

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 sixth largest bank in Thailand in term of total assets, deposits and loans. The Bank has total assets of THB 1,808.0 billion, deposits of THB 1,373.4 billion and net loans of THB 1,348.5 billion as of December 31, 2020 (Consolidated Balance sheet included TBANK's financial position).

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:

1. Customer Centricity

TMB places emphasis on the customer at a center of business operation by gathering and analysing customer's behaviour in order to develop financial products and services to meet their needs and provide better customer experience. Moreover, TMB also measures customer satisfactory to continuously improve the Bank's products and services. TMB will continue to support our customers in need of help from the impact of the COVID-19.

2. Build Deposit and transactional Banking Products Excellence

TMB has used Deposit-led strategy to differentiate customer value proposition in deposit products and transactional banking services. With this strategy, TMB can deepen relationship with customers and understand customers better which will result in TMB becoming main bank of customers.

3. Continue Leading in Auto Loan and Lending products

After the merger, the Bank has leveraged the strength of TBANK's auto loan which equipped with available personnel, car dealer network, and brand's strength to further expand the business and to cater customer's needs. For example, the offering of TBANK's auto loans to TMB's customers. With comprehensive financial product offerings and services, it enhances the Bank's ability to cope with the change in market environment and competition, and to maintain its leadership position in auto lending.

4. Build Sustainable and 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, for example, bancassurance products and mutual fund products. Moreover, non-interest income will help ensure sustainable bottom line through business cycles. TMB applied business model of distributor and open architecture by searching for suitable business partners and best product to be available on the Bank's shelf. This is to ensure the best offering which cater to variety needs of our customers.

5. Optimize Capital Utilization and Liquidity Management

TMB is strongly committed to delivering the level of profit expected by investors and has set the target to earn same level of ROE with top bank performers within the next 3-5 years. To achieve this, the Bank continues to put our focus on selectively growing balance sheet to generate incremental return.

6. Enhance Digital Capability and Solutions

The financial transaction on digital channel is continuously growing due to the shift in customer's behaviour toward digital channel and the rapid technological development. To be prompt for these changes, TMB has continually investing in the development of IT infrastructure, cyber security system and customer data privacy system, as well as developing staff's competencies, build up corporate culture, digitize working procedure in alignment to the digital era to speed up product and service development cycle and to enhance better customer experience. TMB will continue to revamp its digital platform and expect to run under "Digital Frist" principle to allow better customer experience and to be line with customers behaviour shift to online platform. This will not only help the Bank to be agile in driving innovation but also it will lower the cost-to-serve for the Bank.

7. Capture Synergy Realization

After the merger, the Bank has realized benefits from Balance sheet synergies, Cost synergy and Revenue synergy:

1) Balance sheet synergies through balance sheet optimization by allowing the Merged Bank to utilize its assets and raise funds more efficiently.

2) Cost synergies from a greater economy of scale, especially from the integration of key business support areas such as IT infrastructure investment, operations, overlapped branch and redundant back-office employees.

3) Revenue synergies which would enhance ability to introduce more variety of financial products and services to cater its customer's need and to serve the enlarged customer base of more than 10 million customer, which enhance the Merged bank's ability to maximize its income generation.

The integration plan has been progressing and is on track for smooth business transition at EBT in July 2021. The Bank has also leveraged on expertise and strength of both banks in each business to create value added for the maximum benefits of the Merged bank. After the successful EBT, the Bank aims to maximize the potential of the Merged bank's customer base through Financial well-being as guiding principle, sharper proposition addressing banking and beyond banking needs of our targeted customers, and through our top-tier digital platform. Also, the Bank will continue to deepen our relationship with customers through multiple product and life-long customer engagement to engage our customers to become main bank customers.

1.2 Significant changes and development in the past 5 years

1.2.1 Significant changes and development in the past 5 years

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 5th 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 2nd, 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.

2018

- 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.

2019

- 2019 marked a significant milestone for TMB with the successful execution of the merger transaction with Thanachart Bank, making it become one of the largest banks in Thailand. This merger is a perfect match for both banks since they have different strengths that complement each other. While TMB has a strong proposition of transactional banking, Thanachart Bank has a well-established retail lending business, particularly its leadership in the auto loan business. The combined core strengths of both banks will truly create synergy for growth opportunities.

- TMB completed the acquisition of 6,062,438,397 TBANK's shares, accounting for 99.96% of the total outstanding shares in TBANK from TCAP and BNS on 3 December 2019 at the price of THB 27.55. As a result, TBANK is currently a subsidiary of TMB. The entire business transfer from TBANK to TMB is expected to complete in 2021.

- In accordance to the merger plan, TMB has announced the completion of the sale by TBANK of shares in Thanachart Fund (TFUND) to Prudential with regards to the agreement which signed on 30 September 2019. According to the agreement, TBANK sold a first lot consisting of 25.1% of TFUND (out of its 75% holding) whereas GSB sold all of its 25% of TFUND to Prudential. The total value of TFUND transaction is expected to be not less than THB8.4 billion. Currently, TMB holds a 35% stake in TMBAM Eastspring. After having purchased Thanachart Bank's shares, TMB will hold a 49.9% of TFUND indirectly. Going forward, 49.9% of TFUND will represent in balance sheet as investment in associate and in income statement as profit sharing from associated company. Both TMB and Eastspring have planned to merge TMBAM Eastspring and TFUND in 2021. Within 5 years, TMB has an option to sell its entire stake in the new company to Prudential in order to re-affirm its commitment toward mutual funds open architecture strategy.

- Both TMB and Thanachart Bank have developed an integration blueprint dedicated to ensure synergy realization and smooth business transition. For example, both banks have already announced the benchmark lending rate (M-Rate) calibration. TMB has also begun to adjust its loan structure to prepare liquidity for the hire purchase loan portfolio and reaffirm its open architecture strategy by forming a partnership with Thanachart Fund. And as one of our top priorities, TMB has prepared for Thanachart Bank's customer transfer and planned to increase product coverage in order to smoothen customer transfer process and ensure customer satisfaction will be achieved. Co-location branch strategy has been employed to facilitate the customer onboarding plan and provide convenient services for customers of both banks prior to the EBT.

1.2.2 Significant changes and development in year 2020

- After its share acquisition in TBANK on 3 December 2019, the integration process between TMB Bank and Thanachart Bank has proceeded as planned and is expected to be completed by July 2021. The two banks' services are now connected seamlessly, including Co-Locations, bill payments, car loan payments and a surcharge-free ATM network.

Both banks' electronic service offerings have been connected seamlessly allowing TMB customers to make payments for TBANK's products, TMB customers can use TBANK's ATMs for cardless withdrawal function, and customers of both banks can access both TMB and TBANK's 4,900 ATM/ADM kiosks across the country. Moreover, TMB and TBANK Co-Locations have officially been launched since the beginning of this year and have received much positive feedback. In addition, TMB branch staff are now eligible to recommend TBANK's car loan products to customers. Human resource reorganization and staff transfers have also proceeded as planned. TMB completed C-level setup and have had a single board government with all of the new bank's executives working together since the beginning of the year. During the year, the Bank has re-located some of the staff to join the new team, including senior management officers, as well as supervisory and operational staff.

- TMB entered into a strategic bancassurance partnership with Prudential Life Assurance (Thailand) PCL. ("Prudential Thailand"), a subsidiary of Prudential plc, for an initial term of 15 years. Following the merger, FWD Life Insurance Public Company Limited ("FWD Thailand"), the previous bancassurance partner to TMB, and Prudential Thailand, the previous bancassurance partner to Thanachart Bank, reached agreement that Prudential Thailand would become the strategic bancassurance partner of the merged bank under TMB and will provide its best-in-class suite of life insurance products to more than 10 million TMB and TBANK customers. For this transaction, TMB recorded income of THB 1.3 bn in 2020 and will gradually record revenue worth approximately THB 20.8 bn throughout the combined initial term and transition period, starting April 2020. In addition, TMB will stop the recognition of revenue from FWD under the old bancassurance agreement, starting from 1 April 2020 with no impact to TMB's recognized revenue of THB 4.4 bn (during the period between 1 January 2017 and 31 March 2020 according to existing agreement).

- TMB was awarded from SET with "Deal of the Year Awards" from the merger transaction between TMB and Thanachart Bank Public Company and also awarded with "Thailand Sustainability Investment" in Financials sector, a reward which given to companies which manage economic, social and environmental management under the principles of good governance as a mechanism for developing business towards sustainability.

- TMB was awarded with "Digital Transformation" and "Cloud-Native Development" from Red Hat APAC Innovation Awards 2020 held by Red Hat Inc. which is the global leader in open source solution. "Digital Transformation" reward is in recognition of organization which is successful in managing IT challenges and create business value for competition as a digital organization and the "Cloud-Native Development" reward is based on agile working methods and agile organization which are the most successful in the area of creativity, maintenance, and successful use of business applications.

- TMB has developed the new digital banking business management platform for business customers, "Business ONE", which is more than just an internet banking. It allows business customers to transact via online channel and control their business both financial and non-financial from one single touch point with lower costs through ONE Platform, ONE to Control, One to Command. TMB believes Business ONE will be the key partner to help business customers both corporate and SMEs customers nationwide.

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-consolidation** comprising companies engaging in the financial business and businesses supporting the

Bank's operations, as follows:

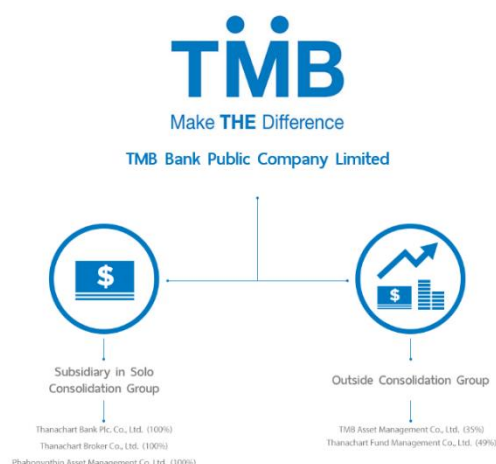
- **Financial business group** is defined as a company which operates financial business and the Bank holds at least 50% of its issued and paid-up share capital which such business has the specific law regulated such as security business, life insurance business, non-life insurance business, credit card 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, 2020, TMB had invested in subsidiary and associated companies as described below:

Name	Type of business	Investment value by cost method as of Dec 31, 2020 (THB million)	% of shareholding by TMB as of Dec 31, 2020
Subsidiary companies			
1. Thanachart Bank Plc., Co., Ltd	Bank	167,930	99.98% ^{1/}
2. Phahonyothin Asset Management Co., Ltd	Asset management	25	100.00%
3. Thanachart Broker Co., Ltd. ^{2/}	Insurance brokerage	-	100.00%
4. Phayathai Asset Management Co., Ltd. ^{3/}	Asset management	-	-
Total investment in subsidiary companies		167,955	
Associate Companies			
1. TMB Asset Management Co., Ltd.	Fund management	197	35.00%
2. Thanachart Fund Management Co., Ltd. ^{2/}	Fund management	-	49.90%
Total investment in associated companies		197	
Net investment in subsidiary and associated companies		168,152	

1/ The remaining 0.02% of the total share in TBANK is owned by minority shareholders.

