWD, TMB received an access fee approximately THB19,582 million, net of all taxes and expense, excluding commission and profit sharing. TMB and FWD have been working closely for a long time in delivering life insurance products to TMB customers. The renewal of the collaboration would support TMB in strengthening bancassurance business with the aim of continuously serving the customers products and services that suit their needs.

- To strengthen Mutual Fund Open Architecture value proposition, TMB first introduced Mutual Fund transaction available on mobile banking (TMB Touch) that provided customers convenience in both doing transaction and monitoring their portfolio movement with high performance funds available for different risk profiles. To provide customers advisory in sophisticated investment, TMB Advisory has been launched together with Advisory room at selective branches that allowed customers to have access to investment expert from their nearby branches through video conference with branch staff accompany and facilitating the meeting. The initiatives yielded a good result as Mutual fund fee income grew 76% in 2017.

### 1.2.2 Significant changes and development in year 2018

In 2018, TMB continued to focus on providing Needed Base solutions and Simple and Easy transaction which resulted in both revenue and operating profit growth.

- Building primary customer base remained a key focus. “Get More with TMB” value proposition has been launched to engage customers to use TMB as their main bank. Number of primary customers rose from 2017 by 20%. The campaign also brought in new customers who wanted to enjoy the benefits. TMB grew new No-Fixed account at 0.54 million accounts and All Free account at 0.53 million accounts in 2018.

- To continue and further enhance Open Architecture proposition, TMB announced partnership with Eastspring Investment, lead asset management in Asia. This partnership not only brought in significant additional revenue to TMB that resulted 85% increase in non-interest income from 65% stake in TMBAM, but it will also allow TMB to have access to global fund management expertise from Prudential group. Eastspring has been successful in Asian markets with top funds available across Asia. TMBAM would be able to gain supports and bring in knowhow to develop more variety of products and services. This would ultimately also benefit TMB and a key partner and shareholder.

- With IFRS9 approaching and additional revenue from TMBAM and Eastspring transaction, TMB took a prudent strategy by setting up additional provision. Total provision therefore, increased to 16,100 million in 2018.

## 1.3 Structure of Shareholders

### 1.3.1 Business Consolidation Policy

TMB segregates the business activities of its group companies in accordance with the Bank of Thailand's consolidated supervision regulation, which calls for a bank's setting up of a financial business group. The financial business group consists of companies divided into two categories, based on the Bank's ownership portion and type of business, as follows:

1. **Solo consolidation** is defined as a company which operates as a credit or the business like credit which has the specific law regulated institution and the Bank holds at least 75% of its issued and paid-up share capital and its management is under the Bank's supervision.

2. **Non-Solo consolidation** comprising companies engaging in the financial business and businesses supporting the Bank's operations, as follows:

- **Financial business group** is defined as a company which operates financial business and the Bank holds at least 50% of its issued and paid-up share capital which such business has the specific law regulated such as security business, life insurance business, non-life insurance business, credit card business, personal loan under regulated, retail lending, and asset management business.
- **Supporting business group** is defined into 2 types:

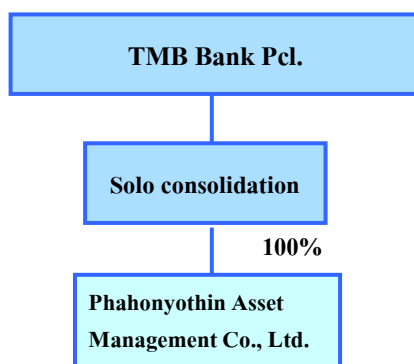
(1) Operating company which engages in function tasks that are normal banking operation or tasks that are directly support the operations of the Bank, provide service to the company in the same financial business group, or in accordance with Bank of Thailand Notification re: Permission of Commercial Bank in provide service to the financial business group or regulator (insourcing). However, if the support function is the company that doing in IT Infrastructure then such company can provide service to public. In addition, the support function such as cash delivery is permitted to provide its service to the other cash delivery operator during the crisis situation as per their Business Continuity Plan: (BCP).

(2) Fintech business that provide the supporting business or support the financial information for the customers in requesting the lending from the financial institutions.

The supporting company is the company that the Bank holds at least 50% of its issued and paid-up share capital.

The Bank's subsidiaries are classified based on this group structure as shown in the chart below:

### 1.3.2 The Bank's Group Structure Chart



### 1.3.3 Business description of subsidiary and associated companies

As of December 31, 2018, TMB had invested in two subsidiaries as described below:

Name	Type of business	Investment value by cost method as of Dec 31, 2018 (THB million)	% of shareholding by TMB as of Dec 31, 2018
<b><u>Subsidiary companies</u></b>			
1. Phahonyothin Asset Management Co., Ltd.	Asset management	25	100%
2. Phayathai Asset Management Co., Ltd.*	Asset management	649	100%
<b><u>Total investment in subsidiary companies</u></b>		<b>674</b>	
<b><u>Associate Company</u></b>			
TMB Asset Management Co., Ltd.	Fund management	197	35%
<b><u>Less Allowance for impairment</u></b>		<b>(649)</b>	
<b><u>Net investment in subsidiary and associate companies</u></b>		<b>222</b>	

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

- **Phahonyothin Asset Management Co., Ltd.** - Established by TMB to manage non-performing loans, non-performing assets and relevant collateral transferred from the Bank to ensure optimum returns.
- **TMB Asset Management Co., Ltd.** - Engaging in fund management in compliance with the Securities and Exchange Act and in investment management under the permission of the Securities and Exchange Commission. The company was established by a consortium of shareholders led by TMB Bank and currently provides a wide range of mutual funds and provident funds to the customers.



## 2. Nature of Business

### Income structure

Income structure of TMB and its subsidiaries consist of interest income, fees and service income and other operating income. Details are in the following income structure table for the years ended December 31, 2015-2017:

(Unit: THB million)

Income structure	For the year ended December 31,					
	2018	%	2017	%	2016	%
Interest income	35,128	56.6	34,713	68.9	35,631	73.8
Interbank and money market items	1,761	2.8	1,824	3.6	1,746	3.6
Investments and trading transactions	56	0.1	61	0.1	267	0.6
Investments in debt securities	1,219	2.0	1,213	2.4	1,369	2.8
Loans to customers	32,082	51.7	31,580	62.7	32,086	66.5
Others	10	-	35	0.1	163	0.3
Fees and service income	12,764	20.6	13,533	26.9	10,168	21.1
Gains on trading and foreign exchange transactions, net	1,529	2.4	1,147	2.3	1,692	3.5
Losses on financial liabilities designated at fair value through profit or loss, net	(11)	-	(24)	-	(13)	-
Gains on investments, net	11,963	19.2	64	0.1	201	0.4
Share of profit from investment using equity method	64	0.1	-	-	-	-
Other operating income	663	1.1	932	1.8	585	1.2
<b>Total income</b>	<b>62,100</b>	<b>100</b>	<b>50,365</b>	<b>100.0</b>	<b>48,264</b>	<b>100.0</b>

### 2.1 Products and services

TMB offers financial products and services, ranging from deposit, loans, investment product and bancassurance. However, each customer segment has different financial needs. As a customer centric organization, understanding customer's needs is one of TMB key success factors. TMB business is organized into 3 key customer segments as follows:

1. Wholesale Banking Group
2. SME Banking Group
3. Retail Banking Group

#### 2.1.1 Product and services for Wholesale Banking customers

- **Multi-corporate Banking segment:** Customer group with annual sales turnover more than THB5.0 billion.
- **Corporate Banking segment:** Customer group with annual sales turnover of THB1.0 billion – THB5.0 billion
- **Business Banking segment:** Customer group with annual sales turnover of THB100 million – THB1.0 billion

Type	Products and services
Deposit	Business accounts (TMB One Bank)
Loan and Financing	Working capital Supply chain solutions Letter of guarantee
Payment and Collection	Payment service Collection service Liquidity management
International Trade	International trade finance service Capital market risk management
Insurance	Bancassurance & Business Protection
Others	Corporate card Agency service Investment banking

### 2.1.2 Product and service for SME Banking customers

- **Small Enterprise:** Annual sales per year up to THB100 million.

Type	Products and services
Deposit	SME account (TMB One Bank)
Loan and Financing	Working capital Supply chain solutions Special funding programme for SME (TMB SME Smart Biz) Letter of guarantee
Payment and Collection	Payment service Collection service Liquidity management
International Trade	International trade finance service Capital market risk management
Insurance	Bancassurance & Business Protection
Others	Corporate card

### 2.1.3 Products and service for Retail customers

- **Affluent** for customers who have income from THB 100,000 and above
- **Middle Income** for customers who have income from THB15,000 to THB100,000
- **Mass** for customers who have income up to THB15,000

Type	Products and services
Deposit	Transactional account (All Free) Savings account (No Fixed)
Loan	Personal loan Home loan
Mutual fund	TMB Open Architecture
Insurance	Savings towards future securities Life and health protection Properties protection
Wealth banking	Wealth banking Superior banking

### TMB Open Architecture

TMB is considered as a first Thai bank that offer open architecture platform for all group of customers. The Bank set a long-term strategy to distribute under an open-architecture platform and offer a wide variety of mutual fund products in order to match various client needs and risk-return profiles. In 2018, TMB has become a selling agent of numbers for lead asset management both domestic and international asset managements including TMB Asset Management Co, Ltd., UOB Asset Management (Thailand) Co., Ltd., Aberdeen Asset Management Co, Ltd. and CIMB-Principal Co., Ltd., Manulife Asset Management Co., Ltd, TISCO Asset Management Co., Ltd, One Asset Management Co., Ltd, and Kasikorn Asset Management Co., Ltd. This enables TMB to offer a broader range of products and asset classes that suit different risk profiles of the customers.

### Bancassurance

TMB and FWD Life Insurance are business partners who jointly create innovative insurance products that meet the needs of TMB customers to enhance the stability and prosperity of customers' savings and give customers peace of mind to be able to live fully.

FWD Life Insurance Public Limited Company, a leading life insurer in Thailand and a member of Pacific Century Group (PCG) operates life insurance business by focusing on user-friendly technology and innovation. FWD Life Insurance offers a comprehensive range of products to fulfill the customers' needs throughout the different stages of their lives and also leverages technology to enhance E-Service for customers.

For Non-life insurance business, TMB offers insurance for loan collateral in association with non-life insurance companies. TMB also provides other non-life insurance products such as personal accident, health and motor insurance.

## 2.2 Market and Competition

### 2.2.1 Marketing policy for product and services in year 2018

#### 1) Wholesale Banking

##### Our Intent

We will continue to be customers' most advocated operating bank and value-added business partner. We will help corporates to maximize their business potentials through our financial and business solutions.

##### 2018 Summary

TMB aggressively launched supply chain program and continued to strengthen core focus on digital transactional banking. TMB successfully penetrated valued-added products and services especially advisory services which results in higher portion of fee income. In addition, TMB also focused on proactive risk management and portfolio optimization.

- **Digital transactional banking:** TMB successfully developed and delivered various digital transactional solutions including Prompt Pay Bill Payment, Pay Alert (Request-to-pay) and mobile applications for merchants. TMB successfully converted thousands of corporate customers to digital platform through TMB Business Click and TMB Business Touch. In addition, TMB was one of the first in Thailand to launch e-market place for donations.
- **Supply chain solutions:** Riding on the established footprint of supply chain solutions, TMB continued to create impact in a larger scale by expanding solutions not only to corporates, but also to government and military organizations. In 2018, TMB received "The Best in Treasury and Working Capital Award" from THE Asset for supply chain solution for Public Sector. TMB also successfully implemented supply chain digital platform to a number of leading corporates in Thailand.
- **Customer centric and Agility way of working:** TMB strived to timely deliver need-based products and customer experience by successfully adopting Agility way of working in product development as well as to enhance staff capabilities and to drive an innovation culture in the workplace. TMB also successfully leveraged technology in automation and streamlining internal processes, as well as eliminating duplicated work and roles which led us to the cost-competitive operating platform.

#### 2) SME Banking

##### Our Intent

TMB aims to become the most advocated bank for SMEs in Thailand by unleashing our SME clients' sustainable growth potential via simple & easy, needs-based transactional and lending solutions.

##### How We Plan to Deliver

- Acquire quality transacting SME customers driven by a strong primary bank customer value proposition, customer awareness & enhanced acquisition model through multiple offline/online channels.
- Grow TMB SME customers into primary bank users via deep customer understanding & customized experience, needs-based transactional and credit solutions, personalized marketing, and superior service.

- Convert primary bank customers to credit based on 360° data analytics, end-to-end efficiency, and prompt delivery of sufficient credit amount to the right customers. Our superior credit experience is delivered via multiple channels including business development managers, relationship manager call center, online loan application, and branch network.

