
Bank of China (Thai) Public Company Limited
Report and financial statements
30 June 2020

Independent Auditor's Report

To the Shareholders of Bank of China (Thai) Public Company Limited

Opinion

I have audited the accompanying financial statements of Bank of China (Thai) Public Company Limited ("the Bank"), which comprise the statement of financial position as at 30 June 2020, and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of China (Thai) Public Company Limited as at 30 June 2020, its financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand's regulations.

Basis for Opinion

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

Emphasis of Matters

I draw attention to the following matters:

- (a) As described in Note 6 to the financial statements, the Bank has adopted a new accounting policy regarding the financial instruments which is in accordance with a set of Thai Financial Reporting Standards related to financial instruments.
- (b) As described in Notes 1.2 and 3.2 to the financial statements, the COVID-19 pandemic is impacting various businesses and industries. This situation could create uncertainties and impact the Bank's operating results and cash flows in the future. The Bank has therefore prepared the financial statements by electing to adopt the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy and the Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 pandemic issued by the Federation of Accounting Professions.

My opinion is not modified in respect of these matters.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I am responsible for the audit resulting in this independent auditor's report.



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 22 September 2020

Bank of China (Thai) Public Company Limited

Statements of financial position

As at 30 June 2020

(Unit: Thousand Baht)

	Note	30 June 2020	31 December 2019
Assets			
Cash		153,795	139,719
Interbank and money market items - net	8	18,390,562	13,374,046
Derivative assets	9	168,229	5,113
Investments - net	10	11,046,754	9,529,490
Loans to customers and accrued interest receivables - net	11, 12	48,414,007	46,596,388
Premises and equipment - net	13	146,514	184,228
Right-of-use assets - net	14	219,599	-
Intangible assets - net	15	13,603	16,168
Deferred tax assets	32	59,447	42,537
Other assets	16	79,922	104,415
Total assets		78,692,432	69,992,104

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

Bank of China (Thai) Public Company Limited

Statements of financial position (continued)

As at 30 June 2020

(Unit: Thousand Baht)

	Note	30 June 2020	31 December 2019
Liabilities and shareholders' equity			
Liabilities			
Deposits	17	55,115,840	47,087,838
Interbank and money market items	18	8,996,366	8,975,290
Liabilities payable on demand		705,425	284,478
Derivative liabilities	9	103,231	7,747
Debts issued and borrowings	19	2,162,335	2,110,780
Lease liabilities	20	195,169	-
Provisions	21, 39	249,526	87,207
Accrued interest payable		356,266	252,231
Other liabilities	22, 39	640,048	723,760
Total liabilities		68,524,206	59,529,331
Equity			
Share capital			
Registered, issued and fully paid-up			
1,000,000,000 ordinary shares of Baht 10 each		10,000,000	10,000,000
Other components of equity	23	86,412	43,730
Retained earnings			
Appropriated - statutory reserve	24	21,037	7,818
Unappropriated		60,777	411,225
Total equity		10,168,226	10,462,773
Total liabilities and shareholders' equity		78,692,432	69,992,104

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



(Mr. Li Feng)

Chief Executive Officer, Country Head

Bank of China (Thai) Public Company Limited

Statements of comprehensive income

For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

	Note	2020	2019
Interest income	26	925,636	854,281
Interest expenses	27	(504,260)	(382,903)
Net interest income		421,376	471,378
Fees and service income		113,620	127,591
Fees and service expenses		(9,693)	(9,201)
Net fees and service income	28	103,927	118,390
Net gains on financial instruments measured at fair value through profit or loss	29	150,818	-
Net gains on trading and foreign exchange transactions	29	-	104,908
Other operating income		1,527	378
Total operating income		677,648	695,054
Other operating expenses			
Employee expenses		236,295	241,546
Directors' remunerations		2,516	1,430
Premises and equipment expenses		90,369	94,370
Taxes and duties		51,366	25,630
Other operating expenses		40,252	36,039
Total operating expenses		420,798	399,015
Expected credit losses	30	140,091	-
Bad debts, doubtful accounts and impairment losses	31	-	55,496
Profits from operation before income tax		116,759	240,543
Income tax	32	(11,733)	(45,099)
Profits for the periods		105,026	195,444

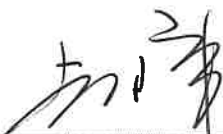
The accompanying notes are an integral part of the financial statements.

Bank of China (Thai) Public Company Limited
Statements of comprehensive income (continued)
For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

	Note	2020	2019
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains on investments in debt instruments measured at fair value through other comprehensive income		53,352	-
Gains on revaluation of available-for-sale investments		-	11,115
Income tax relating to other comprehensive income (loss)			
for items that will be reclassified subsequently to profit or loss	32	(10,670)	(2,223)
Other comprehensive income for the periods		42,682	8,892
Total comprehensive income for the periods		147,708	204,336
Earnings per share			
Basic earnings per share (Baht per share)	35	0.11	0.20

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



(Mr. Li Feng)

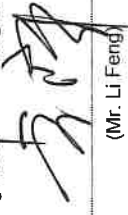
Chief Executive Officer, Country Head

Bank of China (Thai) Public Company Limited
Statements of changes in equity
For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

	Note	Issued and fully paid-up share capital	Other components of equity				Retained earnings		Total
			Surplus (deficit) on changes in value of available-for-sale investments	Surplus (deficit) on changes in value of investments measured at fair value through other comprehensive income	Surplus (deficit) on changes in value of investments measured at fair value through other comprehensive income	Unappropriated	Appropriated	Unappropriated	
Balance as of 1 January 2019		10,000,000	2,804	-	-	151,373	3,888	151,373	10,158,065
Profit for the period		-	-	-	-	-	-	-	195,444
Other comprehensive income for the period		-	8,892	-	-	-	-	-	8,892
Total comprehensive income for the period		-	8,892	-	-	-	-	-	204,336
Transferred unappropriated retained earnings to statutory reserve		-	-	-	-	-	3,931	(3,931)	-
Balance as of 30 June 2019		10,000,000	11,696	-	-	342,886	7,819	342,886	10,362,401
Balance as of 1 January 2020		10,000,000	43,730	-	-	411,225	7,818	411,225	10,462,773
Cumulative effect of changes in accounting policies	6	-	(43,730)	43,730	-	(442,255)	-	(442,255)	(442,255)
Balance as of 1 January 2020 - as restated		10,000,000	-	43,730	-	(31,030)	7,818	(31,030)	10,020,518
Profit for the period		-	-	-	-	-	-	-	105,026
Other comprehensive income for the period		-	-	42,682	-	-	-	-	42,682
Total comprehensive income for the period		-	-	42,682	-	-	-	-	147,708
Transferred unappropriated retained earnings to statutory reserve		-	-	-	-	-	13,219	(13,219)	-
Balance as of 30 June 2020		10,000,000	-	86,412	-	60,777	21,037	60,777	10,168,226

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



(Mr. Li Feng)