2/ Investments in Thanachart Broker and Thanachart Fund Management are consolidated in an investment in Thanachart Bank.

3/ The company completed liquidation process on Oct 1, 2020 and was written off in Nov 2020.

- **Thanachart Bank Plc., Co., Ltd.** – Operating commercial banking business and other businesses permitted by the BOT, which include non-life brokerage, life insurance brokerage, and securities business consisting of securities brokerage, securities trading and selling of units trusts, mutual fund supervisor, private fund custodian, bond broker-dealer, securities registrar, and gold futures contract trader.
- **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.

- **Thanachart Broker Co., Ltd** – Operating non-life insurance brokerage and life insurance brokerage business, providing service for the car and motorcycle registration and annual registered tax to customers of Thanachart Group, recommending financial products of TBANK, providing service for the annual motor transportation tax and car insurance renewal to customers of hire-purchase from TBANK, providing service for the tax reminder and collection, and insurance fee and any related fee provide services for, and services the other businesses of non-life and life insurance businesses.
- **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. TMB Asset Management Company Limited (TMBAM) was established on October 16, 1996 with TMB Bank as the main shareholder. On September 27, 2018, Prudential Corporation Asia Limited has joined TMB Bank and holds 65% of TMBAM shares together with TMB Bank which holds 35%. TMBAM has been rebranded as TMBAM Eastspring on January 21, 2019.
- **Thanachart Fund Management Co., Ltd.** – A company held by Prudential Corporation Holdings Ltd. And Prudential Holdings Ltd. (holding 50.1 percent of the total shares) and TBANK (holding 49.9 percent of the total shares). As it operates businesses related to not only management of mutual funds, private funds, and provident funds, but also investment advisory business, the company could be considered one with integrated advisory services.

2. Nature of Business

Income structure

Income structure of the Bank 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, 2018-2020 :

(Unit: THB million)

Income structure	For the year ended December 31,					
	2020	%	2019	%	2018	%
Interest income	72,320	78.1	39,837	71.1	35,128	56.6
Interbank and money market items	1,922	2.1	1,965	3.5	1,761	2.8
Investments and trading transactions	109	0.1	131	0.2	56	0.1
Investments in debt securities	1,920	2.1	1,555	2.8	1,219	2.0
Loans to customers	45,633	49.3	34,334	61.3	32,082	51.7
Hire purchase and finance leases	22,734	24.5	1,822	3.2	-	-
Others	2	-	30	0.1	10	-
Fees and service income	15,921	17.2	11,343	20.2	12,764	20.6
Gains on trading and foreign exchange transactions, net	-	-	1,528	2.7	1,529	2.4
Losses on financial liabilities designated at fair value through profit or loss, net	-	-	(22)	-	(11)	-
Gains on financial instruments measured at fair value through profit or loss	1,726	1.9	-	-	-	-
Gains on investments, net	678	0.7	1,956	3.5	11,963	19.2
Share of profit from investment using equity method	363	0.4	324	0.6	64	0.1
Other operating income	1,644	1.7	1,072	1.9	663	1.1
Total income	92,652	100.0	56,038	100.0	62,100	100.0

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 2 key customer segments as follows:

1. Commercial Banking Group
2. Retail Banking Group

2.1.1 Product and services for Commercial 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
- **Small Enterprise:** Customer group with annual sales per year up to THB100 million.

Type	Products and services
Deposit	Business accounts (TMB One Bank) SME account (TMB One Bank)
Loan and Financing	Working capital Supply chain solutions Letter of guarantee Special funding program for SME (TMB SME Smart Biz)
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 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 Auto loan Credit card 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 2020, TMB has strong 11 partners with leading 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., CIMB-Principal Co., Ltd., Manulife Asset Management Co., Ltd, TISCO Asset Management Co., Ltd, One Asset Management Co., Ltd, Kasikorn Asset Management Co., Ltd, Krungsri Asset Management Co., Ltd and Thanachart 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 entered into a strategic bancassurance partnership with Prudential Life Assurance (Thailand) Public Company Limited ("Prudential Thailand"), a subsidiary of Prudential plc, for an initial term of 15 years which will take effect from Jan 1, 2021 to provide Prudential's leading product offerings of health and wealth solutions to the whole enlarged network of the merged entity under TMB. The remaining term of bancassurance contract with FWD Life Insurance, which is the Bank's previous bancassurance partnership, will be entirely transferred to Prudential Thailand on 31 December 2020. FWD will continue to honour the obligations under, and to service customers who have bought, any FWD insurance policies through TMB for the remainder of their policy terms.

Prudential Life Assurance (Thailand), a leading life insurer which has operated in Thailand for more than 24 years and is a member of Prudential PCL. Prudential Life Insurance offers a comprehensive range of products, mainly life and health insurance, to fulfill the customers' needs throughout the different stages of their lives. Also, based on this partnership, TMB and Prudential will be able to leverages on technology to better serve our customers.

For Non-life insurance business, TMB offers insurance for loan collateral in association with non-life insurance companies. After the merger, the Bank has leveraged on TBANK's strong auto loans customer base which has enhanced TMB's non-life insurance premiums substantially. TMB also provides other non-life insurance products such as personal accident, health and motor insurance.

2.2 Market and Competition

2.2.1 Market policy for product and services in year 2020

In 2020, the Bank's business units consisted of 1) Commercial Banking 2) Retail Banking and 3) Automotive Lending. The summary of each business unit's operation in 2020 is described as below.

1) Commercial Banking

In 2020, Commercial Banking continued to grow as a main operating bank for our customers through digital transactional banking and supply chain solutions. In addition, we have advised our customers to unleashed their potential and maximize values during the COVID pandemic.

As small and medium businesses were facing unprecedented challenges from the outbreak of Coronavirus (COVID-19), TMB had helped to reduce their burden with various customized Relief and Post-relief programs throughout the year, including customized consultation workshops and industry-focused seminars for impacted small businesses. Moreover, TMB has been working closely with strategic partners to minimize the financial burden for their entire supply chain ecosystem through our TMB supply chain programs which includes extending account receivable terms to dealers, shortening payment period to suppliers, and providing special soft loan packages to dealers and suppliers.

TMB has been leveraging on new technologies to helped businesses large and small to embrace the 'new normal'. We provide new digital tool called "Business ONE" which was launched in Dec 2020 to help our customers with digital payment and collection services. Business ONE is equipped with various business applications such as generating Digital Invoices, Online Payment Services, and unparallel Business Management Platform. Business ONE platform will revolutionize large and small businesses to be able to do beyond basic transactional financial services. Some of the key features of Business ONE are advanced credit loan request system, self-authorization, cash flow analysis, as well as the Open API or Open Banking that links Enterprise Resource Planning (ERP), Human Resources (HR) and Customer Relationship Management (CRM) systems in one place.

2) Retail Banking

In 2020, TMB has worked diligently to prepare for the merger. We started to onboard Thanachart staff to TMB in order to align skill as Trusted Advisor, providing professional financial consultation to customers. In parallel, we have prepared to migrate and gradually implemented system change for EBT. All these activities were to provide excellent customer experience, to respond to customers' financial needs, and importantly to improve customers' Financial Well-Being while allowing bank to achieve sustainable business growth.

TMB has strived more to innovate variety of products and services to address customers' financial needs. In the past year, our financial offerings aiming to increase customers' Financial Well-Being include; Investment – To assist customers to build financial stability and wealth, No Fixed served as a saving product that provides both high interest rate and flexibility. Additionally, we have wide selection of Mutual Fund, which we focused on providing most suitable investment advice to customers. One of our innovations was TMB SMART PORT. A portfolio management product that offers asset allocation service with fund selection to retail customers catering base on 5 levels of customers' risk appetite, and automatically re-allocate investment proportion every quarter to reflect market situation. This solution significantly improved the way customers invest by having investment specialist selecting, allocating, and re-balancing portfolio for long-term wealth growth. Lending Advisory – To serve as financial tool for customers to acquire asset and their business, we offer consultation and recommend the most appropriate lending products (Home Loan, Auto Loan, Small Business Loan) to customers. Due to COVID-19 in 2020, many lending customers faced a challenging situation. TMB worked diligently to address customers' problem of not being able to pay in-full and on-time as before. In order to help customers impacted from the situation, we launched new Cash Your Car product, and we also set up a special Debt Advisory Team to proactively reach out to customers, provide advisory, and offer most suitable and beneficial options tailored to each customer. Development in

retail lending did not limit to product and solution, but also how bank provide most suitable advice to each customer. Transactional Banking – To provide convenience in doing daily transactions, our Credit Card provides 1% cash back for every transaction or gives 1 reward points for every 10 Baht spending. TMB All Free is the country's best in class transactional service which offers various useful benefits at free of charge covering all-financial purposes one can possibly gain for daily life. Last year, TMB All Free, well-known for its free banking transaction benefits, uplifted customers' Financial Well-Being to another level by offering a free personal accident medical protection of 3,000 Baht per accident (unlimited times) when customers maintain 5,000 Baht balance. This benefit was added on top of existing TMB All Free benefits of 20X personal accident death protection, free overseas travel insurance, and special FX rate for overseas spending. TMB aims to address protection needs of our customers through Bancassurance products. We innovated products to address variety of protection needs, including wealth protection and transfer (Wealthy 3 Gen and The Treasure), life insurance with high coverage (Pay Light High Protection 20/10+CI), health insurance, and protection of assets (car and home). TMB focuses on ensuring customers' Financial Well-Being is not confined to only wealth aspect, we aspire to develop solutions for customers to use protection as a financial solution to protect themselves and love ones.

3) Automotive Lending

Thailand's 2020 economy slowed down from both direct and indirect factors such as (1) the COVID-19 virus pandemic (2) the historically high household debt (3) impact from international trade war (4) the instability of geo-politics; all factors caused new car sales to drop 20% from 2019.

Against the backdrop of these challenges, the Automotive Lending Business Unit recognizes the importance of its role to help customers and partners to overcome COVID-19 virus pandemic as well as preparing for the world after the pandemic together. As such, the Bank issues debt relief programs called "Tang Lak" as the fast mitigation measure with comprehensive coverage across the country and for all customers. The Automotive Lending Business Unit reached out to all parts of the automotive eco-system, whether customers, partners, dealers, and corporate clients in order to ensure necessary support and recovery for businesses and livelihood of the eco-system.

Moreover, the Unit has adapted its business and operations to be more resilient to the situation by providing more prudent lending as well as focusing on developing digital platform to cope with changes in customer behavior. Overall of 2020, the Automotive Lending Business Unit maintained leadership in Auto Finance with continued to grow its loan balance and maintained its NPL lower than the industry's average.