## 2018 Summary

In 2018, TMB SME focused on delivering its strategy to become SME's main transactional bank through simple, easy-to-use solutions that match customer business needs. This is seen in the significant growth of SME One Bank account openings to enable customers to transact conveniently. The number of new SME One Bank accounts increased by 4X of which 90% are registered on digital channels. The volume of SME transactions grew almost fourfold in 2018, marking a much higher level of transactional activity among TMB SME customers.

At the same time, TMB SME acquired credit customers effectively while providing superior credit experience for existing consistently transacting good customers. Our substantial 60% quality growth in new credit limit setup was driven by a strong focus on quality through modeling, end-to-end process efficiency, and leading innovation in new products and channels including online lending. While achieving tremendous limit setup growth, TMB SME ensured cost efficiency and provided a seamless banking customer experience through simplifying processes and leveraging new technologies. TMB SME became a first bank to launch online loan application for SMEs in 2018, enabling funding accessibility, simplicity, and convenience to small SMEs.

Our credit initiatives and marketing programs have been enhanced by strong customer understanding and effective customer database management using data-driven analytics. Analytics and value chain collaboration prioritizing customer experience have led to improvements in customer satisfaction and advocacy scores. TMB SME continues to serve customers in convenient and valuable ways by providing customers with ease of inquiry for business and credit needs through innovative channel services such as Call Me Now, in which our call center calls back customers within 5 minutes of their submitting a request via the TMB Biz Touch app, and SME Advisory services which have become available in many TMB branches.

## 3) Retail Banking

### Our Intent

Become the most advocated bank of choice by offering relevant need-based products and services through omni-channel and delivering the easiest transactional banking experience.

### How we plan to achieve our intent

- Provide meaningful products and services at the right time to match the needs of our customers
- Deliver the best customer experience
- Provide customers a greater accessibility to our products and services through seamless omni-channel experience through enabled digital channels
- Grow customer base and deepen share of wallet amongst those who consistently use TMB as main bank

## 2018 Summary

Both make THE Difference brand philosophy and customer centricity continued to be the main reasons behind our growth. While we continued to remain focused in deposit-led-strategy, 2018 was a pivotal year for us as we continued our commitment to understand more about our customers and both their complex journeys and behaviors in the rapid-changing world over different series of moments. We continued to put our core focus on and managed in a sustained effort in driving the quality main bank status amongst new and existing customers. We continued enthusiastically in matching the needs of our customers through many of our need-based leading flagship products and services which include but not limited to TMB All Free - country's best transactional product which offers zero charges when customers do their daily transactions, TMB Wave - wearable contactless payment device which helps customers maximize their convenience when making payments, TMB No Fixed – flexible savings which offers high rate and even higher when using TMB All Free regularly, TMB WOW – a recently award winner from The Asian Banking & Finance Institution on being country's most disruptive CRM or gamified loyalty program which allows customers to earn and burn points as they do their banking routines, TMB TOUCH – our mobile banking app which allows customers to fulfill their financial needs upon clicks, TMB Advisory – a new wealth management service platform which offers complimentary consultations through personal financial advisors over interests of investment and protection as well as ME by TMB Group Products – high rate digital savings by ME Save, unlimited money transfer and transactional deposit by ME Move and life insurance by ME Sure. As of 2018, we are proud to have over 2.6 million retail customers who are currently active and consistently bank with us.

In addition, we made an official debut on 2 of our new Flagship Stores, locating at United Silom and Icon Siam. These new stores, equipped with many of state-of-the-art technologies to lift customer experience, were put to be a Prototype Branch Model, boasting both a new way of digitized banking and omni-channel. Upon store entry, visitors are personally greeted by navigators and directed to explore the avatars of their own (personal identity) based on their profiles, financial likes and needs. Upon finding out the avatars, they are then connected to and matched with the solutions or offerings that are specifically designed for them. The introduction of our new Flagship Stores significantly supports our visionary digital banking and commitment to offer relevant products and services through omni-channel customer experience.

## 2.2.2 Distribution channel and network

### 1) Branches and Business Centers

Domestic branches	416 branches nation-wide including 1 ME branch
Overseas Branches	Cayman Islands branch, Cayman Islands branch Vientiane branch, Lao P.D.R.
SME Zone Offices	55 zone offices for Small Enterprise 42 zone offices for business banking
Foreign Currency Exchange Service	1 Booth at HQ
ME by TMB	1 ME branches

Information as of December 31, 2018

For details and latest information of branches and business hours, please visit [www.tmbbank.com](http://www.tmbbank.com) or contact 1558

### 2) Electronic Channels

#### ATMs and AMDs

As of December 31, 2018, TMB has a total network of terminal 2,891 which are 2,066 ATMs, 768 ADMs and 57 All in Ones across Thailand. TMB continues to focus on its strategy to provide its own cardholders.

- 1) Increase 50 ADM Recycle focus on high cash society area and MI Small business owners.
- 2) Relocate 234 ATM focus on high TMB customers in strategic provinces.
- 3) Increase number of ATM in a tourist province where there are lots of tourist to increase fee income from Visa card, Visa Electron, Plus, MasterCard, Cirrus, Maestro, JCB and China Union Pay, and serve TMB customers that visit tourist area.

#### Merchant Acquiring Business

TMB's merchant acquiring business enables merchants to accept credit cards and debit cards (VISA credit card, MasterCard Credit card and VISA Electron) for payment from its customers. The services offered are as follows.

1. **Card Acceptance at Point of Sales:** Cardholders make payment for purchase of goods and services by credit card and/or debit card via Electronic Data Capture (EDC).
2. **Mail Order/Telephone Order:** This service allows cardholders to make payment by submitting credit card information to merchants via mail, fax, phone, or other media.
3. **Recurring:** This service allows for recurring payment for such services as telephone bills, electricity bills, membership fees, etc. on a monthly basis or per merchant billing cycle. Customer can sign up via the merchant, and payments are executed when merchants submit payment data (credit card information and payment amount) to TMB for processing.
4. **ePayment:** Enables for credit card payment via merchant's own website. VbV certify and MasterCard Secure Code certify from VISA and MasterCard respectively ensure transactions are secure.
5. **DCC (Dynamic Currency Conversion):** A value-added service for card acceptance at the point of sale which enables the merchants customers to make payment in Thai Baht or via their home currency.

## 3) Digital Channels

TMB Internet Banking	<p>TMB Internet Banking is an online banking service through website <a href="http://www.tmbdirect.com">www.tmbdirect.com</a>. and TMB Touch is mobile device application which offers mobile banking service through smart phone and tablet devices. In 2018, TMB will develop various features in order to enhance service as followings:</p> <ul style="list-style-type: none"> <li>- Customers can log in to TMB Internet Banking by scanning QR Code using TMB Touch application. This function will not only help customers who have problem in memorizing User ID and Password but also increase log in security.</li> <li>- Propose products and services via mobile application in both Next Best Offer approach and behavioral based approach. Insert.io will help offering need-based product and service effectively.</li> </ul>
TMB Touch	<ul style="list-style-type: none"> <li>- Customers can purchase MF using credit cards.</li> <li>- Customers can simply apply for Credit Card and Personal Loan via TMB Touch, upload documents for loan application, give consent to NCB check online and monitor loan tracking via TMB Touch.</li> <li>- Cardless withdrawal function at TMB ATM.</li> <li>- Customers can perform self-management on temporary credit line increase, permanent credit line increase as well as credit limit customization.</li> </ul>
ME by TMB	<p>In 2018, ME by TMB launch 2 products as followings:</p> <ul style="list-style-type: none"> <li>- ME Move: New account for ME by TMB customers used for everyday payment. With ME Move account, customers can issue virtual card for making payment online</li> <li>- ME SURE: Customers can purchase Life insurance (FWD) via ME by TMB application</li> </ul>
TMB Business Click	<p>TMB Business Click is an Internet Banking for corporate customers. It provides board range of banking services across cash management, international trade transactional services, Foreign Exchange Service and Supply Chain Financing. The service enables online self-service banking transaction 24 hours a day with comprehensive transaction information. Estimated to complete within quarter 3 of this year, the launch of E-Onboarding platform is expected to help increase the customer base and adapt to customers' digital lifestyle.</p>
TMB Business Touch	<p>TMB Business Touch is mobile device application for corporate customers which offers mobile banking service through smart phone and tablet devices both iOS and Android operating system. the objective for TMB BIZTOUCH is to be more than a platform to perform financial transactions, but increasing the application's capabilities and empowering it to become a full-fledged mobile bank.</p>



## 4) Phone Banking

Contact Center	1558 International call : +66 2299 1558
TMB SME	0-2828-2828
Corporate Call Center	02-643-7000 Service hours: 8.00 -18.00 on working days

## 2.2.3 Banking Industry and Trends

## 1) Performance of Commercial banks in 2018

Commercial banks had stronger growth as loan expansion accelerated. Credit expanded at a faster pace than deposits. This caused L/D ratio to increase from 96.3% to 98.3%. Liquidity in Thai banking system at year-end stood at THB 3.4 trillion, contracting from THB 3.5 trillion from the same period last year. Total assets of domestically registered commercial banks rose 3% to THB 17.3 trillion.

Commercial banks' total loans in 2018, stood at THB 13.2 trillion, expanding by 6%. The main factor was 9% surge of consumer loans in all portfolios, which was consistent with acceleration of private consumption. Large corporate loan growth surged at 4.7% growth rate. The growth came mainly from services, commerce, and real estate, buoyed by public investment and positive business confidence. Overall Small and Medium Enterprises' (SME) loan slowed down to 4.1%.

MLR of the four largest commercial banks were averaged at 6.2% at the end of 2018, stable from the previous year, even though BOT hiked the policy rate from 1.50% to 1.75% in December 2018. Commercial banks maintained the same lending rate to mitigate the interest burden of their customers especially SMEs. As a result, the spread between MLR and 12-month time deposit rate was maintained at 480 basis points.

In 2018, commercial banks' deposits grew 3.9% from last year to THB 13.4 trillion mainly from current deposits. Consequently, the share of time deposits was reduced to 37% from 38% of total deposit last year. Four largest banks' average time deposit interest rates stood still at 1.40% despite the 0.25% increase in policy rate. This partly reflected banks' ample liquidity

Total NPLs (gross NPLs) of commercial banks as of December 2018 increased from THB 429 billion to THB 443 billion from the same period last year. NPL ratio increased by 2 basis point and remained elevated at 2.93%. It was largely driven by NPLs from SMEs loans, especially in construction, manufacturing and commerce businesses as a result of tougher competition from e-commerce as well as modern trade penetration into provincial market. Retail's NPL ratio was stable at 2.7%. The largest increase was from mortgage loans due to rising loans to second or third home borrowers with deteriorating credit standards.

The net profit of commercial banks registered in Thailand stood at THB 192 billion in 2018, albeit fee income contraction, increased by THB 18 billion or 10% from last year thanks to 4% higher interest income from loan expansion as well as lower provisioning expenses by 13%. Fee and service income declined by 5% due to banks' cancellation of transfer fees as well as drop in Bancassurance and mutual fund fees.