Chief Executive Officer, Country Head

Bank of China (Thai) Public Company Limited

Statements of cash flows

For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

	2020	2019
Cash flows from operating activities		
Profits from operation before income tax	116,759	240,543
Adjustments to reconcile profits from operation before income tax to net cash received (paid) from operating activities:		
Depreciation and amortisation	59,825	30,275
Expected credit losses	140,091	-
Bad debts, doubtful accounts and impairment losses	-	58,516
Amortisation of premium on debt instruments	(8,121)	(10,806)
Unrealised gains on changes in fair value of financial derivative instruments	(67,632)	(40,447)
Unrealised (gains) losses on exchange rate of debts issued and borrowings	51,555	(119,385)
Gains on disposal of equipments	(969)	-
Losses on assets written-off	414	-
Provisions for long-term employee benefits	4,287	5,209
Net interest income	(421,376)	(471,378)
Cash received on interest income	930,643	840,350
Cash paid on interest expenses	(427,973)	(302,409)
Cash paid on income tax	(12,301)	(30,329)
Profits from operating activities before changes in operating assets and liabilities	365,202	200,139
(Increase) decrease in operating assets		
Interbank and money market items	(4,910,943)	(1,315,464)
Loans to customers	(2,388,249)	(3,393,075)
Other assets	23,616	(442)
Increase (decrease) in operating liabilities		
Deposits	8,028,002	7,516,539
Interbank and money market items	21,076	(1,326,731)
Liabilities payable on demand	420,947	(10,772)
Provisions for long-term employee benefits	(1,466)	(561)
Other liabilities	(46,130)	(39,639)
Net cash flows from operating activities	1,512,055	1,629,994

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

Bank of China (Thai) Public Company Limited
Statements of cash flows (continued)
For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

	2020	2019
Cash flows from investing activities		
Proceeds from redemption of investments	3,500,000	1,600,000
Cash paid for investments	(4,962,182)	(3,179,366)
Proceeds from disposal of premises and equipment	998	-
Purchases of premises and equipment	(6,440)	(2,893)
Purchases of intangible assets	(119)	(948)
Net cash flows used in investing activities	(1,467,743)	(1,583,207)
Cash flows from financing activities		
Cash paid on lease liabilities	(30,236)	-
Net cash flows used in financing activities	(30,236)	-
Net increase in cash and cash equivalents	14,076	46,787
Cash and cash equivalents as at 1 January	139,719	131,156
Cash and cash equivalents as at 30 June	153,795	177,943

Supplemental disclosures of cash flows information

Non-cash items:

Right-of-use assets	11,484	-
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The accompanying notes are an integral part of the financial statements.


(Mr. Li Feng)

Chief Executive Officer, Country Head

Bank of China (Thai) Public Company Limited
Notes to the financial statements
For the six-month period ended 30 June 2020

1. General information

1.1 Corporate information

Bank of China (Thai) Public Company Limited ("the Bank") was a public company incorporated under Thai law and domiciled in Thailand. The Bank has been operated mainly commercial banking business and its registered office is located at No.179/4 Bangkok City Tower, South Sathorn Road, Tungmahamek Sub District, Sathorn District, Bangkok. As at 30 June 2020, the Bank conducts its business through a network of 8 branches throughout all regions in Thailand (31 December 2019: 8 branches). Its major shareholder is Bank of China (Hong Kong) Limited, a company registered in Hong Kong.

1.2 Coronavirus disease 2019 (COVID-19) pandemic

The Coronavirus disease 2019 pandemic (COVID-19) is impacting various businesses and industries both directly and indirectly, resulting in an economic slowdown and fluctuations in the money market and the capital market. This situation could create uncertainties and affect the Bank's business activities, and this may be impacting the Bank's operating results and cash flows at present, and is expected to do so in the future. The impact cannot be reasonably estimated at this stage. The Bank's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

2. Basis of preparation of financial statements

The financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 including guidelines promulgated by the Federation of Accounting Professions and their presentation of the financial statements has been made in compliance with the Bank of Thailand ("BOT")'s Notification regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 31 October 2018.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from such financial statements in Thai language.

The financial statements have been prepared on a historical cost basis except otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

3. New Financial reporting standards

3.1 New financial reporting standards that became effective in the current period

During the period, the Bank has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. However, the new financial reporting standards that involve changes to key principles are summarised below:

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments, consisting of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the entity's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

The impact of the adoption of these set of financial reporting standards on the Bank are as follows:

Classification and measurement of financial assets and financial liabilities

Financial asset - debt instruments

The Bank classifies its financial asset - debt instruments as financial assets subsequently measured at amortised cost or fair value in accordance with the Bank's business model in managing the financial assets and the contractual cash flows characteristics of the financial assets. A financial asset is classified as a financial asset measured at fair value through other comprehensive income only if both following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investment in equity instruments

The Bank classifies the investment in domestic non-marketable equity instruments as the financial asset measured at fair value through other comprehensive income.

Financial liabilities

The adoption of these financial reporting standards does not have an impact on the classification of financial liabilities. The Bank continues to classify and measure all financial liabilities at amortised cost except for derivative liabilities which are measured at fair value through profit or loss.

Impairment of financial assets

The TFRS 9 sets out an entity estimates the expected credit losses instead of recognising its incurred losses under previous accounting policy. This financial reporting standards requires to recognise impairment by based on an Expected Credit Losses model and management overlay for the factors which are not captured by the model and requires the Bank to recognise an allowance for expected credit losses for all loans to customers and investments in debt instruments which are not measured at fair value through profit or loss, together with loan commitments and financial guarantee contracts. The allowance is measured at the amount equal to 12-month expected credit losses, except for the case that there has been a significant increase in credit risk since initial recognition and financial assets that are credit-impaired, the allowance is measured at the amount equal to the lifetime expected credit losses of financial instrument. In addition, the Bank applies the General Approach to calculate expected credit losses of financial assets such as loans to customers, interbank and money market items (assets), investments in debt instruments and so on.

Practice during transitional period

The Bank adopted a set of financial reporting standards related to financial instruments by recognising the cumulative effects of the first-time adoption of these set of financial reporting standards as an adjustment to the retained earnings or other components of shareholders' equity as at 1 January 2020. The comparative information was not restated; therefore, the presentation of the year 2019 is not comparable with the presentation of the year 2020.

The cumulative effect of the change is described in Note 6 to the financial statements.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The financial reporting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

The Bank adopted this financial reporting standard using the modified retrospective method of initial adoption of which the cumulative effect is recognised as an adjustment to the retained earnings (if any) as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 6 to the financial statements.

3.2 Accounting Guidance

Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand No. BOT.RPD.(23)C. 276/2563 "Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy" and the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563 "Measures to provide additional assistance to debtors during the COVID-19 situation" or any other measures announced by the Bank of Thailand. Such entities include credit card businesses, businesses providing loans secured against vehicle registrations without collateral, personal loan businesses under the supervision of the Bank of Thailand and certain entities not under the supervision of the Bank of Thailand, such as leasing, hire-purchase, motorcycle hire-purchase and factoring businesses. Entities providing assistance to debtors in accordance with the Bank of Thailand's measures and electing to apply this Accounting Guidance have to apply all temporary relief measures specified in this guidance.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy with the helping period during the period from 1 January 2020 to 31 December 2021 or until there are any changes from the Bank of Thailand, which require the compliance for such changes. The guidance applies to large-sized debtors, small- and medium-sized debtors, and retail debtors who have the ability to run a business or to repay debts in the future and have been impacted directly or indirectly by such situations, considering the following guidelines.