2.2.2 Distribution channel and network

In 2020, TMB has started integrating 2 banks service channels while continue to enhance our services to meet new customer expectations. We focus on Omni-channel offering that combines digital, digital-human and human channels in an interconnected way to provide customer a seamless experience anywhere, anytime with the greatest cost effectiveness. Following are strategic focus by channels;

1) Digital Channels

Digital Channels will bring customers to get the full benefit of Omni-Channel experience. We continue to introduce new digital capabilities and redesign the customer journey to align with “Digital-First” operating model; customers will receive superior banking experience using digital banking (more capability, most convenience and security). At the same time, we are also in progress of consolidating Retail digital services from 3 platforms (TMB Touch, T-Connect and MEbyTMB) into 1 mobile platform TMB Touch per transition plan to new bank.

TMB Touch is the main Mobile Banking Platform for Retail Customers. We focus on building TMB Touch to be the main channel for both customers as self-service banking and for our staffs as a tool for customer advisory and engagement. Following is a list of the digital capabilities already available on TMB Touch;

- **Apply/Account Opening:** Customers now can apply/open account from simple transactions accounts to complex investment products via TMB Touch (apply Promptpay, issue Debit Card, apply Credit Card, apply Personal Loan, open Mutual Fund account, open TMB Smart Port and purchase insurance)
- **Banking Services:** Customers can withdraw cash at ATM using Cardless cash withdrawal function, make Fund Transfer by account or mobile phone number, make International Fund Transfer, make QR payment/transfer, pay Bill /Top Up, request Credit Card Installment Plan (TMB So GooOD) , block cards, preform Mutual Fund transactions (Purchase, Sell, Switch)
- **Financial Well-Being Services:** Customer can check all account balance online including Insurance accounts, set auto direct debit for Bill payment (don't miss any bill payment), Set up personalized Saving Goal and auto saving on No Fixed and ME SAVE account, Set automatic investment plan to automate Mutual Purchase on the timely basis, Change Credit Limit to manage spending,
- **Customer Benefits:** TMB WOW points. Collect WOW point by making payment via ALL Free Debit Card and check WOW point balance and activate pay with WOW via TMB Touch (1 WOW point = 1 baht).

We also in progress of building TMB Touch capability to have MEbyTMB and Thanachart T-Connect functions in transition to have 1 Mobile Banking platform for retail customers in 2021. MEbyTMB products are now available on TMB Touch and target to launch Thanachart T-Connect features on TMB Touch by July 2021.

The Internet Banking service through website www.tmbdirect.com. It's an alternative digital banking channel. We focus on maintaining the integrity and security of the Internet Banking system, giving our customers more confidence when conducting financial transactions via all digital banking channels. This allowed us to maintain our online customer base in a sustainable manner.

TMB Business One Launched in December 2020, it's a new Internet Banking Platform for corporate customers. The new platform is developed in Responsive Web Design allowing customers to use in a variety of devices and window or screen sizes. It provides board range of banking services across cash management, international trade transactional services, Foreign Exchange Service and Supply Chain Financing. The service enables digital transactions for more customer convenience. Target to reach 100,000 users by the end of 2021.

2) Branch Network

While digital banking has become the default for many customers as evidenced by the increasing usage of digital banking services, our Branch network focus was on the development of people to become “trusted advisor” and the new branch relationship service model to accommodate those customers who value the personal touch and those who prefer face-to-face interactions for complex financial products.

At the same time, we continue to make a progress for readiness to serve customers as a one bank and consolidate both bank branch network to reduce redundancy or those with relatively low traffic as well as expand our new services as follows:

- **“TMB-Thanachart Co-Location” branches.** The new branch model uplifted branch service standard offering complete solution from both TMB and Thanachart to serves customers in one location. The Co-Location branches represent the readiness to serve as one bank, to onboard customers before entire business transfer (EBT) in July 2021 and to allow Bank to optimize branch network footprint; target to open 114 Co-Locations Branches by the end of 2020.
- The Bank launched **Facial Recognition technology** upon customer onboarding at branch raising security standards to onboard customers from offline to secured online channel. We target to effectively combine digital and human channels to create a seamless omni-channel offering by digitizing sales and service at branch in response to customers’ diverse needs in the digital era. We’ve developed technology such as CRM and Big Data to equip our people to deliver need-based/personalized solution.
- Expand service through **Banking agents** to enhance accessibility to bank services: Customers can make cash deposit into their account at more than 10,000 7-Eleven locations. After deposit service launch in January 2020, the deposit transactions at 7-Eleven have continuously increasing. We also provide bill payment services at 4 main Banking Agents 7-Eleven, Big C, Lotus, Thai Post and continue to expand more services and more agents in 2021 as alternative and convenient channels to serve.

3) Electronic Channels: ATMs and ADMs (Auto Deposit Machines)

We focus on customer convenience to support ATM/ADM role of quick cash accessibility while continue efficiency improvement and service enhancement to serve customers as a one bank. We combined both bank electronic network in 2020 and now have more than 4000 machines to expand our coverage area nationwide. Following is the key service enhancements and plan in the future for Electronic Channel service expansion;

- **We have successfully combined ATM functionality from both banks** and provided services to both TMB and Thanachart customers as one bank. Customers from both banks can use any TMB or Thanachart machines for withdraw cash, make bill payment and deposit cash to TMB or Thanachart accounts without any fee charge.
- **Cardless withdrawal:** Connecting 2 bank channels; mobile Banking customers can withdraw cash at ATM without using ATM/Debit cards. Not only it’s more convenient, it’s also more secured transaction utilizing Mobile banking security instead of using physical cards.

- **Easy-Access Locations:** With the focus on customer convenience and reduce area redundancy, we've relocated 700-800 machines in repetitive areas and revised our service locations to cover in convenient area such as major department stores, hypermarket and gas station.

4) Contact Center

Retail Customers: To deliver the best customer omni-channel experience and meet customer behavior in the digital era, Contact Center is the key channel that interacts with our customers in order to provide information, and customer case management both voice and non-voice channels. We focus on following key area.

- **Seamless Transition and infrastructure enhancement to one bank service:** we continue to serve both TMB and Thanachart customers via TMB and Thanachart contact center. We are in process of upgrade contact center infrastructure technology and service capability to support business growth. Telephone number of both banks will remain in service until after entire business transfer (EBT) in July 2021 to ensure the smooth transition to the one service number for new merged bank.
- **Non voice:** we continue to expand our capacity and enhance capability to support non-voice channels to support customer behavior shifted from call to chat.
- **Customer Case Management** we focus on improving customer experience by developing bank-wide process for handling customer complaints both voice and non-voice channels, while also preparing guidelines for customer communication to ensure customer positive experience.

Distribution channel and network

	TMB	Thanachart
1. Branches and Business Centers		
Domestic branches	403 branches nation-wide (403 locations) • 289 TMB only branches (289 locations)	443 branches nation-wide (443 locations) • 329 Thanachart only branches (329 locations)
	• Co-Location (TMB Thanachart Branch) 114 branches (114 locations)	
Overseas Branches	• Cayman Islands branch, Cayman Islands branch • Vientiane branch, Lao P.D.R.	
Zone Offices	• 23 zone offices for Small Business • 43 zone offices for SME • 12 zone offices for Business Banking	
Foreign Currency Exchange Service	• 1 Booth at HQ	

2. Electronic Channels		
ATMs and ADMs	• ATM 2,134 Machines • ADMs 497 Machines • All in Ones 63 Machines	• ATM 1,155 Machines • All in Ones 234 Machines
3. Digital Banking		
Mobile Banking	• TMB TOUCH mobile application.	• Thanachart T-Connect
Internet Banking	• Internet Banking service for retail customers through the website www.tmbdirect.com • Internet Banking service for business customers through the website www.tmbizdirect.com	• Internet Banking service for retail customers through the website www.thanachartbank.co.th
4. Contact Center		
Contact Center	• 1558 - International Call +66 2299 1558	• 1770 - International Call +66 2217 5770
Small Business	• 0-2828-2828 Service hours: 8.00 -20.00 on Monday – Saturday	• 1770
Corporate Call Center	• 0-2643-7000 Service hours: 8.00 -18.00 on working days	• 0-2217-5700 Service hours: 8.30 - 20.00 on working days
5. MEbyTMB		
ME Place	• ME Place 5th floor, Central World	
Call Center	• 0-2502-0000	
Website	• www.mebytmb.com	
Mobile Application	• TMB TOUCH mobile application. • MEbyTMB Application.	

2.2.3 Banking Industry and Trends

1) Performance of Commercial banks in 2020

Commercial banks had weaker growth as loan expansion deaccelerated from the Covid-19 crisis that slowed down Thai economy. Credit expanded at a slower pace than deposits. This caused L/D ratio to decrease from 96.5% to 87.0%. Liquidity in Thai banking system at year-end stood at THB 4.2 trillion, growing from THB 3.8 trillion from the same period last year. Total assets of domestically registered commercial banks rose 8.2% to THB 19.9 trillion.

Commercial banks' total loans in 2020, stood at THB 14.2 trillion, expanding by 5.2%. Large corporate loan growth expanded at 13.1%, mostly in services, commerce, and manufacturing, because weak bond market and low interest rate induced corporates to move away from corporate debt market. Small and Medium Enterprises' (SME) loan contracted due to economic impacts from countrywide lockdown by 2.8%. Consumer loans in all portfolios grew at slower rates.

MLR of the five largest commercial banks were averaged at 5.42% at the end of 2020, dropping from the previous year from rate cuts in which BOT lowered the policy rate from 1.25% to 0.50% at the end of December 2020 to support the economy. Commercial banks lowered their lending rates to mitigate the interest burden of their customers especially for SMEs, who were impacted the most from the economic slowdown. They also cut deposit rates as well. As a result, the spread between MLR and 12-month time deposit rate increased to 495 basis points.

In 2020, commercial banks' deposits grew 21.5% from last year to THB 16.3 trillion mainly from saving deposits. Consequently, the share of current and saving deposits was significantly increased to 73% from 60% of total deposit last year. Five largest banks' average time, current, and saving deposits interest rates dropped following decreases in the policy rate.

Total NPLs (gross NPLs) of commercial banks as of December 2020 increased from THB 465 billion to THB 523 billion from the same period last year. NPL ratio increased by 14 basis point and remained elevated at 3.12%. It was largely driven by NPLs from SMEs loans, especially in manufacturing and service businesses as a result of the economic slowdown. Retail's NPL ratio dropped slightly to 2.8%. The decrease was from mortgage and hire purchase loans due to debt restructuring and measures from commercial banks.