#### Thai Commercial Banks' Assets, Deposits, and Net Loans (After Loan Loss Provision)

Bank	Assets		Deposits		Net Loans	
	Amount (Billion Baht)	Share (%)	Amount (Billion Baht)	Share (%)	Amount (Billion Baht)	Share (%)
Bangkok Bank	3,008	17%	2,262	18%	1,876	16%
The Siam Commercial Bank	2,860	16%	2,157	17%	2,022	17%
Krung Thai Bank	2,656	15%	2,043	16%	1,823	15%
Kasikornbank	2,641	15%	1,991	16%	1,752	15%
Bank of Ayudhya	2,050	12%	1,421	11%	1,503	13%
<b>Total 5 large banks</b>	<b>13,216</b>	<b>76%</b>	<b>9,875</b>	<b>78%</b>	<b>8,976</b>	<b>76%</b>
Thanachart Bank	984	6%	754	6%	680	6%
TMB Bank	888	5%	650	5%	653	6%
United Overseas Bank (Thai)	525	3%	405	3%	372	3%
<b>Total 3 medium banks</b>	<b>2,397</b>	<b>14%</b>	<b>1,809</b>	<b>14%</b>	<b>1,705</b>	<b>14%</b>
CIMB Thai	350	2%	185	1%	209	2%
TISCO Bank	291	2%	195	2%	226	2%
Kiatnakin Bank	295	2%	182	1.4%	220	2%
Land and Houses Bank	239	1%	168	1.3%	158	1%
Standard Chartered Bank (Thai)	152	1%	61	0.5%	32	0.3%
Industrial and Commercial Bank of China (Thai)	200	1%	102	0.8%	106	0.9%
<b>Total 6 small banks</b>	<b>1,526</b>	<b>9%</b>	<b>894</b>	<b>7%</b>	<b>952</b>	<b>8%</b>
Bank of China (Thai)	50	0.3%	29	0.2%	35	0.3%
The Thai Credit Retail Bank	50	0.3%	42	0.3%	42	0.4%
Sumitomo Mitsui Trust Bank (Thai)	77	0.4%	20	0.2%	51	0.4%
ANZ (Thai)	33	0.2%	10	0.1%	18	0.2%
Mega International Commercial Bank	22	0.1%	12	0.1%	18	0.2%
<b>Total</b>	<b>17,372</b>	<b>100%</b>	<b>12,692</b>	<b>100.0%</b>	<b>11,797</b>	<b>100%</b>

Source: Bank of Thailand (as of December 2018)

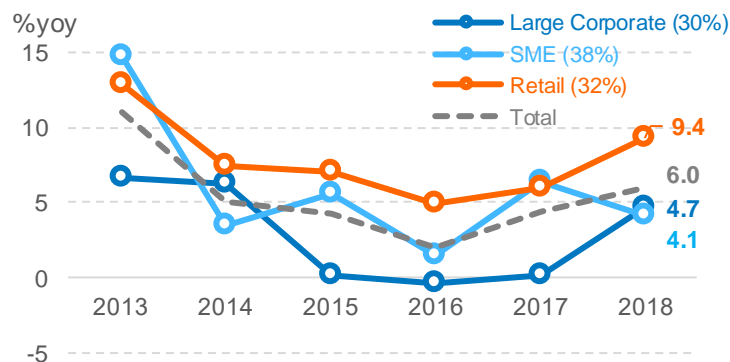
#### Performance Summary:

##### ● Loans

Commercial banks' total loans in 2018, stood at THB 13.2 trillion, expanding by 6%. The main factor was 9% surge of consumer loans including housing loan, auto loan, credit card loan, and personal loan. This was consistent with acceleration of private consumption. Large corporate loan growth surged at 4.7% growth rate. The growth came mainly from services, commerce, and real estate, which were led by public investment and positive business confidence. Small

and Medium Enterprises' (SME) loan, slowed down from last year and expanded by 4.1%, especially in commerce and services sectors.

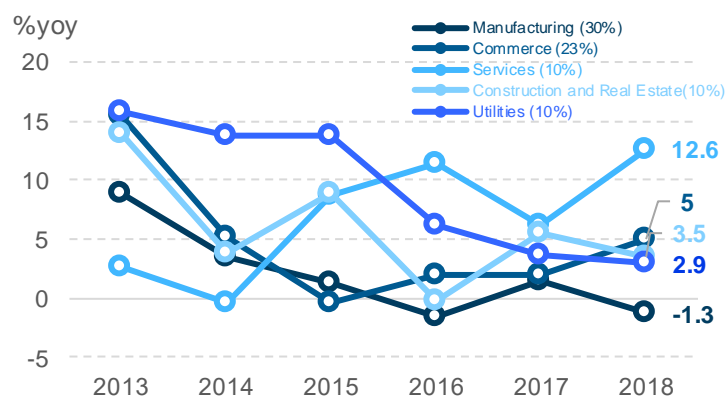
Loan Growth by Customer Type



\*( ) represents %share to total loans

Source: Bank of Thailand

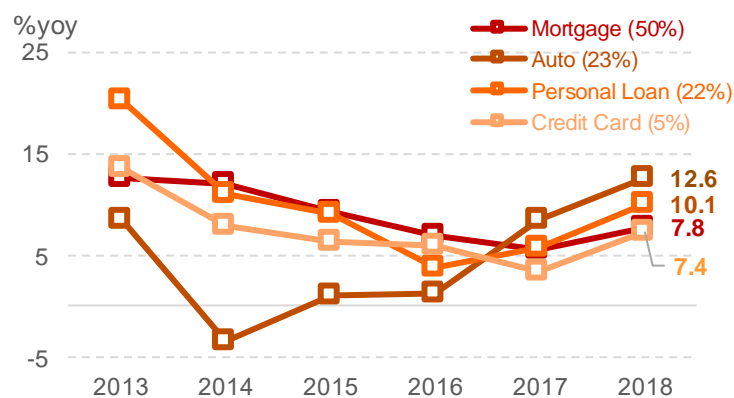
Business Loan Growth by Industry



\*( ) represents %share to business loans

Source: Bank of Thailand

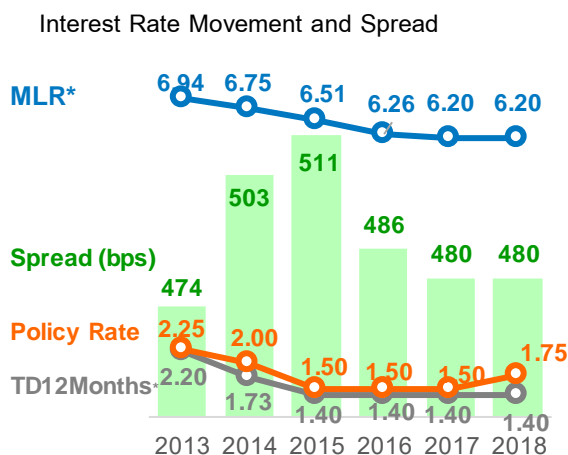
Retail Loan Growth by Product



\*( ) represents %share to retail loans

Source: Bank of Thailand

MLR of the five largest commercial banks were averaged at 6.20% at the end of 2018, which was the same as the previous year, even though BOT hiked the policy rate from 1.50% to 1.75% in December 2018. Commercial banks maintained the same lending rate to mitigate the interest burden of their customers especially SMEs. As a result, the spread between MLR and 12-month time deposit rate was maintained at 480 basis points.



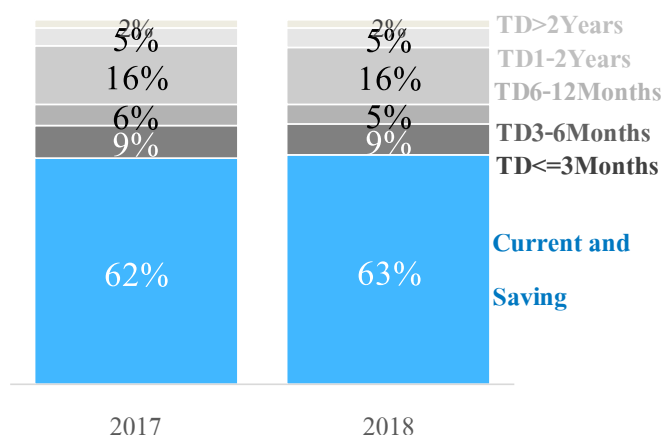
\*Average from 5 largest commercial banks' rates

Source: CEIC

- Deposits

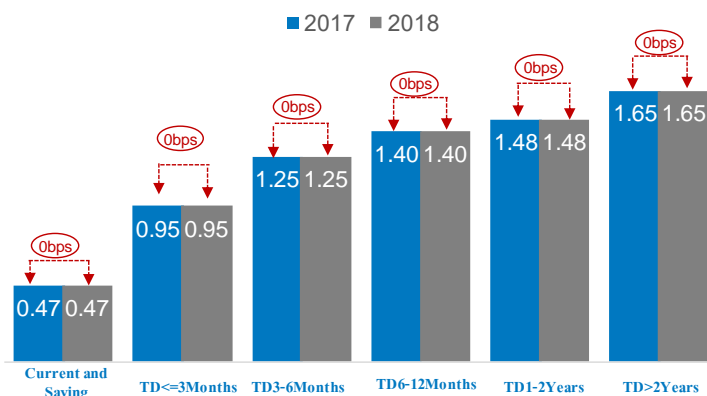
In 2018, commercial banks' deposits grew 3.9% from last year to THB 13.4 trillion mainly from current deposits. Consequently, the share of time deposits was reduced from 37% to 38% of total deposit. Five largest banks' average time deposit interest rates stood still despite 0.25% increase in policy rate. This partly reflected banks' ample liquidity.

**Composition of Deposits by Maturity**



Source: Bank of Thailand

## Average Deposit Rates by Maturity



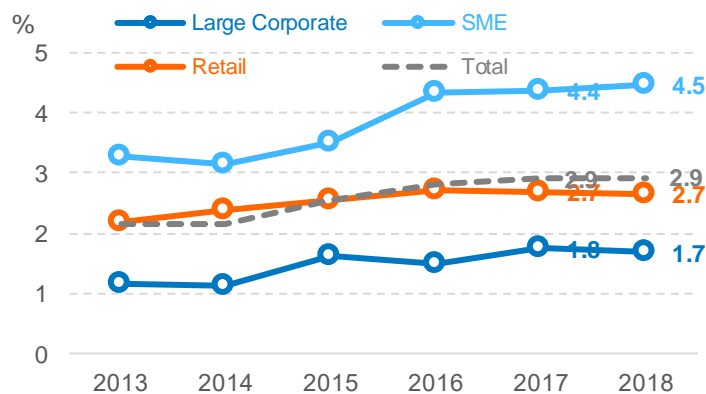
\*Average from 5 largest commercial banks' rates

Source: CEIC

- Non-performing loans (NPLs)

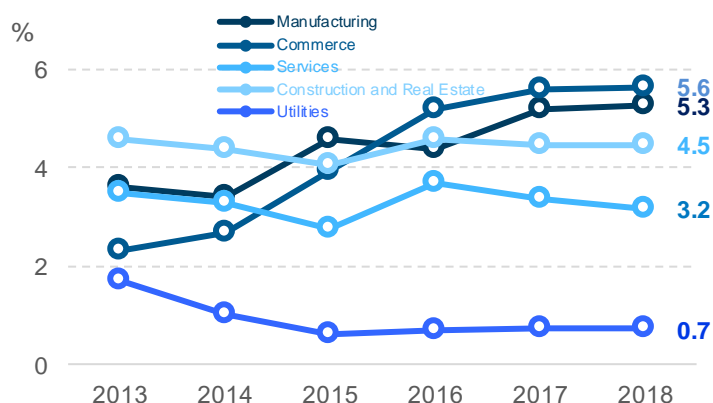
Total NPLs (gross NPLs) of commercial banks as of December 2018 increased from THB 14 billion at the same period last year to THB 443 billion. NPL ratio, though marginally increased by 2 basis point, remained elevated at 2.93%. It was largely driven by NPLs from SMEs loans, especially in construction, manufacturing and commerce business as a result of tougher competition from e-commerce as well as modern trade penetration into provincial market. Retail's NPL ratio was stable at 2.7%. The largest increase was from mortgage loans due to rising loans to second or third home borrowers with deteriorating credit standards.

## NPL Ratio by Customer Type



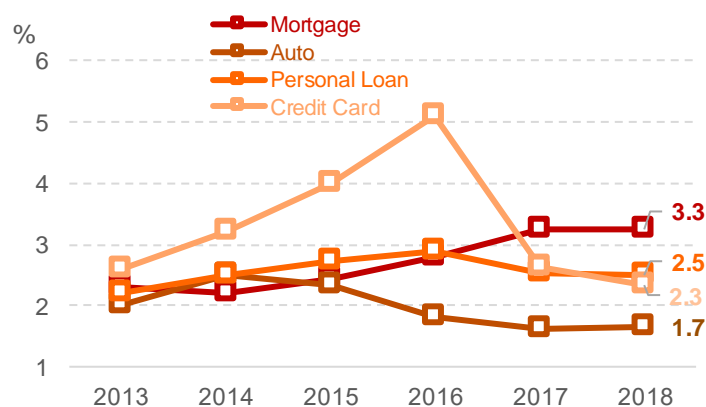
Source: Bank of Thailand

NPL Ratio of Business Loan by Industry



Source: Bank of Thailand

NPL Ratio of Retail Loan by Product



Source: Bank of Thailand

#### ● Performances

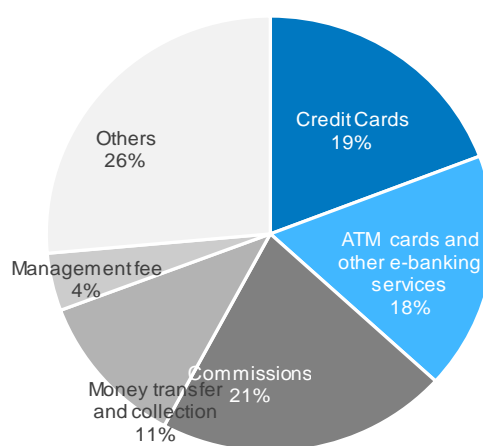
The net profit of commercial banks registered in Thailand stood at THB 192 billion in 2018, albeit fee income contraction, increased by THB 18 billion or only 10% from last year thanks to 4% higher interest income from loan expansion as well as lower provisioning expenses by 13%. Fee and service income declined by 5% due to banks' cancellation of transfer fees as well as drop in Bancassurance and mutual fund fees.