- Debtors who were not yet non-performing (Stage 1 or Stage 2) on or after 1 January 2020
- Debtors who became non-performing (Stage 3) on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions

An entity providing assistance to affected debtors in accordance with the Bank of Thailand's guidelines applies these following procedures.

- Loans that are not yet non-performing (Non-NPL) are classified as loans where there has not been a significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring. Such debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563, stage classification of the debtor remains at the same stage as before.
- Non-performing loans (NPL) are classified as performing loans if the debtor is able to make repayment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- Additional working capital loans provided to a debtor in order to support liquidity and enable the debtor to continue run its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support its repayment or if, considering other factors, the debtor has ability to repay its debts.
- The guidelines specified in the appendix of the circular of the Bank of Thailand relating to assessment of whether there has been a significant increase in credit risk are initially applied to assess whether a debtor is moving to Stage 2.
- Expected credit losses are determined based on the outstanding balance of the drawn down portion only.
- A newly calculated effective interest rate is applied to determine the present value of loans that have been restructured in accordance with guidelines to assist debtors specified in the circulars of the Bank of Thailand, if the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan. In addition, if it is a provision of assistance to debtors in accordance with the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563, an entity recognises its interest income during the repayment holiday using the new calculated effective interest rate, or set out by Bank of Thailand's guidelines if there are changes.
- Consideration is given to placing less weighted on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience, in cases where a general approach is used in determining expected credit losses.

As at 30 June 2020, the Bank has provided assistance to 115 affected debtors in total (8 debtors classified as corporate loans and 107 as retail loans) with outstanding balances of Baht 2,403 million whose classification remains at the same stage as prior to the measures.

In addition, on 19 June 2020 the BOT issued the circular of the BOT No. BOT.RPD.(01)C. 648/2563 "Measures to provide additional assistance to retail debtors during the COVID-19 pandemic - Phase 2". However, as at 30 June 2020, the Bank does not yet have any eligible debtors under the circular.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

As at 30 June 2020, the Bank has elected to apply the following temporary relief measures on accounting alternatives:

- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.

4. Significant accounting policies

4.1 Revenue recognition

(a) Interest and discount

Accounting policy adopted since 1 January 2020

The Bank recognises interest income on an accrual basis by using the Effective Interest Rate method. The effective interest rate is the rate used to discount the estimated future cashflow receipts throughout the expected lifetime of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Calculation of the effective interest rate takes into account any discounts or premiums on acquisition, fees and costs that are an integral part of the effective interest rate.

The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets. When a financial asset becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount net of allowance for expected credit losses) of the financial asset. If the financial asset is no longer credit-impaired, the Bank reverts to calculating interest income on a gross carrying amount.

Discount received on purchase of bills are recognised based on the effective interest rate over the period to maturity.

Accounting policy adopted before 1 January 2020

The Bank recognises interest on loans as revenue on an accrual basis and will stop accrual of interest when the debtor has defaulted for more than three months regardless of whether the loans are fully collateralised and recognises interest on such loans on a cash basis, which is in accordance with the BOT's regulations. In addition, interest accrued in arrears for three months is reversed against interest income.

Discount received on purchase of bills are recognised based on the effective interest rate over the period to maturity.

(b) Fees and service income

Accounting policy adopted since 1 January 2020

Unless included in the effective interest rate calculation, the Bank recognises fee income on an accrual basis when the service has been provided or upon satisfaction of performance obligations.

Accounting policy adopted before 1 January 2020

Fees and other service fees are recognised as revenue on an accrual basis.

c) Interest on investments

Interest on investments is recognised as revenue on an accrual basis based on the effective interest rate.

4.2 Expenses recognition

The Bank recognises expenses on an accrual basis.

4.3 Cash

Cash represents cash on hand and cash items in process of the collection.

4.4 Interbank and money market items (assets/liabilities)

The Bank recognises and derecognises interbank and money market items on settlement date.

4.5 Financial derivatives

Financial derivative instruments are initially recognised at fair value on which the derivative contracts are entered into (trade date).

Financial derivative contracts are recorded as commitments. At the end of the reporting period, outstanding financial derivative contracts are measured at fair value while the changes in their fair value are recognised in profit or loss. Unrealised gains or losses on outstanding financial derivative contracts are presented as derivative assets or liabilities in the statements of financial position.

The fair values of the contracts are based on the quoted market prices. If the fair value of a financial derivatives cannot be determined with reference to market price, it is determined using valuation techniques and models in which the variables used are derived from observable market factors and adjusted to reflect counterparty credit risk (if any).

4.6 Financial instruments

Accounting policy adopted since 1 January 2020

Recognition of financial instruments

The Bank recognises financial assets or financial liabilities when the Bank becomes a party to the contractual provisions of the financial instrument.

Classification and measurement of financial assets and financial liabilities

Financial asset - debt instruments

The Bank classifies its financial asset - debt instruments as financial assets subsequently measured at amortised cost or fair value in accordance with the Bank's business model in managing the financial assets and the contractual cash flows characteristics of the financial assets. A financial asset is classified as a financial asset measured at fair value through other comprehensive income only if both following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognised at fair value and subsequently measured at fair value. Unrealised gains or losses from changes in their fair value are reported as a component of shareholders' equity through other comprehensive income until disposal of the instruments, after which such gains or losses on disposal are recognised as gains or losses in the income statement. Gains or losses on foreign exchange, expected credit losses, and interest income calculated using the effective interest rate method are recognised in profit or loss.

Investment in equity instruments

The Bank classifies investment in equity instruments as a financial asset measured at fair value through other comprehensive income, and this classification is irrevocable. Gains and losses arising from changes in fair value are recognised in other comprehensive income and not subsequently transferred to profit or loss upon disposal. Instead, they are transferred to retained earnings. Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial liabilities

The Bank classifies and measures financial liabilities at amortised cost. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Fair value

The fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association.

The fair value of non-marketable securities is calculated using discounted future cash flows techniques and/or determined by comparing with information of similar companies.

Income from investments and disposals of investments

Gains (losses) on disposals of investments are recognised in profit or loss on the transaction date by using weighted average method for computation of the cost of investments, except that those of investments in equity instruments classified as the financial assets designated at fair value through other comprehensive income are directly recognised in retained earnings.

Changes in classification of investments in debt instruments

When there are changes in the Bank's business model for management of financial assets, the Bank has to reclassify investments in debt instruments and adjust the value of these investments to their fair value on the reclassification date. Differences between the book value and fair value of investments in debt instruments on the reclassification date are recorded in profit or loss or other comprehensive income depending on the classification of the investments.

Modifications of financial instruments not measured at fair value

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether the cash flows of the modified financial asset are significantly different from the original financial assets. The original financial asset is derecognised and a new financial asset is recognised at fair value. The difference between the carrying amount of the derecognised financial asset and the new financial asset is recognised in profit or loss as a part of the expected credit losses.