The net profit of commercial banks registered in Thailand stood at THB 132 billion in 2020, decreased by THB 121 billion or 48% from last year due to high provisions against economic risks that increased 42% from the previous year. Net interest income increased from lowering interest payments. Fee and service income declined from money transfer and commission 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	3,385	17%	2,486	17%	1,896	15%
The Siam Commercial Bank	3,280	16%	2,430	17%	2,126	17%
Krung Thai Bank	3,227	16%	2,467	17%	2,124	17%
Kasikornbank	3,061	15%	2,340	16%	2,067	16%
Bank of Ayudhya	2,461	12%	1,819	12%	1,610	13%
Total 5 large banks	15,415	77%	11,542	79%	9,823	77%
Thanachart Bank	811	4%	558	4%	650	5%
TMB Bank	1,205	6%	816	6%	694	5%
United Overseas Bank (Thai)	632	3%	492	3%	422	3%
Total 3 medium banks	2,649	13%	1,865	13%	1,765	14%
CIMB Thai	404	2%	194	1%	218	2%
TISCO Bank	265	1%	205	1%	214	2%
Kiatnakin Bank	354	2%	252	1.7%	263	2%
Land and Houses Bank	240	1%	183	1.3%	156	1%
Standard Chartered Bank (Thai)	167	1%	84	0.6%	29	0.2%
Industrial and Commercial Bank of China (Thai)	225	1%	147	1.0%	112	0.9%
Total 6 small banks	1,656	8%	1,065	7%	991	8%
Bank of China (Thai)	69	0.3%	47	0.3%	45	0.4%
The Thai Credit Retail Bank	81	0.4%	65	0.4%	67	0.5%
Sumitomo Mitsui Trust Bank (Thai)	0	0.0%	0	0.0%	0	0.0%
ANZ (Thai)	0	0.0%	0	0.0%	0	0.0%
Mega International Commercial Bank	25	0.1%	16	0.1%	21	0.2%
Total	19,894	100%	14,600	100.0%	12,712	100%

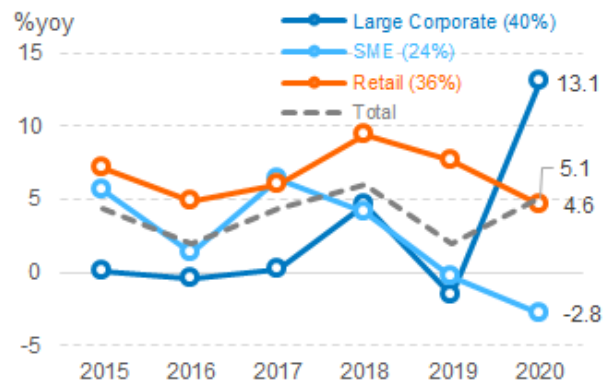
Source: Bank of Thailand (as of December 2020)

Performance Summary:

- Loans

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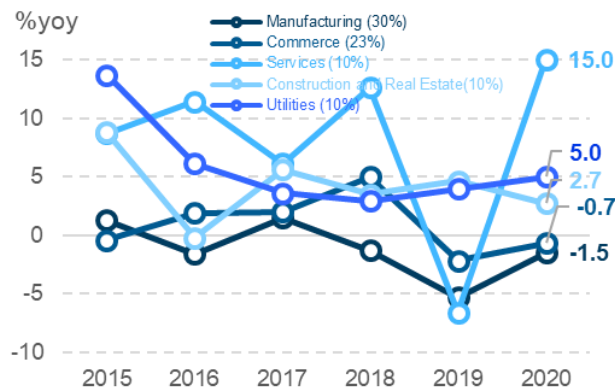
Loan Growth by Customer Type



*() represents %share to total loans

Source: Bank of Thailand

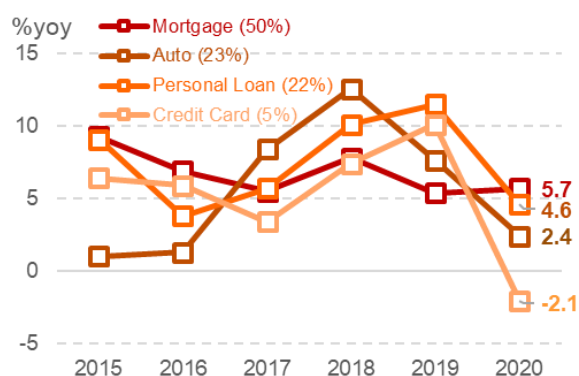
Business Loan Growth by Industry



*() represents %share to business loans

Source: Bank of Thailand

Retail Loan Growth by Product



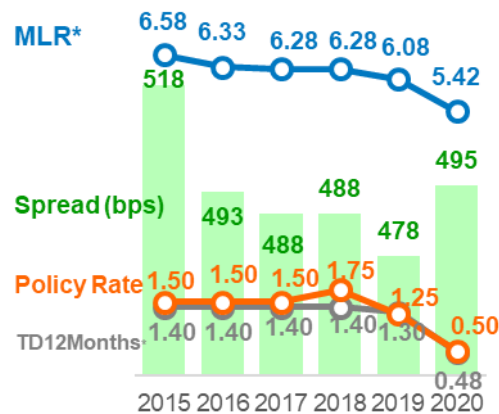
*() represents %share to retail loans

Source: Bank of Thailand

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Interest Rate Movement and Spread



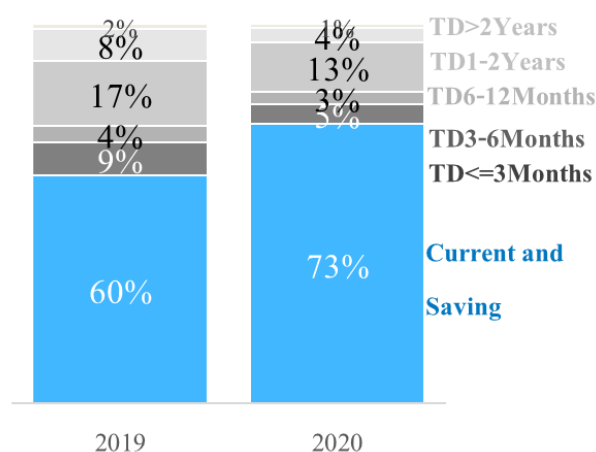
*Average from 5 largest commercial banks' rates

Source: CEIC

- Deposits

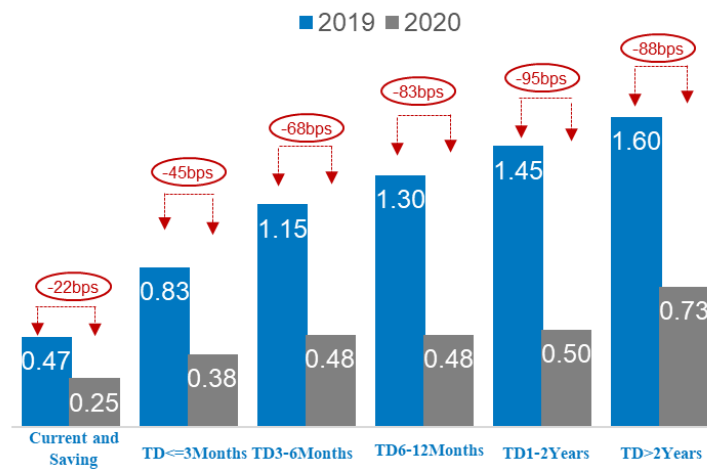
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Composition of Deposits by Maturity



Source: Bank of Thailand

Average Deposit Rates by Maturity



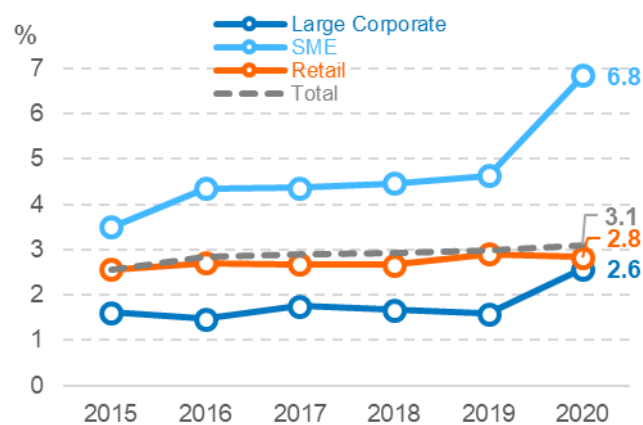
*Average from 5 largest commercial banks' rates

Source: CEIC

- Non-performing loans (NPLs)

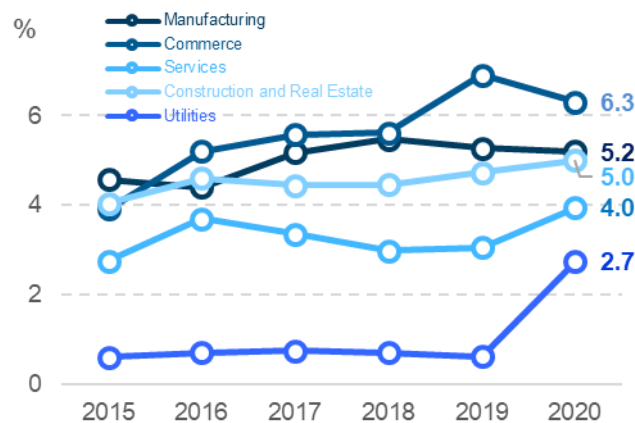
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NPL Ratio by Customer Type



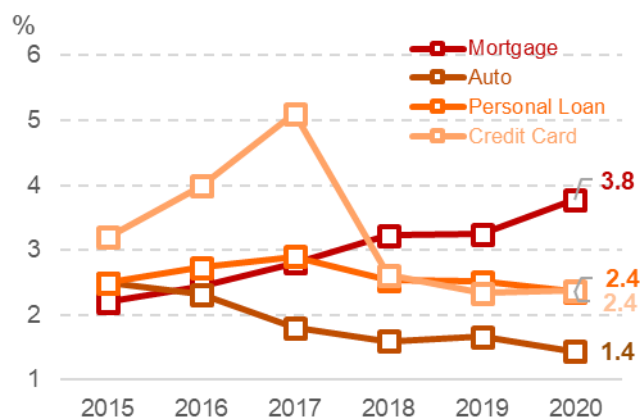
Source: Bank of Thailand

NPL Ratio of Business Loan by Industry



Source: Bank of Thailand

NPL Ratio of Retail Loan by Product



Source: Bank of Thailand

- Performances

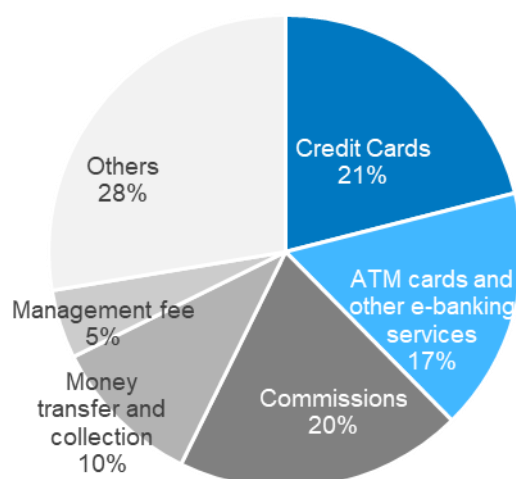
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Performances of Commercial Banks Registered in Thailand

Income-Expense (Billion Baht)	2020	2019	Change (%)	
Interest income	660	713	-53	-7.4%
Interest expenses	161	233	-72	-31%
Net interest income	499	481	+19	+4%
Fees and service income	174	192	-18	-9%
Fees and service expenses	48	52	-4	-7%
Net fees and service income	126	140	-14	-10%
Gains on tradings and forex	37	39	-2	-4%
Gains on investment	0	122	-123	-100%
Others operation incomes	58	47	+11	+23%
Net non-interest income	221	349	-128	-37%
Other operation expenses	337	358	-21	-6%
Operating profit	383	472	-88	-19%
Impairment loss of loans and debt securities	225	159	+66	+42%
Profit before income tax	158	310	-152	-49%
Tax	26	56	-30	-54%
Net profit	132	254	-121	-48%

Source: Bank of Thailand

Composition of Fees and Services Income in 2020



Source: Bank of Thailand

1) Trend of Commercial Banks in 2021**• Loan and Deposit Trend**

The commercial banking industry in 2021 is expected to recover in line with Thai economic recovery from Covid-19 outbreak. This is due to growth in exports which should follow returning international demands. Private consumption should resume this year with supports from government policies. However, tourism might remain weak due to the closure of Thai border, affecting tourism and service businesses.