## Performances of Commercial Banks Registered in Thailand

Income-Expense (Billion Baht)	2018	2017	Change (%)	
Interest income	681	658	+23	+3.6%
Interest expenses	218	209	+9	+4%
<b>Net interest income</b>	<b>463</b>	<b>449</b>	<b>+14</b>	<b>+3%</b>
Fees and service income	189	189	+1	+0%
Fees and service expenses	48	39	+9	+23%
<b>Net fees and service income</b>	<b>142</b>	<b>150</b>	<b>-8</b>	<b>-5%</b>
Gains on tradings and forex	38	37	+2	+5%
Gains on investment	18	13	+4	+34%
Gains on fair value	-1	-2	+1	+56%
Others operation incomes	46	39	+7	+18%
<b>Net non-interest income</b>	<b>243</b>	<b>237</b>	<b>+6</b>	<b>+3%</b>
Other operation expenses	330	310	+20	+7%
<b>Operating profit</b>	<b>376</b>	<b>376</b>	<b>+0</b>	<b>+0%</b>
Impairment loss of loans and debt securities	146	168	-22	-13%
<b>Profit before income tax</b>	<b>230</b>	<b>208</b>	<b>+22</b>	<b>+11%</b>
Tax	38	34	+4	+12%
<b>Net profit</b>	<b>192</b>	<b>174</b>	<b>+18</b>	<b>+10%</b>

Source: Bank of Thailand

## Composition of Fees and Services Income in 2018



Source: Bank of Thailand

## 2) Trend of Commercial Banks in 2019

### ● Loan and Deposit Trend

The commercial banking industry is expected to exhibit a robust performance in alignment with increase in investment by both public and private sectors. It will likely gain momentum from Eastern Economic Corridor (EEC) including infrastructure projects and corporate investment. This will benefit industries along the supply chain especially contractor and construction material industries. Additionally, upward trend of increasing tourist arrivals will be beneficial to services and commerce businesses.

Loan quality will be expected to improve slightly from investment, domestic consumption, and foreign tourist expenditures. However, SMEs could suffer from tepid purchasing power of low-income people as a result of sluggish agricultural prices.

Personal loan and credit card's loan growth are likely to be on an upward trend due to the unlock of the first-car scheme as well as improvement in farm income. Mortgage loan will gradually recover this year after the tepid growth thanks to the expansion of the urban area along with the mega projects, mass transit, and rail system connected regions together. However, the quality of mortgage loans needs close monitoring. This is because a prolonged low interest rate will lead to search-for-yield behaviors, which result in speculation on properties. In addition, more intense loan competition among financial institutions can encourage households to excessively borrow, which could potentially decrease the household's debt serviceability and hence causes the rise of delinquency rate.

Deposits are likely to grow more to support loan growth. Therefore, the rising deposit competition will soon start, though not in aggressive manner due to ample liquidity resulted from extremely accommodative monetary policy implementation of major central banks including Bank of Thailand. However, the faster growth of loan over deposit will lead to the tightening liquidity.

Regarding the trend of commercial banks in 2019, the outlook for the disruptive themes will be described as follows:

#### 1. Digital Banking

Banks will invest significantly in digital infrastructure, particularly in technology and people since it does not only enhance simplicity to the customer's accessibility, but also increases speed and decreases the cost of operation relatively to other channels. The cost efficiency becomes even more important after a significant drop of fee income from the elimination of transaction fees on digital platforms last year. Besides cost efficiency, digital banking will evolve financial services by building up customer experiences. Big data analytics will play a major role in analyzing and extracting the insightful customer behaviors along the customer journey. This could be considerably favorable for laying down the strategy and innovating financial products which can satisfy customer's demand. Additionally, banks could utilize such data to have a better risk management to prevent against the uncertainty and volatility in the economy. Moreover, banks also need strong IT securities. It is essential to protect against cyber risk, which is potentially harmful to the digital systems and lower user's confidence if the system is under siege. Additionally, organization structure will be changed to be consistent with the digital environment by focusing on swift and nimble movement. This agility structure will make a cumbersome traditional culture become more strategically customer-centric and faster deliverables to satisfy customers in this digital era.



## 2. National e-Payment

National e-payment is a national agenda to promote a standardized and up-to-date electronic payment system to reduce transaction costs for households, businesses as well as government sector, and to allow for local financial institutions to compete efficiently with others to create a foundation for Thai banking system. After the project was initiated in late 2015, it has achieved important milestones including Any ID scheme or PromptPay, and the expansion of EDC and QR payment availability. This year the e-payment will be fully adopted by government to transfer cash, e.g. social benefits and tax refunds, to households. E-Payment could be spurred e-Commerce. However, the amendment on the Revenue code to cover e-Commerce sites and other online businesses, which was approved by the NLA last year, could concern online vendors.

## 3. Fintech

Fintechs have become a recent trend, especially for payment and transfer, investment, and insurance. The main reason why Fintechs become popular because they solve the customer's right financial pain points by applying current technology with an economical operating cost via Venture Capital.

Consequently, the Bank of Thailand and the Securities and Exchange Commission established Regulatory Sandbox to innovate financial products and services by trial on the real customers before launching to the public. This trial will limit the unexpected risk from such innovation and possibly leads to the good governance for the regulators. For this year, some other services would be launch out from Fintechs, for instance, Peer-to-Peer Lending, Robo-Advisor, or crowd funding via Initial Coin Offering (ICO).

## 4. Regional Partnership

Alliance and partnership among ASEAN banks plus Chinese and Japanese counterparts will increase. The establishment of Qualified ASEAN Banks (QABs) will increase the opportunities for Thai commercial banks to do business around the region. On the other hands, regional commercial banks also gain opportunities to establish in Thailand. Such mutual benefit will facilitate transaction in either trading or investment for private demand.

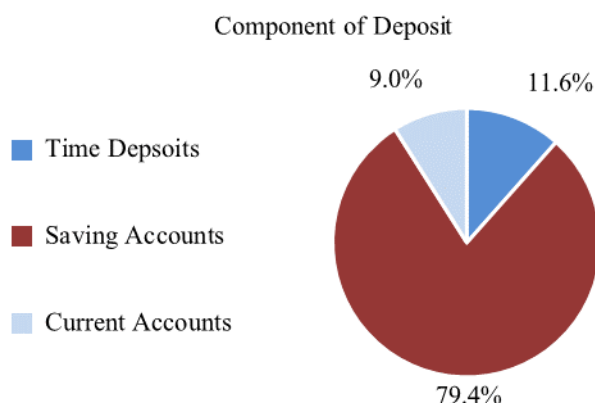
## 5. e-Marketplace Platform

In 2019, commercial banks and financial institutions will transform themselves from financial intermediaries toward marketplace consistent with the change of consumer behaviors. With strengths in large customer base and understanding customers, Bank of Thailand already provided guidelines for commercial banks and financial institutions in providing marketplace channel for transaction exchanging and online payment between retail customers and business customers.

### 2.3 Source of funds

#### 2.3.1 Sources of funds

Major sources of funds for TMB are deposits, interbank and money market items and borrowings. As of December 31, 2018, TMB had total deposits of THB 649,575 million, where time deposits represented 11.6%, 79.4% for savings account and 9.0% for current account.



Besides total deposits that were represented 86.7% of total funds. In addition, the Bank recorded interbank and money market items of THB 64,267 million and borrowings of THB 35,124 million, making up 8.6% and 4.7% of total funds respectively. Borrowings included short-term borrowing by THB 15,017 million and long-term borrowing by THB 20,107 million.

TMB's sources of funds during the specified period are as follows:

(The Bank)	As of December 31					
	2018		2017		2016	
	Amount (THB million)	As % of total fund	Amount (THB million)	As % of total fund	Amount (THB million)	As % of total fund
Time Deposits	75,178	100	82,890	11.8	115,131	16.8
Saving Accounts	515,914	68.9	475,573	67.4	433,084	63.3
Current Accounts	58,482	7.8	53,045	7.5	50,806	7.4
<i>Total deposits</i>	<i>649,575</i>	<i>86.7</i>	<i>611,508</i>	<i>86.7</i>	<i>599,021</i>	<i>87.5</i>
Interbank and money market items	64,267	8.6	60,349	8.6	45,417	6.6
Borrowings	35,124	4.7	33,352	4.7	39,874	5.8
<i>Total Borrowings</i>	<i>99,391</i>	<i>13.3</i>	<i>93,701</i>	<i>13.3</i>	<i>85,292</i>	<i>12.5</i>
<b>Total Funding</b>	<b>748,965</b>	<b>100.0</b>	<b>705,209</b>	<b>100.0</b>	<b>684,313</b>	<b>100.0</b>

### 2.3.2 Policy on funding and pricing

TMB has a policy to mobilize funds from the sources mentioned above with the amount and tenor that is most closely aligned to its requirements. Other factors taken into account are proper liquidity for the Bank's operation and comparison of funding costs from various sources. Meanwhile, suitable deposit interest rates are determined based on liquidity in the money market and of the Bank itself, together with external factors such as interest rate trends, the BoT's monetary policy, competition in mobilizing deposits, national economic trends and other such factors.

### 2.3.3 Policy on liability management

The Bank manages its short- term and long-term liabilities both in Thai baht and foreign currencies to match with the asset or clients' demand for loans. In order to hedge both interest rate and FX risks, various financial instruments such as FX swap, Interest rate swap and Cross currency swap are applied manage the above liabilities efficiently, which constitutes the alignment of the Bank's cash inflow and outflow.

### 2.3.4 Capital Adequacy

The Bank's capital adequacy ratios consisted of the following:

(Unit: percentage)

	The BoT's regulation minimum requirement *	31 Dec 18	31 Dec 17	31 Dec 16
<u>Capital ratio</u> (under Basel III framework)				
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	6.375	13.61	13.18	12.80
Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.875	13.61	13.18	12.80
Capital Adequacy Ratio/Total Risk- Weighted Asset	10.375	17.46	17.34	18.14

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

### 3. Risk management & Key risk factors

#### 3.1 Overview of TMB's risk management

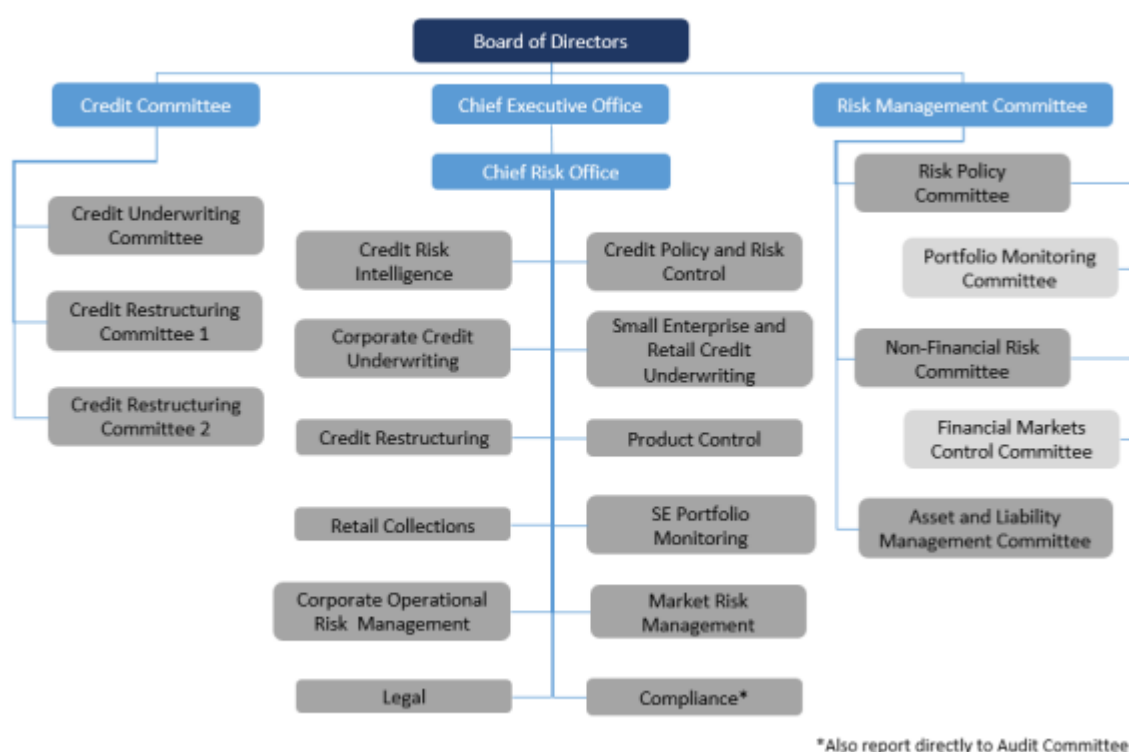
In TMB, risk management is of primary importance in order to create shareholder value by ensuring a sustainable balance between risk and return and compliancy to regulatory requirements. The general Risk Management Framework consists of a clear Governance Structure, a consistent Risk Management Process and embedding a Risk Culture in the first Line of Defense. Moreover, Risk measurement is fully integrated in the strategic planning. All of this translates into a straightforward Risk Management strategy in which:

- Products & portfolios are structured, underwritten, priced, approved and managed appropriately;
- Compliance with internal and external regulations and guidelines is monitored continuously;
- Our risk profile and risk appetite are transparent and consistent;
- Delegated authorities are consistent with the Bank's overall strategy and risk appetite;
- Communication to internal and external stakeholders on risk management and value creation is transparent.