If the cash flows of the modified financial asset are not substantially different, the Bank recalculates the gross carrying amount of the new financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss, which is presented as a part of the expected credit losses.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified financial liability are substantially different. A new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability is recognised in profit or loss.

If the cash flows of the modified financial liability are not substantially different, the Bank adjusts the carrying amount of the financial liability to reflect the net present value of the revised cash flows discounted at the original effective interest rate and recognises the amount arising from adjusting the carrying amount as modification gains or losses.

Derecognition of financial instruments

The Bank derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which all or substantially all the risks and rewards of ownership are transferred. Any interest from transferred financial assets, which is created or retained by the Bank is recognised separately as asset or liability.

A financial liability is derecognised from the statement of financial position when the Bank has discharged its obligation, or the contract is cancelled or expires.

Write-off

Bad debts are written off (in part or in full) in the period in which the Bank decides the debts are irrecoverable. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off are still subject to enforcement activities in compliance with the Bank's procedures for recovery of amounts due.

4.7 Investments

Accounting policy adopted before 1 January 2020

Available-for-sale investments are stated at fair value. Change in the fair value of these investments are recorded in other comprehensive income and will then be recognised in profit or loss when the investments are sold.

Purchases and sales of investments in debt securities are recorded on settlement date.

Realised gains or losses on disposals of investments are recognised in profit or loss when they are disposed of, using the weighted average method in determining costs of the disposed investments.

Interest on investments in debt securities is recognised as revenue on an accrual basis. Premiums and discounts arising on the acquisition of investments are amortised against interest income in profit or loss based on the effective yield rate over the term of the investments.

Investments in non-marketable equity securities, which are classified as general investments, are stated at cost, net of allowance for impairment (if any).

In the event that the Bank reclassifies investments from one type to another, such investments are readjusted to their fair value on the date of reclassification. The difference between the carrying value and the fair value on the date of reclassification is recorded as gain or loss in profit or loss or recorded as other comprehensive income, depending on the type of investment which is reclassified.

4.8 Loans to customers

Loans to customers are presented at the principal balances. Unrealised discounts received in advances on loans to customers are deducted from loans to customers. Accrued interest receivables on all items categorised under loans to customers are presented separately as a single line item in the statements of financial position.

Overdrafts are stated at the drawn amounts together with any accrued interest receivables.

Discounts received in advance in respect of bills purchased and other unearned interest income are recognised as revenue on an accrual basis over the terms of the bills.

4.9 Allowance for expected credit losses on financial assets / Allowance for doubtful accounts

Accounting policy adopted since 1 January 2020

The Bank recognises expected credit losses of financial asset - debt instruments, which are interbank and money market (assets), loans to customers and investments in debt instruments, including loan commitments and financial guarantee contracts, which are measured at amortised cost or fair value through other comprehensive income using the General Approach.

The Bank classifies its financial assets into three stages based on the changes in credit risk since initial recognition as follows:

Stage 1: Financial assets where there has not been a significant increase in credit risk (Performing)

For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the Bank recognises allowance for expected credit losses at the amount equal to the expected credit losses in the next 12 months. The Bank will use a probability of default that corresponds to remaining maturity for financial assets with a remaining maturity of less than 12 months.

Stage 2: Financial assets where there has been a significant increase in credit risk (Under-Performing)

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the Bank recognises allowance for expected credit losses at the amount equal to the lifetime expected credit losses of financial assets.

Stage 3: Financial assets that are credit-impaired (Non-Performing)

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit-impaired, the Bank recognises allowance for expected credit losses at the amount equal to the lifetime expected credit losses of financial assets.

At every reporting date, the Bank assesses whether there has been a significant increase in credit risk of financial assets since initial recognition by comparing the risk of default over the expected lifetime at the reporting date with the credit risk at the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Bank uses internal quantitative and qualitative indicators to assess the deterioration in credit quality of financial assets. When the financial asset meets criteria such as arrears of over 30 days past due or a non-retail exposure on the watch list, it should be classified as Stage 2. Financial assets meeting criteria such as being arrears of over 90 days or having an internal credit rating of level 8, should be classified as Stage 3.

Financial assets are assessed to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the counterparties have occurred. Evidence of credit-impaired financial assets includes indications that the issuer or the borrower are experiencing significant financial difficulties, a breach of contract, bankruptcy, distressed restructuring or a significant increase in the country risk and industry risk of the borrower/issuer and so on.

The Bank considers its historical loss experience, adjusted by current observable data and plus on the reasonable and supportable forecasts of future economic conditions, including appropriate use of judgement, to estimate the amount of an expected credit losses. The Bank determines both current and future economic scenario, and probability-weighted in each scenario (good scenario, baseline scenario and downturn scenario) for calculating expected credit losses. The use of macroeconomic factors is also applied. The Bank has established the process to review and monitor methodologies, assumptions and forward-looking macroeconomics scenarios on an annual basis.

In the case of investments in debt instruments, the factors used to justify a significant increase in credit risk are a drop in the market value of a debt security, the downgrading of a bond issuer's credit rating and significant deterioration of a bond issuers' financial performance, operations or management. The Bank recognises impairment charged in profit or loss as expected credit losses, whereas the carrying amount of the investments in debt instruments in the statement of financial position still presents at fair value.

The measurement of expected credit losses on loan commitments is the present value difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. The measurement of expected credit losses for financial guarantees is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Increase (decrease) in an allowance for expected credit losses is recognised as expenses during the period in profit or loss.

Accounting policy adopted before 1 January 2020

The Bank provides allowance for doubtful accounts on loans to customers in accordance with BOT's regulations based on an analysis and evaluation of the current status of the debtors, taking into consideration the credit risk and the value of collateral.

For loans to customers classified as pass and special mention, the Bank records provision at a rate of not less than 1% and 2%, respectively of the loan balances (excluding accrued interest receivables) net of collateral value, in accordance with the BOT's guidelines.

For non-performing loans, the Bank records allowance for doubtful accounts at a rate of 100% of the loan balances after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the expected period of collateral disposal being set with reference to the BOT's guidelines.

Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the amount of impairment losses in the period of recovery.

4.10 Premises and equipment and depreciation

Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment loss (if any).

Depreciation is calculated by reference to their cost based on a straight-line basis over the following estimated useful lives for each type of assets:

Buildings and building improvement	-	10 - 20 years
Computer equipment	-	3 - 5 years
Furniture and office equipment	-	5 years
Motor vehicles	-	5 years

Depreciation is included in determining operating result.

No depreciation is determined for land and assets under construction/installation.

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

4.11 Leases

Accounting policy adopted since 1 January 2020

At the inception of the contract, the Bank assesses whether a contract is a lease or consists of a lease component. The contract is classified as lease or consists of a lease component if that contract provides the right to control the use of the specified asset for a certain period in exchange for compensation.

The Bank as a lessee

The Bank recognises right-of-use assets and lease liabilities for all lease contracts with a lease term of more than 12 months, unless the underlying assets are low in value.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (the date that the underlying asset is ready for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities.