Corporate loan tends to grow in alignment with demands for working capital, but at a slower rate than growth in 2020. Recovery in bond market should encourage large corporates to return to issue more corporate bonds this year. Loan for SMEs will accelerate from the previous year from economic recovery. Credit quality continues to deteriorate from tourism industry that still faced impacts from a closure of Thai border. Weak economic returns in service and tourism industries cause commercial banks to be more cautious in loan approval especially for SMEs.

Consumer loan, credit card and personal loan are estimated to return this year. Changing behaviors during Covid-19 outbreak and cautious loan approval caused weak loan growth last year. Economic recovery should support growing households' demands for liquidity. However, the credit standard could be tightened amid concerns over households' debt serviceability. In addition, the growth of mortgage loan and car loan should accelerate after a drop in previous year.

Deposits are likely to decelerate partly because of returning economic activities. Also, given a low interest rate level, low returns from deposits will encourage depositors to allocate their savings to other financial products with higher returns than term deposit, which offers low interest rate particularly after policy rate cuts in 2020. Additionally, the slow increase in loan growth together with prevailing high liquidity will not lead to intense deposit competition.

• Ongoing challenges in banking business in 2021**1. Digital Banking and Digital Lending**

After commercial banks have invested in digital infrastructure to reduce operating costs and provide greater opportunity of wider customer reach, banks now began to utilize detailed data extracted from digital platform to provide a financial product that satisfy customer's needs with prompt response as well as enhancing more efficiency in risk management. The product is digital lending which continued to grow after Bank of Thailand allowed financial institutions both bank and non-bank to acquire licenses to operate. Digital lending help customers with unreliable sources of income to provide substantial supporting evidence to apply for loans. Digital information such as utility bills and online transactions can be used as supporting evidence.

2. National Digital ID (NDID) platform

National Digital ID is a new online cross-bank identity verification which offers a new choice that the customers do not have to present him/herself right at the bank. In other way, they can however request the original bank, which their identification process with the bank had been already once done, to send the identification data to a new bank instead (Authentication). This will significantly cut the numbers of related documents and redundant working process, especially between the banks. Accordingly, it will reduce operating cost and provide more convenient financial services for people

and businesses in a timely manner and with global-standard safety. This thus helps enhancing the ease of doing business in Thailand in another way. In the first phase, the verification platform will be applied only in opening bank accounts and loan approval. Later, in the second phase, it is expected to be wider used in opening portfolio account, mutual fund and insurance services for those foreigners as well as corporate.

3. E-Marketplace Platform

Commercial banks and financial institutions are prone to expand their roles as online platform service providers, whose the platform will be a place for exchanging goods and services as well as full digital payment service (e-Marketplace Platform). This is in order to respond to the change in customers' behaviors in online-shopping. The BOT has already approved the guideline for the bank and financial institutions engaging in e-marketplace since 2019.

4. National e-Payment

National e-payment is a national agenda so as to promote standardized and modern electronic payment system that will help cutting transaction costs in the economy. Thai commercial banks are therefore expected to continue promoting Prompt Payment (PromptPay) services, EDC usage and expanding QR code payment. In most recent period, Thai government has already utilized more e-Payment platform for tax rebating and cash transferring in welfare scheme for Thais through Prompt Payment system. Moreover, the stock exchange of Thailand has introduced the initiated payment system for capital market, supporting the payments in security transactions between investors and asset management firms. This can satisfy the condition that the original account and the destination one are in different bank as well as help reducing the systemic risk in payment system. In longer run, there will be further service launched for wider ranges of transactions such as dividend payment for stockholders and security orders payment in mutual fund.

5. Financial technology

Fund raising through venture capital supports the setups of Fintech firms, which their figures have rose sharply with the capacity of wider service offering ranging from money transfer, payment, investment to insurance services. Incorporating new technology, this enable banks to satisfy their customers' financial service needs with new products in a more timely manner. Commercial banks are now interested to invest in blockchain and Defi (Decentralized Financial system) which are considered as non-traditional competitors of the banking system in the future. Looking forwards, the cooperation between bank and Fintech firms will accordingly be prominent. This would result in bringing together the strength of bank in wide customers base and Fintech firm in advance technology capacity to offer better financial services for customers with more efficiency.

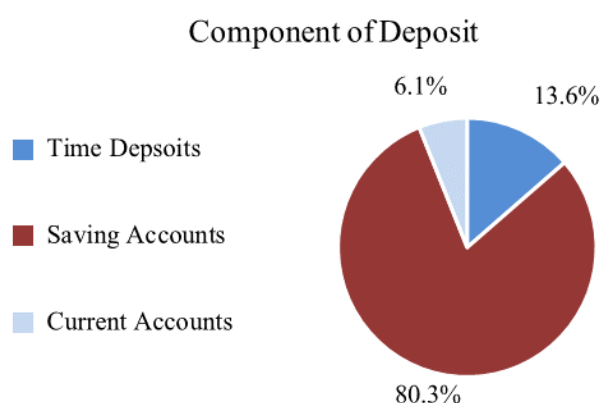
6. Regional Partnership and expansion

Thai commercial banks began to expand in the ASEAN region through acquisition of foreign banks and financial services. Partnership building among ASEAN banks through the establishment of QABs (Qualified ASEAN Banks) along with the guideline of financial services liberalization will help reducing obstacles for Thai commercial banks in doing business in the region and for those Thai business sectors to gain more easy access in trade and investment within the region.

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, 2020, TMB had total deposits (Consolidated) of THB 1,373,408 million, where saving account, time deposits, and current account represented 80.3%, 13.6% and 6.1% respectively.



Besides total deposits that were represented 89.3% of total funds. In addition, the Bank recorded interbank and money market items of THB 75,909 million and borrowings of THB 88,965 million, making up 4.9% and 5.8% of total funds respectively.

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

(Consolidated)	As of December, 31					
	2020		2019		2018	
	Amount (THB million)	As % of total fund	Amount (THB million)	As % of total fund	Amount (THB million)	As % of total fund
Time Deposits	186,876	12.2	418,819	26.3	75,178	10.0
Saving Accounts	1,103,241	71.7	903,198	56.7	515,908	68.9
Current Accounts	83,291	5.4	76,095	4.8	58,482	7.8
<i>Total deposits</i>	<i>1,373,408</i>	<i>89.3</i>	<i>1,398,112</i>	<i>87.8</i>	<i>649,568</i>	<i>86.7</i>
Interbank and money market items	75,909	4.9	86,626	5.4	64,267	8.6
Borrowings	88,965	5.8	108,835	6.8	35,124	4.7
<i>Total Borrowings</i>	<i>164,874</i>	<i>10.7</i>	<i>195,461</i>	<i>12.2</i>	<i>99,391</i>	<i>13.3</i>
Total Funding	1,538,282	100.0	1,593,573	100.0	748,959	100.0

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 Bank of Thailand'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 and its subsidiaries' capital adequacy ratios consisted of the following:

(Unit: percentage)

	The BoT's regulation minimum requirement *	31 Dec 20	31 Dec 19	31 Dec 18
<u>Capital ratio</u> (under Basel III framework)				
Capital Adequacy Ratio/Total Risk-Weighted Asset	11.0	19.59	18.95	17.31
Tier 1 Capital Ratio/Total Risk-Weighted Asset	8.5	15.46	14.62	13.53
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.0	14.45	13.62	13.53

* 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

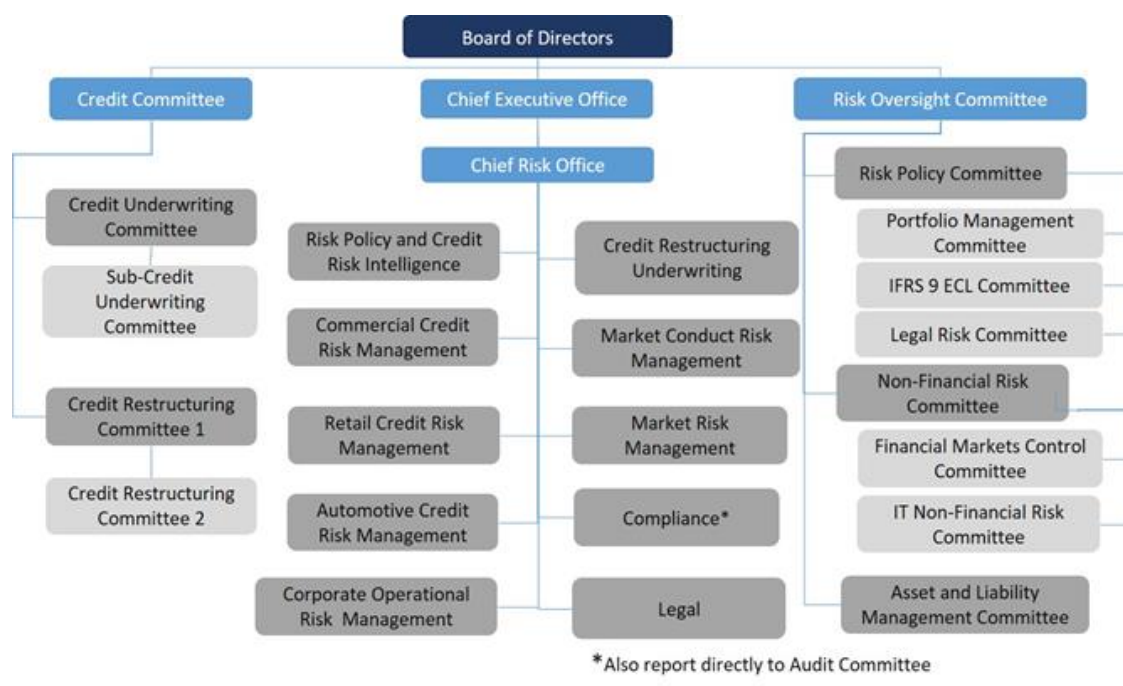
In TMB, risk management is of primary importance in order to create shareholder value by ensuring a sustainable balance between risk and return whilst remaining in compliance with regulatory requirements. The general Risk Management Framework consists of a clear Governance Structure, a consistent Risk Management Process and of the embedding of 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 straight forward Risk Management strategy in which:

- Products and portfolios are structured, underwritten, priced, approved and managed appropriately and within established risk appetites;
- 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 by ensuring that risk-taking authorities are properly 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. 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, and delegates authorities to committees as follows:

The **Risk Oversight Committee (ROC)** is appointed as a sub-committee of the Board, with clear roles and responsibilities as delegated by the Board. The Risk Oversight Committee's role is to fulfill its oversight responsibilities in relation to the bank's risk management framework and to ensure alignment of that framework with the Bank's overall governance framework. To that end the Risk function, on a quarterly basis, compiles the ROC Risk Dashboard that combines key insights from all risk areas into one overview which enables the ROC to perform its activities.