##### 3.1.1 Risk Governance Structure

TMB maintains a risk governance structure that is intended to strengthen risk management while ensuring that risk-taking authorities are cascaded down from the Board to the appropriate committees and functional levels. Risk issues and the changing regulatory and business environment are managed in an efficient and effective manner. Moreover, to maintain the independence of the compliance function, Compliance has a dual reporting line to the Audit Committee and Chief Risk Officer.

TMB Risk Governance Structure



The Board of Directors (BoD) holds ultimate responsibility of bank-wide risk management. The Risk Management Committee (RMC) has been delegated by the Board of Directors to review and oversee the management of risks across the Bank and is authorized to approve certain parts of Bank's risk management strategies, policies, frameworks and standards, as well as aggregate risk tolerance and risk concentration levels. However, Business Units as the 1<sup>st</sup> Line of Defense are primarily responsible for managing risks within their responsible portfolio, several risk committees provide forums to discuss and decide about specific risk areas:

1. **The Risk Policy Committee:** assists the RMC in fulfilling its oversight of internal policies, frameworks, standards, risk appetite targets, as well as issues related to credit risk management.
  - **The Portfolio Monitoring Committees** serve as a discussion forum for Business functions and Risk functions with a primary focus on credit portfolio monitoring to ensure appropriate proactive credit portfolio management and alignment with business strategy.
2. **The Bank Non-Financial Risk Management Committee:** to manage the **Non-Financial** risks of the Bank and its subsidiaries by establishing the **Non-Financial** Risk strategy and policies and oversee to ensure that they are implemented effectively at all levels of granularity. To emphasize the effectiveness of the "Three Lines of Defense" risk governance model, the bank set up 3 Business Unit Non-Financial Risk Committees for Retail, SME and Wholesale Banking, reporting to Bank Non-Financial Risk Committee
  - **The Financial Markets Control Committee:** serves as a cross-functional forum for business, operations, information technology and risk management functions with a primary focus on business practices and the risk and control environment and end-to-end value chain of the Bank's Financial Markets undertakings and its product approval and review.
3. **The Asset and Liability Management Committee:** assists the RMC in all matters related to the asset and liability management and balance sheet management.

All the risk management related functions are under the leadership of the Chief Risk Officer (CRO). The CRO, as a member of the Bank's executive committee (CEC) and reporting directly to the Chief Executive Officer, oversees and promotes the development and implementation of consistent bank-wide risk management.

### 3.1.2 Risk Management Process

Risk Management in TMB consists of 4 key risk management processes:

- 1) **Risk Identification:** TMB classifies risks which are arising in daily business activities into 5 key risk areas: Credit Risk, Market Risk (including but not limit to Foreign Exchange Risk and Interest Rate Risk), Liquidity Risk, Non-Financial Risk and Strategic Risk.
- 2) **Risk Assessment & Measurement:** TMB uses different methods and tools to measure various risk types in both quantitative and qualitative measures. In addition, TMB also conducts Stress Testing to measure quality and resilience of the Bank's portfolio and the Bank's tolerance to stress event scenarios.

3) **Risk Monitoring and Control:** TMB controls, mitigates and monitors risks by setting key risk indicators, as well as risk limits at the bank-wide level, portfolio level, product level, and other levels as may be appropriate.

4) **Risk Reporting & Communication:** Status of various risk types as well as actions taken / to be taken are reported to relevant parties / committees and top management on a regular basis. The risk reports cover product level, portfolio level, functional level, and the bank-wide level.

**3 lines of Defense:**

Over the last years, TMB has invested significantly in further strengthening a risk management culture where all employees in the Business units (1<sup>st</sup> line) identify risks, consider the impact, report if necessary and apply appropriate risk mitigation strategies. Investments include training, tooling, processes and policies. Risk Management units under the Chief Risk Officer perform 2<sup>nd</sup> line of defense duties of formulating risk strategy, policies and appropriate risk structures, provide oversight & monitors 1<sup>st</sup> line of defense and actively challenges the risk – return trade-off in the Business units. Internal audit as the 3<sup>rd</sup> line of defense provides independent and objective assurance on the effectiveness of controls and recommends improvements to the governance, risk & control framework.

### 3.2 Key Risk Factors

Key risk factors that could arise from the Bank's business operation are as follows.

#### 3.2.1 Credit Risk

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

TMB's credit risk management objective is to maximize the Bank's risk-adjusted return by maintaining credit risk exposure within acceptable levels and build a sustainable competitive advantage by integrating risk management into business activities and strategic planning.

In recent years, TMB has improved and continues to improve its credit risk management capabilities with investments in people, risk management governance, processes, measurement tools and systems including the development of an economic capital framework, improved risk measurement processes, credit assessment & origination and tools, such as risk rating models, application- behavioral-, and collection scorecards, and established frameworks which set out credit policies, procedures, and guidelines covering the measurement and management of credit risk. This has been achieved while further building a stronger credit culture within TMB, based on thorough knowledge of our borrowers and executed by well-trained staff according to our 3 lines of defense risk management framework. The 3 lines of defense principle helps us to mitigate credit risk within TMB and consists of 3 principles:

- Management and staffs of TMB Bank business units have primary responsibility and accountability for the effective control of credit risks incurred by their business units ("1<sup>st</sup> line of defense").

- Credit Risk Management (“2<sup>nd</sup> line of defense”) partner with and support the 1<sup>st</sup> line of defense’s risk management activities. Risk management functions are independent of the management and staff that originate the credit risk exposures.
- Audit operates as the “3<sup>rd</sup> line of defense”. Audit is to provide an independent assurance of the design and effectiveness of internal controls over the credit risks inherent to TMB’s business performance.

#### 3.2.1.1 Credit Risk Factors

- **Credit quality**

Further improving the quality of TMB’s assets remains a key priority. Non-Performing Loans (NPL) arises when debtors fail to repay debts according to an agreed schedule. This may lead to loss of interest income but sometimes also of the principal balance, whether in whole or in part, which thereby will affect TMB’s profitability and capital adequacy.

TMB manages the quality of its credit portfolios by monitoring and reviewing status of our borrowers and/or counterparties constantly, both at individual level and at portfolio level. Also here the 3 lines of defense approach is applicable: dedicated Relationship Managers monitor their Wholesale and SME Customers at an individual level. Credit Risk data and analytics is supporting on a portfolio level. In our Retail portfolio, the focus is on portfolio management. Special attention is paid to problem exposures, which are subject to more frequent review and reporting. Early warning triggers, Qualitative Risk Score, and Behavior Risk Level are in place to detect customers that may be moving toward adverse classification or further deterioration of their performance. Dedicated Credit Restructuring teams and Credit Restructuring Committees are established to restructure problem loans in an effective manner and to provide advice on debt restructuring conditions. TMB sets aside loan loss provision in accordance with guidelines from the Bank of Thailand (BOT). TMB also takes IBNR provisions (loss incurred but not yet recognized) for performing loans as a further cushion for losses expected as a result of future events. IBNR provisioning is calculated using PD (probability of default) based on risk level, EAD (exposure at default) based on loan types or debtor types, and LGD (loss given default) based on collateral types.

The bank’s Risk Appetite Statement (RAS) expresses the type and level of Risk that the bank is willing to tolerate in pursuit of its strategic objectives. RAS aims to ensure that the Bank’s actual risk exposure is consistent with its strategic objectives and that exposure moving beyond tolerance risk levels is timely identified and acted upon. The RAS is determined based on consideration of TMB Bank’s financial plan. The RAS contains a set of quantitative statements which are measured and reported on a monthly basis towards RMC and Executive Committee. This RAS also forms the basis of the monthly Portfolio Monitoring Committees in order to timely address possible boundary breaches.

- **Impairment in value of physical collateral**

A substantial portion of TMB’s loan portfolio is secured by physical collateral and other assets, the value of which may be affected by the overall economic conditions of Thailand. For example, a downturn in the real estate market could result in the principal amount of loans secured by real estate exceeding the loan-to-value proportion compared to that at the time of origination. A decline in the value of collaterals securing loans may result in an increase in the Bank’s

allowance for doubtful accounts. TMB manages collateral value impairment risk by establishing a collateral appraisal policy and executing procedures which are in accordance with BOT's regulations. The reappraisal frequency is also driven by the level of risk measured by the borrower's loan performance.

- **Credit concentration**

Concentration risk in credit portfolios is an important aspect of credit risk management. TMB manages and monitors credit concentration with respect to industries, countries and borrowers by establishing and managing Bank-wide industry diversification thresholds, country limits and customer concentration to manage both existing and potential exposures within acceptable levels to ensure appropriate diversification of the portfolio and avoid excessive credit risk exposure in certain industries, countries or borrowing groups. In addition, TMB has established a risk-based Single Exposure Limit and Single Lending Limit to manage the maximum exposure and the maximum limit for single obligor and related lending. Managing concentration risk remains a major focus in TMB's Credit Risk Management prioritization.

### **3.2.1.2 Credit-Related Policy**

#### **1) Classification and provisioning policies**

The Bank has conducted the loan classification and provisioning, including qualitative classification, in line with the BoT's notification regarding worthless or irrecoverable assets and doubtful assets which may be worthless or irrecoverable by commercial banks. Commercial loans are classified by debtors, whereas consumer or retail loans by accounts based on delinquent period. If customers use both types of credits, the loans are classified by debtors based on their main income source so as to truly exhibit the asset quality and make sufficient provisioning. Moreover, in addition to provision made according to the above mentioned BOT's notification, the Bank sets aside additional provisions by a collective approach for debtors classified as special mention and normal for each credit rating according to the Bank's policy.

#### **2) Policy on provisioning for off-balance sheet items**

TMB estimates the liabilities arising from off-balance sheet items on a quarterly basis to make appropriate provision in line with the BoT's notification regarding Classification and Provision of the Financial Institutions as follows:

1. Provisions for off-balance sheet items with high credit risk are made by using a BoT-specified credit conversion factor of 1.0 for capital adequacy calculation.

1.1 In case the off-balance sheet obligations of a debtor are classified, according to the BoT's guidelines, as sub-standard, doubtful, doubtful of loss, and loss assets, the Bank must set aside provisions at the same rate as the provisioning rate of the same debtor in the balance sheet.

1.2 In case the off-balance sheet obligations of a debtor are classified as special mention and normal assets, the Bank sets aside provisions based on the amount of estimated potential loss by using the collective approach.

2. For off-balance sheet items with a credit conversion factor less than 1.0 and classified as special mention and normal assets, the Bank also sets provisions by the collective approach.

3. For liabilities other than those in 1 and 2 above, the provision is made only for the contingent liabilities that are very likely to become a loss.



### 3) Non-Performing Loan (NPL) and Potential Non-Performing Loan Management

The Bank is aware that to manage the Non-Performing Loan (NPL) and Potential Non-Performing Loan Management will impact to the overall bank performance. So that the Bank set the “Non-Performing Loan and Potential Non-Performing Loan Management” with the objective to reduce the NPL based on the principle of Proactive correction and fast track measures to convert NPL to normal loan.

The Bank set NPL Prevention (in 2<sup>nd</sup> line of defense) under Credit Restructuring to perform proactively on Potential NPL who will take care of debtors who start to be delinquent on the term loans and fall in “Early Warning Sign (EWS)” or having significant deterioration in risk profile. Especially, the debtors who are classified as Special Mention (SM) requiring close monitoring. To be more efficient, Relationship Manager (RM) will co-ordinate with NPL Prevention Team to negotiate with debtors to identify debtors' problems and to set appropriate solutions based on nature of the problem. For example, in case of short term liquidity problem, the bank may consider term extension, restructuring loan facility, and etc. In case of long term problem such as higher competition or lower sale, the bank may consider long-term restructuring based on debt service ability<sup>1</sup>.

To comply with the policy, Documentation Team and Legal & Strategy Team will co-ordinate with NPL Prevention Team to prepare any document or agreements to be guideline of such measurement. To monitor the implementation, the Monitoring Team will closely follow up all actions relating to contracts by working along with NPL Prevention Team to ensure that the risk is controlled until the accounts are converted back to normal.

For NPL, to set the Debt Restructuring Plans which comply with the Bank's Policies and Regulations, all Credit Restructuring Teams will work with Legal Strategy Team to set appropriate plan before negotiating with Debtors, However, in order to have effective reduction of NPL, the Bank may consider selling NPLs that are not able to finalize Debt Restructuring Plans by groups or by cases.