Depreciation of right-of-use assets is calculated by reference to their costs on the straight-line basis over the shorter of the lease term and the estimated useful lives as follows:

Buildings	1 - 9 years
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If ownership of the leased asset is transferred to the Bank at the end of the lease term or the cost of such asset reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Bank includes costs of dismantling, relocating and restoring the site on which it is located, when the Bank has obligation to do so, as a part of right-of-use assets. The Bank calculates the depreciation using straight-line method over the residual life of rental contract.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Bank's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and Leases of low-value assets

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

Accounting policy adopted before 1 January 2020

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss based on a straight-line basis over the lease terms.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.12 Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortisation and allowance for impairment loss (if any).

Intangible assets with finite useful lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indicator that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year-end. The amortisation expenses are charged to profit or loss.

Useful lives of intangible assets with finite useful lives are 3 - 10 years.

4.13 Impairment of assets

At the end of each reporting date, the Bank assesses whether there is an indicator that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount of the asset. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on available information, reflects the amount that the Bank could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment, if there is any indicator that previously recognised impairment loss may no longer exist or may have decreased, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying value of the asset attributable to a reversal of an impairment loss shall not exceed the carrying value that would have been determined in case that no impairment loss has been recognised for the asset in prior periods. Such reversal is recognised in profit or loss.

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The employees contribute to the fund at the rate of 3% - 15% of their basic salary and the Bank contributes to the fund at the rate of 3% - 7% of their basic salary. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labour law. The Bank treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains or losses arising from defined benefit plans are recognised immediately in other comprehensive income.

4.15 Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

4.16 Income tax

Income tax represents the sum of current income tax payable and deferred tax.

Current income tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Bank recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and unused tax losses can be utilised.

At each reporting date, the Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Bank records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

4.17 Foreign currencies

The financial statements is presented in Baht, which is also the Bank's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rates ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitments, which are limited to forward exchange contracts and currency swap contracts, outstanding at the end of reporting date are translated into Baht at the exchange rates ruling by the BOT at the end of reporting date.

Gains and losses on exchange rate are recognised in profit or loss.

4.18 Fair value measurement

Fair value is the price that is expected to be received from selling an asset or to pay to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Bank applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Bank measures fair value using valuation technique that is appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured and disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on category of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices for the same assets or liabilities in an observable active market

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Bank determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates effect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

5.1 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets and liabilities, the management is required to make judgement on whether significant risks and rewards of those assets and liabilities have been transferred, based on their best knowledge of the current events and arrangements.

5.2 Allowance for expected credit losses of loans to customers and accrued interest receivables, together with loan commitments and financial guarantee contracts

The management is required to use judgement in estimation in determining the allowance for expected credit losses of loans to customers and accrued interest receivables, together with loan commitments and financial guarantee contracts. The calculation of allowance for expected credit losses of the Bank is based on the criteria of assessing if there has been a significant increase in credit risk, the development of complex expected credit losses model with a series of underlying assumptions, including the choice of inputs the forecasted macroeconomic variables in the model. This estimation has various relevant factors; therefore, the actual results may differ from estimates.

5.3 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (both the Bank and its counterparty), liquidity, correlation and long-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosure of fair value hierarchy.

5.4 Premises and equipment and depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of premises and equipment, and to review estimated useful lives and residual values when there is any change.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.5 Intangible assets

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to exercise judgement as to the recoverable amount to be generated by the asset or the cash generating units, and to select a suitable discount rate in order to determine the present value of that cash flow.

5.6 Determination of the lease term for lease contracts with renewal and termination options - Bank as a lessee

The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

5.7 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits.

5.8 Post-employment benefits under the defined benefit plan

Obligations under the defined benefit plan are determined based on actuarial techniques which involves various assumptions including discount rate, future salary incremental rate, staff turnover rate and mortality rate.

5.9 Litigation

The Bank has contingent liabilities as a result of litigation. The management has used judgement to assess results of the litigation and believes that no loss will be incurred. Therefore, no contingent liabilities are recorded as at the end of reporting period.

6. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3.1 to the financial statements, during the current period, the Bank has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these financial reporting standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The changes in accounting policies due to the adoption of TFRS 16 does not impact to retained earnings as at 1 January 2020.

The amounts of adjustments affecting the statements of financial position as at 1 January 2020 from changes in accounting policies due to the adoption of these financial reporting standards are presented as follows.

(Unit: Thousand Baht)

		The impact of		
		Financial reporting standards related		
	31 December 2019	to financial instruments	TFRS 16	1 January 2020
Statements of financial position				
Assets				
Interbank and money market items - net	13,374,046	105,587	-	13,479,633
Investments - net	9,529,490	(8,729)	-	9,520,761
Loans to customers and accrued interest receivables - net	46,596,388	(419,963)	-	46,176,425
Right-of-use assets	-	-	221,113	221,113
Deferred tax assets	42,537	31,974	-	74,511
Other assets	104,415	-	(840)	103,575
Liabilities and equity				
Liabilities				
Lease liabilities	-	-	221,722	221,722
Provisions	87,207	151,124	-	238,331
Other liabilities	723,760	-	(1,449)	722,311
Equity				
Retained earnings - unappropriated	411,225	(442,255)	-	(31,030)

6.1 Financial instruments

Details of the impact on retained earnings as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

(Unit: Thousand Baht)

	The impact
Recognition of expected credit losses of financial assets - debt instruments that are not measured at fair value through profit or loss	(474,229)
Less: Income tax effects	31,974
Impact on retained earnings due to the adoption of financial reporting standards related to financial instruments	(442,255)

As at 1 January 2020, the classification and measurement of financial assets and financial liabilities in accordance with TFRS 9 compared to the classification and measurement under the former accounting basis, are as follows:

(Unit: Thousand Baht)

	Carrying amount under the former basis	Classification and measurement in accordance with TFRS 9					Total
		Financial instruments measured at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	
Financial assets as at 1 January 2020							
Cash	139,719	-	-	-	-	139,719	139,719
Interbank and money market items - net	13,374,046	-	-	-	-	13,479,633	13,479,633
Derivative assets	5,113	5,113	-	-	-	-	5,113
Investments - net	9,529,490	-	-	9,520,756	5	-	9,520,761
Loans to customers and accrued interest receivables - net	46,596,388	-	-	-	-	46,176,425	46,176,425
Total financial assets	69,644,756	5,113	-	9,520,756	5	59,795,777	69,321,651

(Unit: Thousand Baht)

	Carrying amount under the former basis	Classification and measurement in accordance with TFRS 9					Total
		Financial instruments measured at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	
Financial liabilities as at 1 January 2020							
Deposits	47,087,838	-	-	-	-	47,087,838	47,087,838
Interbank and money market items	8,975,290	-	-	-	-	8,975,290	8,975,290
Liabilities payable on demand	284,478	-	-	-	-	284,478	284,478
Derivative liabilities	7,747	7,747	-	-	-	-	7,747
Debts issued and borrowings	2,110,780	-	-	-	-	2,110,780	2,110,780
Lease liabilities	221,722	-	-	-	-	221,722	221,722
Provisions	87,207	-	-	-	-	238,331	238,331
Total financial liabilities	58,775,062	7,747	-	-	-	58,918,439	58,926,186

The table below presents a reconciliation of allowance for impairment as at 31 December 2019 which was recognised in accordance with the BOT's regulations and Thai Accounting Standard No. 105 Accounting for Investments in Debt and Equity Securities, and provision for contingent obligation which was recognised in accordance with Thai Accounting Standard No. 37 Provisions, Contingent Liabilities and Contingent Assets, and allowance for expected credit losses as at 1 January 2020 which was recognised in accordance with TFRS 9. The changes are the result of the remeasurement of allowance for expected credit losses in accordance with TFRS 9.