Several risk committees provide forums to discuss and decide about specific risk areas:

1. Risk Policy Committee

Ensures that credit risk is adequately controlled via a complete and up to date set of policies, frameworks, standards, risk appetite, delegations of authority, procedures and models. In addition, the committee ensures that all inherent risks directly related to Credit products and programs are properly addressed, reported and where possible mitigated.

2. Portfolio Management Committees

Ensure that the portfolio performance is on track and properly managed to meet both business and risk related strategic short and long term goals.

3. IFRS9 ECL Committee

Considers and approves the level, accuracy and adequacy of provisions under the IFRS9 guiding principles for Expected Credit Loss and determines the necessity of additional management overlay to ensure proper coverage of the portfolio.

4. Legal Risk Committee

Considers and approves the proposed legal matters related to ISDA schedules and derivative agreements.

5. Bank Non-Financial Risk Management Committee and IT Non-Financial Risk Management Committee

Manage the Non-Financial risks and IT risks of the Bank and its subsidiaries by establishing the Non-Financial Risk strategy, policies and risk appetites and ensure that they are implemented effectively, with the appropriate level of granularity. To ensure sufficient attention to non-financial risk issues across the businesses the bank set up three Business Unit Non-Financial Risk Committees for Retail, Automotive and Commercial Banking that report into the Bank Non-Financial Risk Committee

6. 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, risk and control environment and end-to-end value chain of the Bank's Financial Markets undertakings and its product approval and review. The Financial Markets Control Committee reports to Bank Non-Financial Risk Committee.

7. Asset and Liability Management Committee

Assists the ROC in all matters related to the asset and liability management, balance sheet management and capital 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 Chief Executive Committee (CEC) and reporting directly to the Chief Executive Officer, oversees and promotes the development and implementation of consistent bank-wide risk management. The ROC sets the CRO's annual targets and confirms his performance against these targets

3.1.2 Risk Management Process

Risk Management in TMB consists of 5 key risk management processes:

- 1) **Risk appetite setting:** TMB annually sets risk appetites for various risk domains (credit, market, fraud, IT). These appetites are input for and aligned with the MTP process, are discussed in and endorsed by the relevant subcommittees, and where appropriate approved by the board. Actual performance is measured against and reported on the basis of these risk appetites.
- 2) **Risk Identification:** TMB classifies risks which are arising in daily business activities into 7 key risk areas: Credit Risk, Market Risk (including but not limited to Foreign Exchange Risk and Interest Rate Risk), Liquidity Risk, Non-Financial Risk (comprising Operational Risk, IT Risk, Compliance Risk, Market Conduct Risk and Legal Risk), Strategic Risk, Model Risk and Reputational Risk
- 3) **Risk Assessment & Measurement:** TMB uses different methods and tools to measure various risk types in both quantitative and qualitative aspects. In addition, TMB also conducts Stress Testing to measure the quality and resilience of the Bank's portfolio and the Bank's capacity towards stress event scenarios.
- 4) **Risk Monitoring and Control:** TMB controls, mitigates and monitors risks by setting key risk indicators, as well as risk appetite at bank-wide, portfolio, product and other levels as may be appropriate.
- 5) **Risk Reporting & Communication:** The 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.

Three lines of Defense:

Over the last years, TMB has invested significantly in further strengthening a risk management culture where the employees in the Business Units (the 1st line of defense) 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 the 2nd line of defense duties of formulating risk strategy and appetite, policies and appropriate risk structures, provide oversight and monitor the 1st line of defense and actively challenge the risk – return trade-off in the Business units. Internal audit as the 3rd 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 potential loss as a result of borrowers and/or counterparties failing to meet their financial and contractual obligations in accordance with agreed terms. It arises primarily from granting loans and undertaking contingent liabilities, and also from certain off-balance sheet products such as credit derivatives.

TMB's credit risk management objective is to maximize the Bank's risk-adjusted return by maintaining the credit risk exposure within acceptable levels and by building 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 and origination as well as various tools, such as risk rating models, application, behavioral and collection scorecards. The bank also established frameworks which set out credit policies, procedures, and guidelines covering the measurement and management of credit risk. This has been achieved whilst 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 ("**1st line of defense**").
- Credit Risk Management ("**2nd line of defense**") supports and where necessary interferes in the 1st line of defense's risk management activities. The risk management functions are independent of the management and staff that originate the credit risk exposures.
- Audit operates as the "**3rd 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 an ongoing priority. Stage 3 loans (Non-Performing Loans) arise 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 the status of our borrowers and/or counterparties constantly, both at an individual and at portfolio level. Also, here the 3 lines of defense approach is applicable: dedicated Relationship Managers monitor their Commercial Customers at an individual level. For our Retail portfolio, the focus is on portfolio management supported by portfolio management teams. Special attention is paid to problem exposures, which are subject to more frequent reviews and reporting. Early warning triggers, Qualitative Risk Score, and Behavioral Risk Level monitoring are in place to detect customers that may be moving towards an adverse

stage or show 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). Expected Credit Loss 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. The RAS ensures that the Bank's actual risk exposure is consistent with its strategic objectives and that exposures moving beyond tolerance risk levels are timely identified and acted upon. The RAS serves as input towards TMB Bank's financial plan. The RAS contains a set of qualitative and quantitative statements which are measured and reported on a monthly basis towards ROC and Chiefs Executive Committee. This RAS also forms the basis of the quarterly Portfolio Management 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 expected credit loss. TMB manages collateral value impairment risk by through the collateral appraisal policy and executes related procedures in accordance with BOT's regulations. The reappraisal frequency is among other things 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 customers 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 customer groups. At customer level 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 is an ongoing area of attention in TMB's Credit Risk Management prioritization.

3.2.1.2 Credit-Related Policy

1) Staging and provisioning policies

The Bank maintains a loan classification and provisioning framework in line with BOT's notification which requires all banks to set up clearly defined policies and guidelines to comply and align with the new International Financial Reporting Standard 9 (IFRS9). Commercial loans are classified by debtors, whereas consumer or retail loans are classified by accounts separately. If customers use both types of credits, the loans are classified by debtors based on the worst of all accounts. Moreover, in addition to provisions made according to the above mentioned BOT's notification, the Bank

proactively reviews and sets aside management overlay when appropriate to cover both Probability of Default (PD) and Loss Given Default (LGD) shifts.

2) Policy on provision for legal cases

TMB estimates provisions on off-balance sheet items to make appropriate provision in line with BOT's notification regarding Classification and Provision of the Financial Institutions when 1) Legal obligations that result from the Bank's activities and 2) It is likely that the Bank will be liable to make (re)payment for such obligations and 3) Obligations can be reliably estimated.

3) Stage 3 Loans (Non-Performing Loans)

The Bank is aware that the management of stage 3 and stage 2 (Under-Performing) loans impact the overall bank performance. To ensure independence, the Bank set up a Special Advisory Banking Services (SABS) team (in the 1st line of Defense) which together with Credit Restructuring Underwriting (the 2nd line of Defense) work together towards the objective of SABS to prevent viable clients from flowing to stage 3 based on the principle of proactive advisory and fast track measures to restructure under-performing loans and convert to stage 1 – performing loans, with the objective of Credit Underwriting to ensure quality of debt restructuring at all stages, as well as the accuracy of loan staging. SABS takes care of debtors who start to be under-performing on their credit facilities and fall in "Early Warning Sign (EWS)" or show a significant deterioration in their risk profile. The debtors who are classified as stage 2 require close monitoring. To be more efficient, SABS Manager will co-ordinate/negotiate with debtors to identify debtors' problems and to set appropriate solutions based on the nature of their 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 (troubled debt restructuring, TDR) based on debt service ability.

To comply with the policy, Documentation Team and Legal & Strategy Team will co-ordinate with SABS team to prepare any document or agreements to properly capture any such arrangements. To monitor the implementation, the Monitoring Team will closely follow up on all actions related to contracts by working along with SABS to ensure that the risk is controlled until the accounts are converted back to normal.

For stage 3 and to set Debt Restructuring Plans which comply with the Bank's Policies and Regulations, all Credit Restructuring Teams will work with the Legal Strategy Team to establish an appropriate plan before negotiating with Debtors, In order to effectively manage the size of stage 3, the Bank may sell or write off stage 3 exposures that are not expected to be able to finalize Debt Restructuring Plans, by portfolios or on a case by case basis.

3.2.2 Market Risk

Market risk is defined as the potential loss 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:

3.2.2.1 Foreign Exchange Risk

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

The Bank's Global Markets and Transaction Banking department (1st Line of Defence) is responsible for managing foreign exchange positions of the Bank's Trading Book. In addition, Market Risk Management (2nd Line of Defence) puts in place a framework of market risk management measures. These measures are designed to minimize any excessive risk from unfavourable changes in market conditions which may 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 position 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, Global Markets and Transaction Banking is responsible for trading and managing the portfolio and optimizing 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 and risk appetite approved by the Risk Oversight 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 measurement, monitoring and reporting the performance of the liquidity management to the ALCO in order to ensure the Bank's liquidity in compliance with the approved risk appetite and limit. 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, 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 financial impact and non-financial impact e.g. legal or regulatory sanctions, or reputational damage due to inadequate or failing internal processes, people and systems, a failure to comply with laws, regulations and standards, or external incidents.

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 (BNFRC) and IT Non-Financial Risk Committee (IT NFRC), both chaired by the CEO, whose responsibilities are to manage the non-financial risks and IT risks of the Bank and its subsidiaries by establishing the Non-financial Risk strategy and policies and by ensuring that they are implemented effectively at all levels with the proper degree of granularity and by overseeing any outstanding risk exposures, adequate follow-up on outstanding risk mitigation actions and the compliance with NFR Policy and Minimum Standards.

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 has established 3 BUs (Retail Banking, Automotive Lending and Commercial Banking) Non-Financial Risk Committees: BU NFRC, chaired by Business Chiefs, reporting to

BNFRC, to emphasize 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 respective 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 controls. Business Operational Risk Management (BORM) is part of the first line of defense and supports Chiefs, product and process owners in performing risk management related activities (e.g. RCSAs. Incident reporting and root cause analysis on incidents). BORM independently test controls. Heads of BORM teams are functionally reporting to Head of CORM. The Bank has established a dedicated Corporate Operational Risk Management (CORM) function, as the 2nd Line of Defense, reporting to the CRO, to oversee specific non-financial risk management risks, including the following risk areas: processing risk, control risk, unauthorized activity risk, employment practice risk, information (technology) risk, business continuity / disaster recovery risk, (internal and external) fraud risk, personal & personal & physical security risk, and workplace safety risk. CORM developed Non-financial Risk Management Policies (which have been approved by the Board of Directors) 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 2nd Line of Defense function, 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.