#### 3.2.2 Market Risk

Market risk is defined as the potential losses due to changes in the price of market parameters. The main parameters are interest rates, foreign exchange (FX) rates, equity and commodity prices. For risk management purposes, the Bank has established various market risk policies, which set standards and guidelines for market risk management. The business units designated with the responsibility for market risk management accomplish this task under the standards set in the policies, while Market Risk Management independently monitors the bank-wide market risk.

The Bank controls the actual market risk exposures by setting limits within the Bank's risk appetite approved by the Board of Directors. The significant market risks are as follows:

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<sup>1</sup> Small Enterprise (SE) Portfolio: Before May 2017, NPL Prevention Non-Performing Loan Preventive (NPLP) team managed DPD customers on Bucket Management concept. Non-DPD customers were managed by Business Units, with a focus on sales. SE Portfolio Monitoring (SEPM) was established in May 2017 (with a combination of Monitoring part under SE BU, and SE NPL Prevention team under), with the primary objective to improve SE portfolio quality and turn this portfolio into a growing healthy portfolio. SEPM takes care of both Non-DPD and DPD customers.

### 3.2.2.1 Foreign Exchange Risk

Foreign Exchange Risk means the potential losses of earnings and/or shareholder value of the Bank resulting from changes in foreign exchange rates arising from exposures in, both on- and off-balance-sheet, the Trading and/or Banking Books. The losses may arise from the devaluation on the conversion of foreign currency positions, including losses from foreign exchange trading transactions, or translations from one currency to another.

The Bank's Capital Markets is responsible for managing foreign exchange positions of the Bank's Trading Book. In addition, Market Risk Management puts in place a framework of market risk management measures. These measures are designed to minimise the excessive risk from unfavourable changes in market conditions, which adversely affect the prices or returns on the Bank's trading portfolios related to foreign currencies, with strict limits on:

1. Delta: Defined as the rate of change of the option value with respect to changes in the price of underlying asset.
2. Gamma - Defined as the rate of change of the delta with respect to changes in the price of the underlying asset.
3. Vega - Defined as the rate of change of the option value with respect to the volatility of the underlying asset.

Within these limits, Capital Markets is responsible for trading and managing the portfolio and optimising the return on the funds invested. Adherence to the limits is monitored by Market Risk Management.

### 3.2.2.2 Interest Rate Risk

Interest rate movements directly affect the Bank's earnings or economic value. Interest rate risk management is undertaken in accordance with the policy framework as approved by the Bank's Board of Directors, by establishing and monitoring various risk curbing limits such as Earnings-at-Risk limit, Economic Value of Equity. The ALCO is delegated by the Board of Directors to oversee the firm-wide structural interest rate risk to stay within the Bank's aggregated interest rate risk limit.

The Bank has adopted interest rate risk management measures to cushion the interest rate volatility, e.g. rebalancing of assets and liabilities or setting of a proper mismatch by considering external and internal factors including interest rate forecasted by TMB Analytics.

### 3.2.3 Liquidity Risk

Liquidity risk is 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 deemed adequate for its operations causing damage to the Bank. The Asset and Liability Management Committee (ALCO) is responsible for the oversight of liquidity management. The primary aim is to provide liquidity to the Bank in order to ensure that the liquidity position in both domestic and foreign currencies are sufficient for the Bank's normal operations as well as for any crisis that may arise and that the Bank's liquidity level is to exceed the minimum as required by Bank of Thailand (BoT) and comply with the risk framework approved by the Risk Management Committee and the Board of Directors. The Bank reviews its liquidity management plan and strategy for a normal and critical situation at least once a year, or under special situation due to material changes that may impact the Bank's position. This is to ensure the alignment with the Bank's core policy, the organization structure, the regulations, and the ever-changing market condition. The Bank and each company in the Bank's financial group manage liquidity risk separately.

The Balance Sheet Management (BSM) is the unit of the Bank responsible for overall liquidity management and Capital Markets is responsible for day-to-day liquidity management. Balance Sheet Management is also responsible for liquidity risk measurement, and reporting the performance of the liquidity management to the ALCO. The Market Risk Management is responsible for identifying, monitoring and controlling the liquidity risk. The Bank has a 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.

In order to manage liquidity, the Bank continuously monitors its funding sources and access to capital markets. The Bank recognizes the importance of holding highly liquid assets that can be quickly converted into cash or used as collateral for raising funds.

Most of the Bank's funding was mainly from deposits. The Bank's ongoing quality deposit strategy seeks to further strengthen its financial position and operating results in order to boost depositors' and customers' confidence. Meanwhile, priority is also given to liquidity risk management by maintaining the level of liquid assets, keeping abreast of risk levels on a daily and monthly basis, setting risk indicators limits, and taking proactive steps to contain risks at an acceptable level. 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.

#### 3.2.4 Non-Financial Risk

**Non-Financial** risk is defined as the risk of loss, both financial and non-financial, resulting from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risk. TMB adopts the Basic Indicator Approach (BIA) by using gross income as a proxy in the calculation of value equivalent to operational risk-weighted asset (RWA).

Non-Financial Risk Management at the Bank is managed through a governance structure where the Board of Directors holds the ultimate responsibility for bank-wide risk management. The Board has delegated several non-financial risk management related authorities to the Bank Non-Financial Risk Committee: BNFRM, chaired by the CEO, whose responsibilities are to manage the non-financial risks of the Bank and its subsidiaries by establishing the Non-financial Risk strategy and policies and oversee to ensure that they are implemented effectively at all levels of granularity.

The bank has applied the "Three Lines of Defense" risk governance model aligning with COSO (the Committee of Sponsoring Organizations of the Treadway Commission). The bank set up 3 BU (Retail Banking, SME Banking and Wholesale Banking) Non-Financial Risk Committees: BU NFRM, chaired by CRBO, CSBO and CWBO, respectively, reporting to BNFRM, to emphasize the effectiveness of the "Three Lines of Defense" Model at lower level in the organization and enable the management from lower levels to steer the operational & compliance risk management in their Business Units.

Under "the Three Lines of Defense" principle, Business and Support Units (BU/SUs) as the 1st Line of Defense, are primarily responsible and accountable for their own operational risk management and control. Business Operational Risk Management (BORM) is the function under BU/SUs with joint reporting line to CORM, responsible for the advisory

service and support of the respective business areas in developing, formulating, and implementing the non-financial risk policies, monitoring and measuring the non-financial risk profile of the respective business areas.

The Bank has established a dedicated Corporate Operational Risk Management (CORM), the 2<sup>nd</sup> Line of Defense, reporting to the CRO, to oversee specific non-financial risk management concerns which is processing risk, control risk, unauthorized activity risk, information (technology) risk, crisis management & business continuity / disaster recovery risk, fraud risk, personal & physical security risk, and workplace safety risk. CORM developed Non-financial Risk Management Policies to ensure that the non-financial risks are properly identified, assessed, monitored, reported, analyzed, and controlled in a systematic and consistent manner. The policies provide the foundation and common infrastructure for delivering, maintaining, and governing operational risk management.

Compliance is the 2<sup>nd</sup> Line of Defense, reporting to the CRO, to oversee Compliance risk, one of the non-financial risk management. Compliance developed the Compliance Policy to ensure that the Compliance risk are properly managed. (see more detail in section 3.2.6)

Legal and Financial Control are the 2<sup>nd</sup> Line of Defense, reporting to the CRO and CFO, respectively, oversee the legal risk and the financial control risk which are also under coverage of the non-financial risks.

Audit operates as the "3rd Line of Defense". Their mission is to provide an independent assurance of the design and effectiveness of internal controls established by the first (BU/SUs) and second (CORM, Compliance, Legal, Financial Control) line of defense. In carrying out this work, Audit will provide specific recommendations for improving the governance and the risk & control framework.

The Bank has applied the Basel New Capital Accord (Basel II) guidelines. Risk Appetite Statement (RAS) and various policies have been established to manage the operational risk, including coverage of all key processes and tools, such as Risk & Control Self-Assessment (R&CSA), Key Risk Indicators (KRI), Incident Management, Action Tracking, Product and Service Approval Process (PSAP), Outsourcing Risk Management, Business Continuity Plan and Disaster Recovery Plan (BCP / DRP), and Key Control Testing (KCT).

The bank's Risk Appetite Statement (RAS) expresses the type and level of non-financial risk that the bank is willing to tolerate in pursuit of its strategic objectives. RAS aims to ensure that the Bank's actual risk exposure is consistent with its strategic objectives and that exposure moving beyond tolerance risk levels is timely identified and acted upon.

The RAS is determined based on consideration of TMB Bank's vision, the TMB Way, strategy, objectives and historical data. The RAS contains a set of quantitative and qualitative statements. The Quantitative statements are measurable and are informed by the strategic priorities of the organization. The Qualitative expressions of non-financial Risk Appetite describe the acceptable and unacceptable attitudes and behaviors of the organization as a whole.

The process of measuring, monitoring and reporting of RAS are made through non-financial risk dashboard (NFRD) on an ongoing basis which aims to promote pro-active risk management response. In case the Bank moves towards or beyond the tolerance level, the responsible units will highlight the issue during NFRD reporting on the Bank Non- Financial Risk Committee (BNFRC), management and staff are expected to take actions to bring down to its tolerance level.

R&CSA is a process that helps to identify and assess key risks and controls as well as to determine the mitigating actions. The Bank has also established KRI's at corporate and business level to be a warning signal for all levels of management, enabling them to proactively manage and control their non-financial risks. Incident management is established to enable detection, resolution, analysis of non-financial risk incidents, as well as collection of loss data. This incident reporting and response process is key in order to facilitate management's insight in and awareness of the actual costs of non-financial risks, existing control weaknesses, and the Bank's specific risk profile. The bank implement the GRC system as the tool for incident management and response and keeping track of the status of the actions which come from audit and non-audit findings to ensure that they are monitored and managed efficiently by all relevant parties.

To ensure that products and services are offered in a safe and responsible manner, the Product and Service Approval Process (PSAP) is established to set guidelines for sign-off and approval of new products and services. This due diligence process ensures that the potential risks created by the new products and services are properly identified and addressed, and that the necessary infrastructure and controls are in place to support the new business.

The Bank has established its Outsourcing Risk Management Policy to set out the principles and standards for the effective identification of major risks created by outsourcing and management of such risks.

The Bank has established its Business Continuity Management (BCM) Policies and Standards to provide guidance and standards for all units to develop a Business Continuity Plan. The Business Continuity Management under CORM is set up to oversee the implementation of BCM Policies and Standards, monitor and lead the co-ordination of group-wide BCP initiatives to raise the overall BCP / DRP readiness of the Bank.

The Bank has established the Key Control Testing (KCT) governance to provide guidance and standards for all Business and Support Units for implementation. KCT is the set of methods and processes used for the key control identification, maintenance and testing in order to keep non-financial risks related to business activities actively within TMB Bank's risk appetite, ensure the effectiveness of controls and building proactive Risk Culture.

In terms of non-financial risk management at the subsidiaries, the subsidiaries have aligned with and adopted TMB's Non-financial Risk Management Policies and Framework where applicable. Their organization structure includes their own dedicated non-financial risk management. They also implemented non-financial risk tools such as R&CSA, incident reporting, KRI, and BCP.

### 3.2.5 Strategic risk

TMB is aware of the possible strategic risk that results from the strategic plans, business plans, strategic implementations and controls which may be inappropriate and/or inconsistent with both internal and external business environments.

TMB's vision is, **"TMB inspires people to Make THE Difference"**. In order to achieve this vision, TMB developed a 5-year rolling strategic plan focusing on a Deposit-Led Strategy and Transactional Banking Excellence. This will create a strong foundation for sustainable growth whilst TMB builds towards achieving market leadership.

The crystallization of our strategy are reflected in continuous improvements of key financial performances. In order to better manage the strategic risk, TMB improved the processes of performance tracking and strategic risk control. Regular meetings of the management team and business units are held to review performance results together with remedial planning in case of target shortfalls. A strategic risk dashboard has been developed and is updated regularly to keep management informed and aware of the changing strategic risk status. A self-assessment of strategic risk is also regularly evaluated by management.

In all, TMB strongly determined to maintain a high level of strategic risk management. Starting from the process of strategic planning, organization restructuring, staffing and project implementation as well as performance monitoring, all must be in line with the Bank's key strategies. In addition, the strategic plan itself is reviewed regularly to ensure it stays relevant with the changing business environment.