	(Unit: Thousand Baht)		
	31 December 2019	Remeasurement	1 January 2020
Allowance for expected credit losses - interbank and money market items - net (assets)	108,867	(105,587)	3,280
Allowance for expected credit losses - investments in debt instruments measured at fair value through other comprehensive income	-	8,729	8,729
Allowance for expected credit losses - loans to customers and accrued interest receivables	901,542	419,963	1,321,505
Allowance for expected credit losses - loan commitments and financial guarantee contracts	-	151,124	151,124
Total	1,010,409	474,229	1,484,638

6.2 Leases

Upon initial application of TFRS 16, the Bank recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rates on 1 January 2020, ranging between the percentage of 1.55 to 4.52 per annum. For leases previously classified as finance leases, the Bank recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the leased assets and lease liabilities immediately before the date of initial application of TFRS 16.

	(Unit: Thousand Baht)
Operating lease commitments as at 31 December 2019	92,984
Add: Option to extend lease term	156,189
Less: Contracts reassessed as service agreements	(1,901)
Less: Others	(7,208)
Less: Deferred interest expenses	(18,342)
Increase in lease liabilities due to TFRS 16 initial adoption	221,722
Liabilities under finance lease agreements as at 31 December 2019	-
Lease liabilities as at 1 January 2020	221,722

The adjustments of right-of-use assets due to TFRS 16 initial adoption as at 1 January 2020 are summarised below:

	(Unit: Thousand Baht)
Buildings	221,113
Total right-of-use assets	221,113

7. Classification of financial assets and liabilities

(Unit: Thousand Baht)

	30 June 2020				
	Financial instruments measured at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost
					Total
Financial assets					
Cash	-	-	-	-	153,795
Interbank and money market items - net	-	-	-	-	18,390,562
Derivative assets	168,229	-	-	-	168,229
Investments - net	-	-	11,046,749	5	11,046,754
Loans to customers and accrued interest receivables - net	-	-	-	-	48,414,007
Total financial assets	168,229	-	11,046,749	5	66,958,364
Financial liabilities					
Deposits	-	-	-	-	55,115,840
Interbank and money market items	-	-	-	-	8,996,366
Liabilities payable on demand	-	-	-	-	705,425
Derivative liabilities	103,231	-	-	-	103,231
Debts issued and borrowings	-	-	-	-	2,162,335
Lease liabilities	-	-	-	-	195,169
Provisions	-	-	-	-	249,526
Total financial liabilities	103,231	-	-	-	67,424,661

The beginning balance of financial assets and financial liabilities classified in accordance with TFRS 9 are presented in Note 6.1 to the financial statements.

8. Interbank and money market items (assets)

(Unit: Thousand Baht)

	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial						
Institutions Development Fund	678,963	-	678,963	465,941	1,000,000	1,465,941
Commercial banks	37,294	10,300,000	10,337,294	52,700	8,810,000	8,862,700
Total	716,257	10,300,000	11,016,257	518,641	9,810,000	10,328,641
Add: Accrued interest receivables	22	651	673	72	2,743	2,815
Less: Allowance for expected						
credit losses	-	(259)	(259)	-	-	-
Less: Allowance for doubtful						
accounts	-	-	-	-	(88,100)	(88,100)
Total domestic items	716,279	10,300,392	11,016,671	518,713	9,724,643	10,243,356
Foreign						
US Dollars	899,423	945,249	1,844,672	342,468	723,696	1,066,164
Yen	4,576,796	-	4,576,796	745	-	745
Euro	15,854	-	15,854	7,498	-	7,498
Hong Kong Dollars	7,605	797,520	805,125	6,288	792,069	798,357
Chinese Yuan	86,898	-	86,898	250,984	992,381	1,243,365
Other currencies	38,516	-	38,516	31,670	-	31,670
Total	5,625,092	1,742,769	7,367,861	639,653	2,508,146	3,147,799
Add: Accrued interest receivables	80	8,985	9,065	10	3,648	3,658
Less: Allowance for expected						
credit losses	-	(3,035)	(3,035)	-	-	-
Less: Allowance for doubtful						
accounts	-	-	-	-	(20,767)	(20,767)
Total foreign items	5,625,172	1,748,719	7,373,891	639,663	2,491,027	3,130,690
Total domestic and foreign items	6,341,451	12,049,111	18,390,562	1,158,376	12,215,670	13,374,046

9. Derivatives

Derivatives held for trading

As at 30 June 2020 and 31 December 2019, the Bank has fair value and notional amount of derivatives held for trading classified by type of risk as follows:

(Unit: Thousand Baht)

Type of risk	30 June 2020			31 December 2019		
	Fair value		Notional Amount*	Fair value		Notional Amount*
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange	165,283	100,285	18,325,176	5,113	7,747	1,920,416
Interest rate	2,946	2,946	926,715	-	-	-
Total	168,229	103,231	19,251,891	5,113	7,747	1,920,416

* Disclosed only in case that the Bank has an obligation to pay.

10. Investments - net

10.1 Classified by type of investments

As at 30 June 2020 and 31 December 2019, the Bank has investments, as detailed follows:

(Unit: Thousand Baht)

	30 June 2020	31 December 2019
	Fair value	Fair value/cost*
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state enterprises securities	9,815,036	-
Private debt securities	1,238,105	-
Less: Allowance for expected credit losses	(6,392)	-
Total	11,046,749	-
Investments in equity instruments designated at fair value through other comprehensive income		
Non-marketable domestic equity instruments	5	-
Total	5	-
Available-for-sale investments		
Government and state enterprises instruments	-	8,474,628
Private debt securities	-	1,054,857
Total	-	9,529,485
General investments		
Non-marketable domestic equity instruments	-	5
Total	-	5
Investments - net	11,046,754	9,529,490

* Available-for-sale investments are stated at fair value and general investments are stated at cost.

As at 30 June 2020, Government bonds amounting to Baht 9,815 million (31 December 2019: Baht 8,363 million) are used as collateral for credit balance on clearing position with the Bank of Thailand.