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

Market Conduct Risk Management is the 2nd Line of Defense, reporting to CRO, to supervise and review as an oversight function of business operations and services related to the Pillars of Market Conduct to identify potential risks related to Market Conduct, via each of the business and control processes such as product and service approval, Investment and Product Offering Committees for Mutual Fund, incentive setting, training and communication to staffs and customers, and Risk and Control Self-Assessment (RCSA).

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 the second (CORM, Compliance, Legal, Financial Control) line of defense. In carrying out this work, Audit provides specific recommendations for improving the governance and the risk & control framework.

The Bank uses several tools and processes to manage the operational risk such as Risk & Control Self-Assessment (RCSA), Risk Appetite Statement (RAS), Key Risk Indicators (KRI), Incident Management, Action Tracking, Product and Service Approval Process (PSAP), Third-party Risk Management, Business Continuity Plan and Disaster Recovery Plan (BCP / DRP), and Key Control Testing (KCT). The Bank uses and implements the GRC system as a tool for incident management and response and PTA identification and to keep 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.

RCSA 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.

The RAS is determined based on strategy, objectives and historical incident data. The RAS contains a set of quantitative and qualitative statements. The quantitative statements are measurable and are determined 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 is done through the non-financial risk dashboard (NFRD) on a quarterly basis which aims to promote a 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), the Risk Oversight Committee (ROC), and the Board of Director (BOD), management and staff are expected to take actions to bring the risk down to within its tolerance level.

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 mitigated, and that the necessary infrastructure and controls are in place to support the new business.

The Bank has established its Third-party 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 Information Security Office (ISO) 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) minimum standard to provide guidance and standards for all Business and Support Units in the area of mandatory control testing by BORM functions. KCT is the set of methods and processes used for the key control 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.

3.2.5 Reputational Risk

Reputation can be described as a strategic asset of the bank, which is embedded in its key stakeholders' perceptions towards the whole organization or its business practices or its employees' behaviors and cannot be transferred to and deployed by other banks and competitors.

Reputational risk can be described as the exposure incurred from unexpected incidents or from unanticipated responses to the institution's initiatives, actions, and day-to-day activities, particularly the cases that catch public attention and are negative news. Unexpected incidents range from activities of rogue employees, to questions regarding the

suitability of sales practices, to the actions of disgruntled customers, to public regulatory sanctions - all of which can generate negative public reactions.

Unanticipated responses range from negative public reactions (including liquidity implications) based on announcements or activities of the institution, to organized public activities designed to impact institutional decision-making. Those incidents and responses will be result in bank's negative images or are not confident in a bank or bank's products or services. Such events may negatively impact present and future revenue and/or capital of the bank.

Reputation is one of the impact factors described in the Non-Financial Risk (NFR) Footprint, which provides the guideline on how the bank assesses the reputational impact to the bank's brand/image based on the non-financial risk events. Reputational risk is a key area discussed as part of RCSA activities resulting in risk statements and mitigating controls, documented in control frameworks.

At the end of each year, CORM gathers information based on GRC system looking at reputational risk identified during the year and presents the consolidated result of reputational risk assessment to Bank Non-Financial Risk Committee (Bank NFRC) for acknowledgement in the 1st quarter of the following year.

3.2.6 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, **"To become the recommended bank of choice by our customers"**. 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. In addition, realizing synergy value from the merger with Thanachart Bank will also be the strategic priorities of TMB going forward.

The crystallization of our strategy and implementation of both Business As Usual (BAU) and integration activities 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.

3.2.7 Other Risk Factors

1) Risk from Economic condition

In 2020, Thai economy faced severe impacts from COVID-10 outbreak, causing the sharpest contraction at 6.1 percent from 1997 Asian financial crisis. Economic activities received negative effects in several aspects, especially tourism sector and merchandise export sector. However, economic activities improved in the second half of the year after easing lockdown measure and gaining supports from government's relief measures and economic stimulus programs. These actions help sustaining Thai economy and preventing it from a severe decline. At the end of 2020, however, there was a new round of domestic outbreak, causing the recovery path in 2021 to face even heightened uncertainty and ongoing challenges. Regarding that the outbreak controlling measures being less restricted than in the first round, still they have posed a deceleration in economic recovery path in the first quarter of 2021. The economy is projected to gradually rebound later in the year under the conditions of better outbreak situation and much progress in vaccination in foreign countries. With respect to Thailand, the inoculating target is at 50 percent of population within 2021. Overall for 2021, TMB Analytics forecasted Thai economy to grow by 2.4 percent with all components being able to greater fuel the economic growth, though not reach the pre-crisis level yet. About domestic economic activities, private consumption would gain positive factors from relief measures and economic stimulus packages. They would help shoring up private consumption to a positive territory but not able to accelerate the recovering pace due to remaining weak purchasing powers and fragile labor market. For public investments, they are expected to continue, led by EEC infrastructure projects which most of them are about to begin the construction phase within this year, yielding supports for the further rebound in private investment. About external sectors, merchandise export would turn to be a positive figure, with a limited extent at 3.4 percent in accordance with uncertainties in trading partners' recoveries and Thai baht appreciation trend. Meanwhile, tourism sector would still encounter the main challenges in foreign tourist rebounds, significantly depending on border openness of Thailand and the original countries. Accordingly, inbound foreign tourists are projected to be only 3.5 million persons for 2021, causing employment and tourism-related businesses to remain in fragile condition.

Regarding financial market, the Monetary policy committee would maintain the policy rate at 0.5% throughout the year to provide supports for Thailand's economic recovery, which is under high uncertainty and deteriorating qualities in household debts. For Thai baht, it is projected to continue in an appreciating trend due to US dollar' depreciation, foreign capital inflows and economic structural issues, arising from persisting current account surplus partly due to low domestic investment. TMB Analytics thus projected Thai baht to move between 29.5 to 30.5 baht per dollar in 2021.

Still, there are some risk factors putting pressure on Thailand's economic recovery path in 2021 such as 1) the distribution of vaccination globally failed to meet the expectation, causing slower-than-expected tourism recovery 2) the sharp rises of unemployment rate and households' debts, posing negative impact on purchasing powers and households' ability-to-pay as well as business recovery, especially those SMEs, after terminations in debt relief programs 3) volatility in global financial markets, affecting international capital flows and Thai baht movement 4) new trade and investment policies under new US president's regime, probably posing negative impact on Thailand' export sector and 5) Domestic political uncertainties with demonstrations, possibly deteriorating business sentiments and foreign investments.

The Bank is fully aware of economic uncertainties and recognizes the importance of comprehensive risk management framework and its execution. 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 responsible business units on regular basis. This is to ensure that the Bank's operation is resilient and ready against any unexpected uncertainties. We also regularly publish economic and financial articles as well as industry outlooks for all of our clients including corporates, SMEs and retails.

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, Life Insurance Act and Non-Life Insurance Act, Office of Insurance Commission's Regulations and Notifications, the Anti Money Laundering Act, Counter-Terrorism and Proliferation of Weapon of Mass Destruction Financing Act 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.

In the year 2020, the Regulators who regulated Financial Institutions have issued guidelines including several regulations for the Financial Institutions. The summary of the significant regulations are as follows:

The Bank of Thailand ("BOT") has issued announcements to revise regulations on interest charge, default on debt and debt amortization in order to ensure that the debtor is in a position to be able to pay the debt. As a result, the Non Performing Loans (NPL) will not be accelerated. As per loans with installment payments, bank will use the money received from debtor to write off the debt according to the debt amount each period by reducing the interest fee and the principal of the debt that the debtor owed the longest first and then gradually write off the remaining outstanding debt, respectively (Horizontal debt cut), scheduled to take effect next year from July 1, 2021 onwards. In addition, the BOT has issued announcements to revise regulations on Market Conduct by defining the roles, duties and responsibilities of the Board of Directors and senior management of the service provider to be more clear, to make the management more efficient. For example, there are reports on service problems and complaints to the Bank's management, adjust the guidelines for obtaining consent from customers in case of changing conditions of use of products or services that increase the customer burden or risk. The customer wishing to accept the change must give consent to the service provider.

Previously, it was assumed that the customer accepted the change if the service provider did not receive a rejection from the customer within a specified period in order to reduce complaints about offering products or services. In addition, bank will disclose information about comparison, fines or impunity in case of directors or manager or the management authority of the service provider who violates or fails to comply with the official criteria

In terms of exchange regulation policy, BOT has revised the regulation of foreign exchange controls to make the management of foreign currency more convenient by allowing exporters with income below 1,000,000 US dollars to deposit money abroad for an unlimited period including the liberalization for individual investors to invest in foreign securities by themselves in the amount of 5,000 USD and invest through an unlimited number of local agents, including downgraded the Foreign Currency Deposit Account (FCD) to only one type.

The Securities and Exchange Commission (SEC) has established guidelines for opening accounts for conducting capital market transactions to have a standard form (Single Form) to be the same standard. In addition, there will be an increase in digital adaptation by changing the method of opening accounts and getting to know customers (Know Your Client: KYC) electronically ("e-KYC") before providing services to customers. Bank shall collect and evaluate a variety of customer data to determine who the customer is. This includes getting to know our clients in depth (Client Due Diligence (CDD) to know their income and sources of income, financial position, knowledge and understanding investment experience and objectives, including the client's acceptable risk profile in order to provide the service efficiently and can use the digital identity verification and verification system (Digital ID).

The Office of Insurance Commission (OIC) has set rules for the insured to receive fair service (market conduct) since policy development and issuance selection of sellers, distribution channels, measures for the offering process, providing information for purchasing policy, after-sales service, complaint management Indemnity with a system that controls sales quality in every channel and a hedging instrument is set to be used in market risk management in order to cope with the fluctuation of financial markets under uncertain economic conditions. It also revised the criteria for maintaining capital funds according to risk based capital (RBC) in line with international standards.

3) Shareholder Risk

Shareholder risk may arise if the return from investment is not as initially expected. Returns from the investment in shares either in the form of capital gains and/or dividend income, might not materialize. Dividend income are dependent upon the Bank's profits. Capital gains are determined solely by TMB's share price, which is influenced by a variety of factors.

However, TMB provides broad guidance on its financial targets in the beginning of each year and shareholder may face the risk that these financial targets might not be met in a particular year, which would affect both dividend and share price. However, 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 TMB performance and dividend payments e.g. domestic and global economic trends, domestic political stability, capital movements, changes in BOT's supervision which impact banking system including the unpredictable circumstances in particular we faced with COVID-19 pandemic in 2020. 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 Risk

Integration

Integration inevitably brings with it significant changes to many aspects of business. Shifts in the direction of businesses and ways of working can cause unease and confusion among workforces. The bank, therefore, needs to focus on the smooth transition and integration of employees as much as the business aspects. During 2020, the bank aligned the policies and procedures of the two banks, established a new corporate culture called 'I CARE' that changes the way we work, and captured quick win synergies.