### 3.2.6 Other Risk Factors

#### 1) Risk from Economic condition

TMB Analytics expected Thai economy in 2019 to grow 3.8% decelerating down from 4.1% in the previous year. The main driving factors will be domestic factors. Both consumption and investment will continue to expand. Private consumption will remain robust, though not at an accelerating pace. Private investment outlook is positive, supported by escalating capital utilization in several industries. Moreover, investment by S-Curve industries, which have been approved by BOI in 2016-2017 in automotive, petrochemical, electrical appliances, and electronics, is expected to happen. In addition, some of the production bases could be relocated to Thailand. This is in line with the public investment plan which becomes more solid especially the Eastern Economic Corridor's infrastructure projects such as the high-speed train linked 3 airports, U-Tapao airport project, and Laem Chabang deep sea port, which amount to more than 100 billion baht.

However, the downside risks to Thai economic growth will come from external factors. Global economic will decelerate reflecting from the downward revision of global GDP growth from 3.7% to 3.5%. Moreover, the trade tension between US and China could escalate, pressuring global trade. IMF expects global trade to expand by 4.0%. This is consistent with TMB Analytics' export growth forecast of 4.3%, which is lower than 6.7% growth of the previous year. Moreover, uncertainties of major central banks' monetary policy implementation will be a factor to watch especially the inconsistency of Federal Fund rate hike, which could increase volatility of fund flows and affect domestic financial market outlook, both interest rate and Thai baht. Thai policy rate can potentially increase from 1.75% to 2.0%. Thai baht will be

more volatile. Moreover, subdued prices of some agricultural products, such as rubber and palm oil, are still worrisome as they could affect private consumption, while risks from domestic factors especially political stability are less prominent.

The Bank is fully aware of economic uncertainties and put in place a framework to manage the risks. TMB Analytics, the Bank's in-house economic research unit, has played an important role in closely monitoring and assessing the economic conditions as well as cooperating with business units on regular basis. This is to ensure that the Bank's operation is resilient and ready against any unexpected uncertainties. We also provide economic and financial information as well as industry outlook for our clients.

## 2) Risk from Material Changes in Regulations

It is the Bank's obligation to comply with statutory rules and regulations issued by relevant authorities, e.g., Financial Institutions' Businesses Act, Bank of Thailand's Regulations and Notifications, the Securities and Exchanges Act, the Securities Laws and Regulations as issued by the Stock Exchange of Thailand, the Securities and Exchange Commission, the Anti Money Laundering Laws and their Royal Decrees. In addition, foreign act which substantial impact to the banking industry has also in place.

Compliance has been established in which responsible for providing advice, recommendations and opinions on various issues, cooperative with the relevant functions within the Bank in order to ensure that the Bank and its subsidiaries are in compliance with applicable statutory laws, rules and regulations as well as the Bank's internal policies and procedures. Substantial issues shall be escalated to the Bank's management and committees to effectively manage compliance risk.

### The Bank of Thailand (BOT)

During the year 2018, BOT issued regulations, and guideline as following summary;

BOT emphasized on Banking Governance especially on customer protection on financing services according to Market Conduct and also revised other regulations in order to consistent with current situation on Banking Technology and Innovations. Therefore, BOT issued regulations and guideline e.g. guidelines on Market Conduct to determine criteria covering process related to providing service to customer from end-to-end process which is the essential component, Banking Channel to increasing flexibility in service scope, requesting for permission to open-close branch and changing type of branch and working hour to meet the need of specific customers in order that customer can receive service through other channels with lower service costs, e.g. mobile banking and banking agent.

Moreover, the BOT will be moving towards of the foreign exchange regulation reform in order to further promoting ease of doing business and flexibility in managing foreign exchange exposures by the changes would include further reducing documents for cross border fund transfer, streamlining the rules regarding foreign currency deposit accounts and emphasis given to allowing more flexible in response to evolving and serve the technology and business innovations service.

### **The Securities and Exchange Commission (SEC)**

The Securities and Exchange Commission (SEC) has issued guidelines on Wealth Advice to serve wealth advice service business in providing advice and propose investment solutions by taking into account the best interest of investors is important to support long term financial well-being, including issued the clarification of Compliant Process to ensure the to effectively manage on customer's compliant with the objective to be standard of practices which the intermediary shall comply with and undertake business by taking into account the best interest of client (fair dealing). Nonetheless, the Bank has effective disciplinary measure on offended employee.

### **The Office of Insurance Commission (OIC)**

OIC has issued a notice on the Rules of Issuance an insurance policy, Offering an insurance and Reimbursement under the insurance policy including performing duties of insurance brokers or the Bank, which OIC is determining the Bank to set up effective controls on selling insurance in all channels including management, controls & monitoring and assessment selling-behavior result from all channels to ensure the insurance selling process by taking into account the best interest of client.

### **3) Shareholder Risk**

Shareholder risk may arise if the return from investment is not as initially expected. Returns from the investment in shares can be in the form of capital gains and/or dividend income.

The Bank aims to consistently maintain its operating performance and prudent risk management in order to generate sustainable returns for shareholders in the long run. Nevertheless, there are other external factors, which are beyond the Bank's control, that have the potential to affect the volatility of TMB share prices e.g. domestic and international political situations, foreign fund flows including the unpredictable circumstances. Hence, shareholders must be aware of all risk factors in which out of the Bank's control and decide on investment to suit their acceptable risk levels.

### **4) Emerging Risks**

#### **1. Digital Disruption**

##### ***Relevance:***

While innovation and digitization provide financial institutions with new growth opportunities, banks can be impacted by the lack of preparation for new technologies and financial innovation. The implications and risks that come with the digital finance and innovation also include information security, financial fraud, etc. These innovations can significantly disrupt the entire value chain of traditional financial business and bank's business model, products and services.

##### ***Mitigation:***

TMB has implemented Digital Transformation program including development of digital branding, agile organization, IT infrastructure, data analytics and searching for right digital partnership in order to enhance the competitive advantage by keeping up with the pace in digital driven era. TMB proactively analyzes and identifies potential risks and opportunities associated with the innovation of digital and fintech and new technologies such as big data, machine learning, etc. to find effective countermeasures to better serve value added solutions to our customers.



## 2. Cybersecurity and customer data privacy

### **Relevance:**

Banks are expecting to be impacted by the cyber and privacy breach that can occur more frequently and can significantly damage reputation and trust, and in severe cases significant fine and penalty. As the technology has been rapidly evolving, it also brings the risks that pose challenges on privacy and information protection.

### **Mitigation:**

TMB acknowledges that the cybersecurity will only increase in the importance and require greater resources to securely manage the operation. Thus, TMB has the corporate-wide information security and cybersecurity strategy and framework in place. In addition, the board also oversees the information security/cyber security strategy and effectiveness of the implementation. TMB actively engages with regulators to monitor changes in regulatory related to cybersecurity and privacy which will likely be more stringent in the future in order to best protect information and privacy and to be fully complied with the regulatory changes.

## 3. Climate Change

### **Relevance:**

TMB recognizes that the environmental risks from climate change could result in indirect financial risks. Financing to irresponsible-environmental borrowers will not only be a significant source of immediate reputational risk but also undermine long-term sustainability in both asset value and profitability of the bank

### **Mitigation:**

TMB realized that banks play important role in addressing climate-change issue and facilitating the transition to a low-carbon economy through financial products and services. TMB firmly integrated Environmental and Social Responsibility (ESR) policy that is drawn from risk management point of view in all credit and commercial loans approval process. This is to ensure that the bank pays extra attention on the environmental impacts responsibilities.

In addition, TMB is the first Thai commercial bank to issue Green Bond with International Financial Corporate (IFC) to exclusively finance climate projects, particularly renewable energy and energy efficiency which is in line with TMB's green lending expansion plan.

#### 4. Business Assets

##### 4.1 Core fixed assets used in business operations

###### Premises and Equipment

Net book value of premises and equipment of the Bank and its subsidiaries as at December 31, 2016-2018 are as follows:

(Unit: THB million)

Item	As at December 31,		
	2018	2017	2016
1. Land	6,137	6,293	6,465
2. Building	8,880	8,915	8,967
3. Leasehold improvements	1,362	1,309	1,308
4. Equipment	6,585	6,441	6,403
<b>Total</b>	<b>22,964</b>	<b>22,958</b>	<b>23,143</b>
<u>Less</u> Accumulated depreciation	10,823	10,602	10,453
Allowance for impairment	265	285	307
<b>Premises and equipment, net</b>	<b>11,876</b>	<b>12,071</b>	<b>12,383</b>

##### 4.2 Leasehold rights

###### 1. Long-term lease

The Bank has leased office spaces, buildings, and commercial buildings from government agencies, state enterprises and private entities to locate regional offices, branches, sub-branches, car parking and ATMs, numbering 1,916 for rental-terms ranging from 1 year to 30 years, with total rentals payable of about THB 831 million per year.

###### 2. Leasehold

The Bank owns leasehold on 3 branch offices amounting to THB 104 million for rental-terms ranging from 10 years to 30 years.






###### Details of the long-term lease contracts, land and office buildings

As of December 31, 2018, TMB leased a total of 1,916 plots of land and buildings from government agencies, state enterprises and private entities, of which 459 are located in Bangkok and its vicinities and 1,457 in other provinces, as detailed:








Counterparty	Location		Contract term
	Bangkok & its vicinities	Other provinces	
<b>1. Land (ATM)</b>			
1.1 Outsiders	272	1,250	1-3 years
1.2 Related parties			
- Bureau of the Crown Property	-	-	1-3 years
- The Treasury Department	40	68	1-3 years
- Government agencies/State enterprises	14	39	1-3 years
<b>Total (1)</b>	<b>326</b>	<b>1,357</b>	<b>1,683</b>
<b>2. Buildings (branch offices)</b>			
2.1 Outsiders	111	82	1-30 years
2.2 Related parties			
- Bureau of the Crown Property	2	2	1-3 years
- University	4	1	1-5 years
- The Treasury Department	12	10	1-24 years
- Government agencies/State enterprises	4	5	1-30 years
<b>Total (2)</b>	<b>133</b>	<b>100</b>	<b>233</b>
<b>Grand total (1)+(2)</b>	<b>459</b>	<b>1,457</b>	<b>1,916</b>

#### 4.3 Intangible assets







As of December 31, 2018, the Bank's service marks and trademarks registered with Department of Intellectual Property, Ministry of Commerce, with the registration valid for 10 years from the registration date and renewable every 10 years, are as follows:

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
	Service mark	Commercial bank	November 4, 2005	July 21, 2015	November 3, 2025
	Trademark	Magnetic stripe card	November 4, 2005	August 26, 2015	November 3, 2025
	Service mark	Commercial bank	October 19, 2005	August 26, 2015	October 18, 2025
	Trademark Service mark	Magnetic stripe card	January 15, 2007	December 8, 2016	January 14, 2027
Device mark	Service mark	Website, internet banking, mobile banking, customer relationship management center	September 2, 2010		September 1, 2020
	Service mark	Website, internet banking, mobile banking, customer relationship management center	September 2, 2010		September 1, 2020

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
IT'S NOT A BANK.IT'S 	Service mark	Website, internet banking, mobile banking, customer relationship management center	September 2, 2010		September 1, 2020
	Service mark	Website, internet banking, mobile banking, customer relationship management center	September 13, 2010		September 12, 2020
	Trademark	Umbrellas, fabric bags, travelling bags, briefcases, vanity cases, sold empty, taffeta backpacks, name card cases of leather, fabric totes.	June 5, 2014		June 4, 2024
	Trademark	Tents.	June 5, 2014		June 4, 2024
	Trademark	T-shirts, shirts (except undershirts and sports shirts), hats, shirts.	June 5, 2014		June 4, 2024
	Trademark	Music boxes, melody boxes.	June 5, 2014		June 4, 2024
	Trademark	Drinking water.	September 5, 2014		September 4, 2024
	Trademark	Umbrellas, fabric bags; travelling bags, briefcases, vanity cases, sold empty, taffeta backpacks, name card cases of leather, fabric totes.	September 5, 2014		September 4, 2024
	Trademark	Tents.	September 5, 2014		September 4, 2024

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
	Trademark	Electric kettles, flashlights.	September 5, 2014		September 4, 2024
	Trademark	Music boxes, melody boxes.	September 5, 2014		September 4, 2024
	Trademark	Golf bags, golf balls, dolls.	September 5, 2014		September 4, 2024
	Trademark Service mark	Calculators, hard disks, USB data carriers, computer bags, radios, telephone stands, mobile phone cases, computer mouse pads, application software, videos and data, video recording discs.	September 5, 2014		September 4, 2024
	Trademark Service mark	shirts (except undershirts and sports shirts), hats.	September 5, 2014		September 4, 2024
	Trademark Service mark	Television advertising, radio advertising, newspaper advertising, online advertising, outdoor advertising.	September 5, 2014		September 4, 2024
	Trademark Service mark	Financial services, non-life insurance services, credit services, loan services, credit card services, debit card services, surety	September 5, 2014		September 4, 2024

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
		services, electronic money transfer services, safe deposit services, currency exchange services, travelers' check issuance services, internet banking services, provision of banking services through telephone and mobile phone, life insurance brokerage services, insurance brokerage services, life insurance services, marine insurance services, fire insurance services, accident insurance services, provision of installment loans, mutual fund services, hire-purchase financing services, leasing financing services, savings services, monetary and financial analysis, debit services, provision of secured loan, monetary and financial consultancy.			