11. Loans to customers and accrued interest receivables - net

11.1 Classified by loan type

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Overdrafts	119,234	125,409
Loans	49,570,463	47,189,227
Trade bills	50,088	49,334
Total loans to customers	49,739,785	47,363,970
Add: Accrued interest receivables and undue interest receivables	128,641	133,960
Total loans to customers and accrued interest receivables	49,868,426	47,497,930
Less: Allowance for expected credit losses	(1,454,419)	-
Less: Allowance for doubtful accounts	-	(901,542)
Total loans to customers and accrued interest receivables - net	48,414,007	46,596,388

11.2 Classified by currency and residency of debtors

	(Unit: Thousand Baht)					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	32,062,017	11,511	32,073,528	31,140,655	-	31,140,655
US Dollars	9,273,761	6,948,697	16,222,458	7,287,253	6,789,347	14,076,600
Euro	-	1,041,045	1,041,045	-	1,011,933	1,011,933
Hong Kong Dollars	-	115,919	115,919	-	849,125	849,125
Other currencies	144	286,691	286,835	1,493	284,164	285,657
Total loans to customers	41,335,922	8,403,863	49,739,785	38,429,401	8,934,569	47,363,970

11.3 Classified by loan classification

(Unit: Thousand Baht)

	30 June 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	47,776,323	431,606
Financial assets where there has been a significant increase in credit risk (Under-Performing)	136,200	8,174
Financial assets that are credit-impaired (Non-Performing)	1,955,903	1,014,639
Total	49,868,426	1,454,419

(Unit: Thousand Baht)

	31 December 2019			
	Net balance			
	Loans to customers and accrued interest receivables	used in setting allowance for doubtful accounts	Loan loss provisioning rates	Allowance for doubtful accounts
	(Percentage)			
The BOT's minimum required provision				
Pass	46,551,444	43,451,676	1	434,517
Special mention	150,518	149,779	2	2,995
Sub-standard	33,443	31,754	100	31,754
Doubtful	504	504	100	504
Doubtful of loss	762,021	431,772	100	431,772
Total	47,497,930	44,065,485		901,542

12. Allowance for expected credit losses/Allowance for doubtful accounts

(Unit: Thousand Baht)

	30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
Interbank and money market items (assets)					
Beginning balance	-	-	-	108,867	108,867
Changes due to the adoption of new accounting standards ⁽¹⁾	3,280	-	-	(108,867)	(105,587)
	3,280	-	-	-	3,280
Changes due to revaluation of allowance for credit losses	267	-	-	-	267
New financial assets purchased or acquired	264	-	-	-	264
Derecognised financial assets	(517)	-	-	-	(517)
Ending balance	3,294	-	-	-	3,294
Investments in debt instruments measured at fair value through other comprehensive income					
Beginning balance	-	-	-	-	-
Changes due to the adoption of new accounting standards ⁽¹⁾	8,729	-	-	-	8,729
	8,729	-	-	-	8,729
Changes due to revaluation of allowance for credit losses	(3,838)	-	-	-	(3,838)
New financial assets purchased or acquired	2,647	-	-	-	2,647
Derecognised financial assets	(1,146)	-	-	-	(1,146)
Ending balance	6,392	-	-	-	6,392
Loans to customers and accrued interest receivables					
Beginning balance	-	-	-	901,542	901,542
Changes due to the adoption of new accounting standards ⁽¹⁾	805,027	12,150	504,328	(901,542)	419,963
	805,027	12,150	504,328	-	1,321,505
Changes due to changes in stages	(1,788)	(5,870)	7,658	-	-
Changes due to revaluation of allowance for credit losses	(404,132)	3,983	523,413	-	123,264
New financial assets purchased or acquired	94,163	-	-	-	94,163
Derecognised financial assets	(61,664)	(2,089)	(8,413)	-	(72,166)
Bad debt written - off	-	-	(14,478)	-	(14,478)
Bad debt recovery	-	-	2,131	-	2,131
Ending balance	431,606	8,174	1,014,639	-	1,454,419

⁽¹⁾ The beginning balance of allowance for doubtful accounts is determined in accordance with the rules of the Bank of Thailand. Currently, it is shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 6 to the financial statements.

(Unit: Thousand Baht)

For the year ended 31 December 2019

	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	293,817	26,100	143,921	84,773	327,334	875,945
Increase (decrease) during the year	140,700	(23,105)	(112,167)	(84,269)	307,430	228,589
Bad debt recovery	-	-	-	-	6,404	6,404
Bad debt written-off	-	-	-	-	(209,396)	(209,396)
Balance - end of the year	434,517	2,995	31,754	504	431,772	901,542

13. Premises and equipment

Premises and equipment as at 30 June 2020 and 31 December 2019 are summarised below:

(Unit: Thousand Baht)

	Building and improvements	Computer equipment	Furniture and office equipment	Vehicles	Asset under construction/ installation	Total
<u>Cost</u>						
As at 1 January 2019	334,613	72,304	135,212	36,465	-	578,594
Acquisitions	10,694	1,465	5,050	-	2,085	19,294
Transfer in (out)	-	110	(110)	-	-	-
Write-off	(1,904)	(260)	(7,841)	-	-	(10,005)
As at 31 December 2019	343,403	73,619	132,311	36,465	2,085	587,883
Transfer to right-of-use assets						
due to TFRS 16 adoption	(61,043)	-	-	-	-	(61,043)
Acquisitions	1,078	3,772	1,422	-	168	6,440
Transfer in (out)	1,406	-	679	-	(2,085)	-
Write-off	-	(7,197)	(1,537)	(8,326)	-	(17,060)
As at 30 June 2020	284,844	70,194	132,875	28,139	168	516,220
<u>Accumulated depreciation</u>						
As at 1 January 2019	179,346	55,457	89,678	33,916	-	358,397
Depreciation for the year	26,454	8,967	18,546	1,296	-	55,263
Transfer in (out)	-	6	(6)	-	-	-
Write-off	(1,904)	(260)	(7,841)	-	-	(10,005)
As at 31 December 2019	203,896	64,170	100,377	35,212	-	403,655
Transfer to right-of-use assets						
due to TFRS 16 adoption	(37,739)	-	-	-	-	(37,739)
Depreciation for the period	6,889	3,769	9,607	574	-	20,839
Write-off	-	(7,196)	(1,535)	(8,318)	-	(17,049)
As at 30 June 2020	173,046	60,743	108,449	27,468	-	369,706
<u>Net book value</u>						
As at 31 December 2019	139,507	9,449	31,934	1,253	2,085	184,228
As at 30 June 2020	111,798	9,451	24,426	671	168	146,514
Depreciation included in profit or loss for the six-month periods ended 30 June						
2019						27,649
2020						20,839

As at 30 June 2020, certain building improvements and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 255 million (31 December 2019: Baht 231 million).

14. Right-of-use assets

Movements of the right-of-use assets during the six-month period ended 30 June 2020 are presented below.