This integration proceeded as planned despite the disruptions caused by COVID-19 and is expected to be completed by July 2021 (EBT: entire business transfer). The bank has put in place key measures and a medium-term strategic direction to ensure business growth during the post-EBT/COVID-19 recovery, with a view to becoming the recommended bank of choice by our customers.

Cyber resilience

Cybercrime is evolving rapidly and is now an everyday challenge for the finance industry. In addition, cyber criminals see crisis events such as COVID-19 as an opportunity to launch more attacks in a variety of forms, with email, web and SMS phishing being the top threats. To overcome these, we operate a 3 lines of defense model that ensures robust oversight of our cybersecurity capabilities and priorities. The bank invests in IT infrastructure in a variety of forms to establish a reliable system and technical controls to help prevent, detect and react to these threats. Also, the bank extensively shares and collaborates with the cyber threat intelligence community to combat attacks. The bank also has a framework for remote working (working from home) and regularly communicates with employees and customers to build awareness about cyber security during the pandemic.

Technological innovations

While innovation and digitization provide financial institutions with new growth opportunities, banks can be impacted by a lack of preparation for new technologies and financial innovation. New players such as startups, fintech, neobanks and neoinsurers are contributing to a new competitive landscape that in turn is generating fresh ways of collaborating and encouraging further innovations. Moreover, despite the many advancements in terms of technological innovations, regulatory frameworks and guidance are still much needed both to prevent ethical dilemmas and to verify the effectiveness of these models.

The bank is moving towards a digital centric approach through the implementation of a Digital Transformation program. This encompasses the development of digital branding, agile organization, IT infrastructure and data analytics, as well as the search for suitable digital partnerships that will enhance competitive advantage by keeping up with the rapid pace of the digital era. TMB proactively analyzes and identifies the potential risks and opportunities of technological innovations, such as machine learning, that can help us to better serve value-added solutions to our customers and identify risky customers.

Financial stability

Black swan events such as the COVID-19 pandemic can have a huge impact on businesses across the world. To withstand such events, the bank must have financial resilience to operate without business disruption despite the economics strains. Since the 2008 financial crisis, the bank has maintained strong liquidity and capital so that it can operate

as normal and absorb volatility and unexpected events in the near term. Going forward, the bank must prepare and closely monitor its readiness for black swan events to face the dual challenges of sustaining the flow of finance and preserving financial resilience. At the same time, the bank will continue to assist customers in need of help while navigating moral hazards and managing the overall asset quality of the bank.

4. Business Assets**4.1 Core fixed assets used in business operations****Premises & equipment and right-of-use assets**

Net book value of premises & equipment and right-of-use assets of the Bank and its subsidiaries as at December 31, 2018-2020 are as follows:

(Unit: THB million)

Item	As at December 31,		
	2020	2019	2018
1. Land	12,315	13,763	6,137
2. Building	12,855	13,736	8,880
3. Right-of-use assets-premise	1,808	-	-
4. Leasehold improvements	1,169	1,373	1,362
5. Equipment	7,185	7,963	6,585
6. Right-of-use assets-equipment	1,816	-	-
Total	37,148	36,835	22,964
<u>Less</u> Accumulated depreciation	12,957	13,029	10,823
Allowance for impairment losses	152	164	265
Premises & equipment and right-of-use assets, net	24,039	23,642	11,876

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 1,622 for rental-terms ranging from 1 year to 30 years, with total rentals payable of about THB 772 million per year.

2. Leasehold

The Bank owns leasehold on 4 branch offices amounting to THB 67.5 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, 2020, TMB leased a total of 1,622 plots of land and buildings from government agencies, state enterprises and private entities, of which 597 are located in Bangkok and its vicinities and 1,025 in other provinces, as detailed:

Counterparty	Location		Contract term
	Bangkok & its vicinities	Other provinces	
1. Land (ATM)			
1.1 Outsiders	543	895	1-3 years
1.2 Related parties			
- Bureau of the Crown Property	-	-	1-3 years
- The Treasury Department	43	69	1-3 years
- Government agencies/State enterprises	18	23	1-3 years
Total (1)	491	942	1,433
2. Buildings (branch offices)			
2.1 Outsiders	107	82	1-30 years
2.2 Related parties			
- Bureau of the Crown Property	2	2	1-3 years
- University	3	0	1-5 years
- The Treasury Department	12	9	1-24 years
- Government agencies/State enterprises	3	4	1-30 years
Total (2)	106	83	189
Grand total (1)+(2)	597	1,025	1,622

4.3 Intangible assets

As of December 31, 2020, 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	August, 21, 2020	September 1, 2020
	Service mark	Website, internet banking, mobile banking, customer relationship management center	September 2, 2010	August, 21, 2020	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	August, 21, 2020	September 1, 2020
	Service mark	Website, internet banking, mobile banking, customer relationship management center	September 13, 2010	August, 21, 2020	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

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
	Trademark	Tents.	September 5, 2014		September 4, 2024
	Trademark	Electric kettles, flashlights.	September 5, 2014		September 4, 2024
	Trademark	Music boxes, melody boxes.	September 5, 2014		September 4, 2024
	Trademark Service mark	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.			
	Trademark	Drinking water.	June 5, 2014		June 4, 2024

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
	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 services, currency exchange services, travelers' check	June 5, 2014		June 4, 2024

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
		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	August, 21, 2020	September 1, 2020
	Trademark Service mark	Clocks, jewelry boxes, souvenir key rings.	June 5, 2014		June 4, 2024
	Trademark Service mark	Notebooks, diaries, pencils, pens,	June 5, 2014		June 4, 2024

Symbol	Type	Product/Service	Registration date	Renew	Expiry date
		notepads, document folders, letter paper, letterhead paper, drawing paper, writing paper, envelopes, memo paper, office folders, self-adhesive memo paper, articles, publications for advertising purposes, advertising posters, advertising flyers, paper advertising boards.			
	Trademark Service mark	Picture frames, umbrella hangers, pillows, bean bags, plastic advertising boards, wooden advertising boards, advertising inflatables.	June 5, 2014		June 4, 2024
	Trademark Service mark	Glasses, coffee serving sets, coasters, beverage containers for household use, food containers for household use, not of precious metal, plastic coasters.	June 5, 2014		June 4, 2024

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, 2020, 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
Subsidiaries	167,930	9.29%
Associated companies	197	0.01%
Subsidiary and associated companies	168,152	9.30%
Total Assets	1,808,332	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, 2020 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**

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	:	http://www.tmbbank.com
Registered capital	:	THB 100,912,374,754.35 (as of 31 December 2020)
Paid-up capital	:	THB 91,588,946,036.00
Common share	:	96,409,416,880 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, 2020 holding more than 10 % of the paid-up capital in each company were as follows:

	Company	Head Office	Type of	Type of	Paid-up	TMB's ownership		
		Location	Business	Capital (Share)	Capital (Share)	Amount (Share)	Percentage (%)	Amount (Baht) (net of allowance for diminution in value)
Strategic Investment in Financial Business Companies								
1	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
2	THANACHART BANK PUBLIC CO.,LTD.	Bangkok	FINANCE	COMMON STOCK	6,064,862,170	6,063,411,688	99.9761	158,629,816,096.33
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
Other Companies								
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
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	Bangkok	SERVICES	COMMON STOCK	500,000	52,052	10.41	197,910,847.45
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	PRODUCTION	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	101,291,044.41
10	WHOLESALE TOWN CO.,LTD. Tel. 0-2531-6860, Fax 0-2532-3009	Bangkok	TRANSPORTATION	COMMON STOCK	22,000	2,200	10.00	2,390,442.36
11	WING GROUP CO.,LTD. Tel. 053-331315-6, Fax 053-331314, 053-331336	Chiang Mai	GARMENT MANUFACTURER	COMMON STOCK	9,000	2,250	25.00	0.00

	Company	Type of Business	Type of Capital (Share)	Paid-up Capital (Share)	TBANK's ownership		
					Amount (Share)	Percentage (%)	Amount (Baht) (net of allowance for diminution in value)
	Strategic Investment in Financial Business Companies						
	1.Thanachart Broker Company Limited	Insurance broker business	COMMON STOCK	10,000,000	9,999,000	99.99	104,156,331.27
	2. Thanachart Fund Management Company Limited	Fund management business	COMMON STOCK	10,000,000	4,990,000	49.90	64,026,607.70
	Other Companies						
	1. Metropolitan Industrial Leasing Company Limited	Financial Leasing for consumer goods (except motor vehicles and motorcycles)	COMMON STOCK	2,500,000	250,000	10.00%	792,500.00
	2. Pue Pob Paet Company Limited	General medical practice activities	COMMON STOCK	100,000	9,998	10.00%	-

6.3 Transactions with relating to investment

The Bank imposed the regulatory fine from BOT and SEC as detailed below.

Regulators	2016-2019	2020
	Amount (Baht)	Amount (Baht)
The Bank of Thailand	The Bank of Thailand has fined the bank according to the Financial Institutions' Businesses Act B.E.2551 total amount of 4,903,125 baht which is categorized to:- • Section 60 amount of 2,128,125 baht • Section 71 amount of 2,775,000 baht	None
The Securities and Exchange Commission	The Securities and Exchange Commission has fined the bank according to section 113 of the Securities and Exchanges Act B.E.2535 amount of 5,086,000 baht.	None

6.4 Reference information

Other referral parties

- **Share Registrar:**

Thailand Securities Depository Co., Ltd.
93 The Stock Exchange of Thailand Building,
Ratchadapisek Road, Dindaeng,
Bangkok 10400, Thailand
Tel. 0-2009-9000

- **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.
50th-51st 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 2018 and 2019.

Credit Rating	December 31, 2019	December 31, 2020
Standard & Poor's (S&P)		
<u>Foreign Currency</u>		
Long-term : Debt instrument	BBB-	BBB
Short-term : Deposits / Debt instrument	A-3	A-2
Stand-Alone Credit Profile (SACP)	bb+	bb+
Outlook	Positive	Negative
Moody's Investors Service		
<u>Foreign Currency</u>		
Long-term : Deposits	Baa2	Baa1
Short-term : Deposits / Debt instrument	Prime-2	Prime-2
Baseline Credit Assessment (BCA)	baa3	baa3
Outlook	Positive	Stable
Fitch Ratings		
<u>Foreign Currency</u>		
Long-term IDR	BBB-	BBB-
Short-term IDR	F3	F3
<u>National</u>		
Long-term	AA-(tha)	AA-(tha)
Short-term	F1+(tha)	F1+(tha)
Subordinated	A+(tha)	A(th)
Viability Rating	bbb-	bbb-
Support Rating	3	2
Supporting Rating Floor	BB+	BBB-
Outlook	Positive	Stable