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
	Trademark	Drinking water.	June 5, 2014		June 4, 2024
	Trademark Service mark	Electric kettles, flashlights.	June 5, 2014		June 4, 2024
	Trademark Service mark	Golf bags, golf balls, dolls.	June 5, 2014		June 4, 2024
	Trademark Service mark	Credit cards, encoded magnetic, calculators, hard disks, USB data carriers, computer bags, radios, telephone stands, mobile phone cases, computer mouse pads, application software, videos and data, video recording discs.	June 5, 2014		June 4, 2024
	Service mark	Television advertising, radio advertising, newspaper advertising, online advertising, outdoor advertising.	June 5, 2014		June 4, 2024
	Service mark	Financial services, banking services, non- life insurance services, credit services, loan services, credit card services, debit card services, surety services, electronic money transfer services, safe deposit	June 5, 2014		June 4, 2024

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
		services, currency exchange services, travelers' check issuance services, internet banking services, provision of banking services through telephone and mobile phone, life insurance brokerage services, insurance brokerage services, life insurance services, marine insurance services, fire insurance services, accident insurance services, provision of installment loans, mutual fund services, hire-purchase financing services, leasing financing services, savings services, monetary and financial analysis, debit services, provision of secured loan, monetary and financial consultancy.			
 Make THE Difference	Trademark Service mark	Commercial bank services	September 2, 2010		September 1, 2020



#### 4.4 Investments in subsidiary and associated companies

##### 4.4.1 Policy on investments in subsidiary and associated companies

The Bank has a policy to invest in related subsidiaries and associated companies, providing that such entities engage in either financial businesses or businesses that will contribute to TMB's core banking businesses and thereby enhance financial service offerings to customers. The companies must have good prospects with an acceptable level of risk. In order to ensure that subsidiaries and associated companies have undertaken proper business practices in line with the Bank's investment policy, the Bank will participate in directing and determining their policies, business plans, and initiatives. Investment size will not exceed the limits permitted by the BoT.

As of December 31, 2018, details of the Bank's investments in subsidiaries and associated companies compared to its total assets as shown in the financial statements (the Bank only) are tabulated below:

(Bank Only)	Total Net Investment by TMB (THB million)	As % of total assets
Associated Companies	197	0.02
Subsidiary Companies	25	0.00
Subsidiary and associated companies	222	0.02
Total Assets	888,151	100.0

##### 4.4.2 Policy on operations of subsidiaries and associated companies

The Policy is developed by using the guideline of BoT's Consolidated Supervision Policy that requires commercial banks under BoT's supervision to comply with. The scope of the Bank's supervision is divided into various aspects to cover the implementation of the Financial Business Group. The Policy comprises 1 core policy and 7 supporting policies as follows:

###### Core Policy

###### 1. Governance Structure

To determine the management and control structure of the Group Companies in aspect of generating strategic plan and nominating representative directors to jointly manage the Group Companies and reorganize to take responsibility of the Group Companies as appropriate. The Bank determines the guideline of representative director nomination covering investment in other companies in financial business group and general investment.

###### Supporting Policy

###### 1. Accounting Policy

To determine the accounting and financial report policy for the Bank to collect related information from the Group Companies for generating consolidated financial report correctly, in the same direction and in compliance with the BoT's rule and regulation and analyzing performance and financial status of the Group Companies correctly and promptly for controlling and monitoring.

## **2. Corporate Governance Policy and Policy on Confidential & Insider Information and Conflicts of Interest**

### **2.1 Corporate Governance Policy**

To determine the policy for the Group Companies to conduct under business ethic and the morality and the best practices are concerning in good corporate governance and best practices which should be in line with Corporate Governance Policy.

### **2.2 Policy on Confidential & Insider Information and Conflicts of Interest**

To determine the policy for the Group Companies to comply with the relevant policies and procedures in preventing any transaction which might be considered as conflict of interest or breach the bank regulation regarding insider trading.

## **3. Anti-Corruption Policy**

This policy and the relevant policies are setting to manifests the Bank's and the subsidiaries intention on anti-corruption. Giving and accepting a bribe of improper benefit either from the officer / unit of the bureau office or private sector is prohibited. In this regard, each subsidiary shall be notified in writing of the policy in order to complied with this Anti-Corruption Policy and relevant policies included the relevant laws

## **4. Risk Management Policy**

To determine the risk management policy of the Group Companies covering various aspects of risk relating to companies' performance and impacting the stability of the Group Companies including:

### **4.1 Market Risk Management**

### **4.2 Liquidity Risk Management**

### **4.3 Operational Risk Management**

### **4.4 Credit risk management**

## **5. Compliance Policy**

To determine the policy for the Group Companies to conduct under Compliance Policy and relevant Regulatory Policy such as Regulatory Compliance, Related Parties or Connected Persons Policy, BoT's Regulatory Compliance and Know Your Customer and Anti-Money Laundering

## **6. Corporate Communication Policy**

To determine the policy regarding the communication of information to outsider for the Group Companies to conduct in the same way and promote the Bank image in aspect of name and brand and disclose information of the Group Companies.

## **7. Audit Policy**

To determine the roles of Internal Audit (AUD) and Independent Credit Review (ICR) and the Audit Committee's oversight role in conjunction with the roles of the Bank management and external auditor on auditing, controlling and monitoring the Group Companies. The ultimate objective is to ensure sound control culture and good governance throughout the Financial Business Group.

**5. Legal Disputes**

On December 31, 2018 TMB does not have an unsettled legal dispute which has the potential to negatively impact its assets, as the claimed amount is worth over 5% of net equity according to financial statements of bank.

**6. General and Other Significant Information****6.1 General Information****6.1.1 The Securities Issuing Company**

Name of the company	:	TMB Bank Public Company Limited
Nature of Business	:	Commercial bank's businesses in accordance with Financial Institutions Businesses Act and the businesses concerning financial services under the permission of the Ministry of Finance, the Bank of Thailand, and other parties concerned.
Head Office	:	3000 Phahon Yothin Road, Chomphon, Chatuchak, Bangkok 10900
Registration No.	:	0107537000017
Telephone	:	0-2299-1111
TMB Phone Banking	:	1558
Website	:	<a href="http://www.tmbbank.com">http://www.tmbbank.com</a>
Registered capital	:	THB 41,903,301,555.05 Million (as of 31 December 2018)
Paid-up capital	:	THB 41,659,298,454.50 Million
Common share	:	43,851,893,110 shares at par value 0.95 Baht

## 6.2 Investment in other companies holding more than 10 % of the paid-up capital

Investment in other companies as of December 31, 2018 holding more than 10 % of the paid-up capital in each company were as follows:

	Company	Head Office Location	Type of Business	Type of Capital (Share)	Paid-up Capital (Share)	TMB's ownership		
						Amount (Share)	Percentage ( % )	Amount (Baht) (net of allowance for diminution in value)
	<b>Strategic Investment in Financial Business Companies</b>							
1	PHAYATHAI ASSET MANAGEMENT CO.,LTD. Tel. 0-2354-5001, Fax 0-2354- 5014	Bangkok	FINANCE	COMMON STOCK	107,000,000	107,000,000	100.00	0.00
2	PHAHONYATHIN ASSET MANAGEMENT CO.,LTD. Tel. 0-2617-4068-70	Bangkok	FINANCE	COMMON STOCK	2,500,000	2,500,000	100.00	25,000,000.00
3	TMB ASSET MANAGEMENT CO.,LTD. Tel. 0-2636-1800 Ext.1725 (customer service center)	Bangkok	FINANCE	COMMON STOCK	10,000,000	3,500,000	35.00	196,942,475.58
	<b>Business Supporting Companies</b>							
4	TMB PROPERTY DEVELOPMENT CO.,LTD. Tel. 0-2299-1159, Fax 0-2242- 3138-9	Bangkok	REAL ESTATE	COMMON STOCK	10,000	9,993	99.93	4,169,342.92
	<b>Other Companies</b>							
5	N D GROUP FEEDMILL CO.,LTD.	Lumphun	WHOLESALE, RETAIL	COMMON STOCK	120,000	30,000	25.00	0.00
6	NATIONAL ITMX CO.,LTD. Tel. 02558-7555, Fax 02558-7566	Nonthaburi	SERVICES	COMMON STOCK	500,000	53,703	10.74	46,900,863.18
7	M_THAI ESTATE CO.,LTD. Tel. 0-2261-1144, Fax 0-2261- 1143	Bangkok	REAL ESTATE	COMMON STOCK	30,000,000	3,000,000	10.00	0.00
8	THAI CHAREONPHOL INDUSTRY CO.,LTD. Tel. 0-5458-1202, Fax 0-5458- 1876	Phrae	PRODUCTIO N	COMMON STOCK	15,500	2,500	16.13	0.00
9	TRIS CORPORATION LIMITED Tel. 0-2231-3011, Fax 0-2231- 3681	Bangkok	SERVICES	COMMON STOCK	1,000,000	153,000	15.30	14,361,948.00
10	WHOLESALE TOWN CO.,LTD. Tel. 0-2531-6860, Fax 0-2532- 3009	Bangkok	TRANSPORT ATION	COMMON STOCK	22,000	2,200	10.00	0.00
11	WING GROUP CO.,LTD. Tel. 053-331315-6, Fax 053- 331314, 053-331336	Chiang Mai	GARMENT MANUFACTU RER	COMMON STOCK	9,000	2,250	25.00	0.00

### 6.3 Transactions with relating to investment

In 2018, the Bank imposed the regulatory fine from BOT and SEC as detailed below.

Regulator	2014 - 2017	2018
	Amount (THB)	Amount (THB)
Bank of Thailand	Bank of Thailand – Financial Institute Act B.E. 2551 amounting THB 1,404,375.- consists of <ul style="list-style-type: none"> <li>• Section 24(10) amounting THB 691,875.-</li> <li>• Section 71 amounting THB 712,500.-</li> </ul>	Bank of Thailand – Financial Institute Act B.E. 2551 amounting THB 4,903,125 consists of <ul style="list-style-type: none"> <li>• Section 60 amounting THB 2,128,125.-</li> <li>• Section 71 amounting THB 2,775,000.-</li> </ul>
Securities and Exchange Commission Thailand	none	Securities and Exchange Commission as section 113 of Securities and Exchange Act B.E.2535 (1992) as amended amounting THB 832,000.-

#### 6.4 Reference information

##### Other referral parties

- Share Registrar:

Thailand Securities Depository Co., Ltd.  
62 The Stock Exchange of Thailand Building,  
Ratchadapisek Road, Klongtoey,  
Bangkok 10110, Thailand  
Tel. 0-2229-2888

- Auditors :

Mr.Chanchai Sakulkoedsin	CPA	Registered No. 6827
Or Miss Pantip Gulsantithamrong	CPA	Registered No. 4208
Or Mrs.Wilai Buranakittisopon	CPA	Registered No. 3920

KPMG Phoomchai Audit Ltd.  
50<sup>th</sup>-51<sup>st</sup> Floors, Empire Tower  
1 South Sathorn Road., Yannawa  
Sathorn, Bangkok 10120  
Tel. 0-2677-2000

## 6.5 Other Significant Information

### 6.5.1 Credit Rating on TMB

The table below shows credit ratings of TMB assigned by Standard & Poor's, Moody's Investor Services and Fitch Rating as of December 2017 and 2018.

Credit Rating	December 31, 2018	December 31, 2017
<b>Standard &amp; Poor's (S&amp;P)</b>		
<u>Foreign Currency</u>		
Long-term : Debt instrument	BBB-	BBB-
Short-term : Deposits / Debt instrument	A-3	A-3
Stand-Alone Credit Profile (SACP)	bb+	bb+
Outlook	Stable	Stable
<b>Moody's Investors Service</b>		
<u>Foreign Currency</u>		
Long-term : Deposits	Baa2	Baa2
Short-term : Deposits / Debt instrument	Prime-2	Prime-2
Outlook	Stable	Stable
Baseline Credit Assessment (BCA)	ba1	ba2
Outlook	Positive	Stable
<b>Fitch Ratings</b>		
<u>Foreign Currency</u>		
Long-term IDR	BBB-	BBB-
Short-term IDR	F3	F3
<u>National</u>		
Long-term	AA-(tha)	A+(tha)
Short-term	F1+(tha)	F1+(tha)
Subordinated	A(th)	A(th)
Viability Rating	bbb-	bbb-
Support Rating	3	3
Supporting Rating Floor	BB+	BB+
Outlook	Stable	Stable