	(Unit: Thousand Baht)
	30 June 2020
	Building
<u>Cost</u>	
As at 1 January 2020	
Changes due to the adoption of new accounting standards	221,113
Transfer from buildings	61,043
Addition	11,484
As at 30 June 2020	293,640
<u>Accumulated depreciation</u>	
As at 1 January 2020	
Transfer from buildings	37,739
Depreciation for the period	36,302
As at 30 June 2020	74,041
<u>Net book value</u>	
As at 30 June 2020	219,599

15. Intangible assets

(Unit: Thousand Baht)

	License fee	Computer software	Total
<u>Cost</u>			
As at 1 January 2019	35,965	18,377	54,342
Acquisitions	-	1,295	1,295
As at 31 December 2019	35,965	19,672	55,637
Acquisitions	119	-	119
As at 30 June 2020	36,084	19,672	55,756
<u>Accumulated amortisation</u>			
As at 1 January 2019	26,557	7,567	34,124
Amortisation for the year	3,596	1,749	5,345
As at 31 December 2019	30,153	9,316	39,469
Amortisation for the period	1,798	886	2,684
As at 30 June 2020	31,951	10,202	42,153
<u>Net book value</u>			
As at 31 December 2019	5,812	10,356	16,168
As at 30 June 2020	4,133	9,470	13,603
Amortisation included in profit or loss for the six-month periods ended 30 June			
2019			2,626
2020			2,684

As at 30 June 2020, certain intangible assets have been fully amortised but are still in use. The gross carrying amount (before deducting accumulated amortisation) of those assets amounted to approximately Baht 1.8 million (31 December 2019: Baht 1.8 million).

16. Other assets

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Accrued interest receivables from investments	26,411	26,099
Deposits	19,490	18,812
Prepaid expenses	17,756	8,464
Others	16,265	51,040
Total other assets	79,922	104,415

17. Deposit

17.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Current accounts	465,170	614,237
Saving accounts	12,529,883	11,128,402
Fixed accounts		
- not over 6 months	8,301,100	7,841,844
- 6 months and up to 1 year	16,988,654	11,385,973
- over 1 year	16,831,033	16,117,382
Total	55,115,840	47,087,838

17.2 Classified by currency and residency of deposits

	(Unit: Thousand Baht)					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	46,067,191	26,429	46,093,620	38,728,530	30,004	38,758,534
US Dollars	7,237,010	299,469	7,536,479	6,797,683	209,238	7,006,921
Chinese Yuan	1,460,852	386	1,461,238	1,306,655	367	1,307,022
Other currencies	18,822	5,681	24,503	9,461	5,900	15,361
Total	54,783,875	331,965	55,115,840	46,842,329	245,509	47,087,838

18. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	3,189	-	3,189	5,771	-	5,771
Total domestic items	3,189	-	3,189	5,771	-	5,771
Foreign						
Baht	167,002	-	167,002	241,397	-	241,397
US Dollars	-	6,585,237	6,585,237	-	5,808,263	5,808,263
Hong Kong Dollars	-	913,439	913,439	-	1,623,762	1,623,762
Australian Dollars	-	286,151	286,151	-	284,164	284,164
Euro	-	1,041,045	1,041,045	-	1,011,933	1,011,933
Total foreign items	167,002	8,826,175	8,993,177	241,397	8,728,122	8,969,519
Total domestic and foreign items	170,191	8,826,175	8,996,366	247,168	8,728,122	8,975,290

19. Debts issued and borrowings

As at 30 June 2020 and 31 December 2019, Debts issued and borrowings classified by type of securities, maturity and interest rate are as follows:

(Unit: Thousand Baht)

Type	Maturity	Interest rate per annum (%)	Currency	30 June 2020			31 December 2019		
				Amount			Amount		
				Domestic	Foreign	Total	Domestic	Foreign	Total
Subordinated									
debentures	21 August 2027	3M LIBOR + 0.3	USD	-	2,162,335	2,162,335	-	2,110,780	2,110,780
Total				-	2,162,335	2,162,335	-	2,110,780	2,110,780

The subordinated debentures are name-registered, unsecured, subordinated debentures with no debenture holders' representative through Bank of China (Hong Kong) Limited amounting to USD 70 million. The debentures have a 10-year tenor and bear interest at a floating rate of 3-month LIBOR + 0.3 percent per annum, payable quarterly. The Bank has the right to early redeem all subordinated debentures from the fifth anniversary of the issuance date. The debentures have loss absorption features that will come into effect at the point of non-viability, in accordance with the BOT's guidelines with reference to Basel III framework. In addition, as at 30 June 2020 and 31 December 2019, the Bank was approved by BOT to count proceeds received from the issuance of the above subordinated debentures for an amount of Baht 2,326 million as a part of its Tier II capital, in accordance with the conditions specified in the BOT's guidelines regarding the Basel III framework.

20. Lease liabilities

(Unit: Thousand Baht)

30 June 2020

Lease liabilities	209,828
Less: Deferred interest expenses	(14,659)
Total	195,169

The Bank has entered into the finance lease agreements with leasing companies for rental of premises and equipment for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 1 and 9 years.

Lease expenses recognised in profit or loss for the six-month period ended 30 June 2020 are as follows:

(Unit: Thousand Baht)

30 June 2020

Depreciation of right-of-use assets	28,956
Interest expenses on lease liabilities	3,683
Expenses relating to lease of low-value assets	1,121
Total	33,760

The maturity analysis of undiscounted lease payments is presented below:

(Unit: Thousand Baht)

30 June 2020

Within 1 year	61,434
1 - 5 year	133,076
Over 5 years	15,318
Total	209,828

The Bank had total cash outflows for leases for the six-month period ended 30 June 2020 of Baht 30.24 million.

21. Provisions

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Allowance for expected credit losses on loan commitments and financial guarantee contracts	148,190	-
Provision for restoration and dismantling cost	72,351	61,043
Provision for long-term employee benefits	28,985	26,164
Total provisions	249,526	87,207

21.1 Allowance for expected credit losses of loan commitments and financial guarantee contracts

As at 30 June 2020, Allowance for expected credit losses of loan commitments and financial guarantee contracts by classification are as follows:

	(Unit: Thousand Baht)	
	30 June 2020	
	Loan commitments and financial guarantee contracts	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	25,962,611	71,977
Financial assets where there has been a significant increase in credit risk (Under-Performing)	70,895	2,063
Financial assets that are credit-impaired (Non-Performing)	74,150	74,150
Total	26,107,656	148,190

Change in allowance for expected credit losses of loan commitments and financial guarantee contracts are as follows:

(Unit: Thousand Baht)

	30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
Beginning balance	-	-	-	-	-
Changes due to the adoption of new accounting standards ⁽¹⁾	75,297	1,577	74,250	-	151,124
	75,297	1,577	74,250	-	151,124
Changes due to changes in stages	85	(85)	-	-	-
Changes due to revaluation of allowance for credit losses	1,920	630	-	-	2,550
New loan commitments/guarantee contracts issued	7,734	1	-	-	7,735
Derecognised financial assets	(13,059)	(60)	(100)	-	(13,219)
Ending balance	71,977	2,063	74,150	-	148,190

⁽¹⁾ The beginning balance of allowance for doubtful accounts is determined in accordance with the rules of the Bank of Thailand. Currently, it is shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 6 to the financial statements.

21.2 Provisions for long-term employee benefits

Changes in provisions for long-term employee benefits for the six-month period ended 30 June 2020 and for the year ended 31 December 2019 can be summarised as follows:

	(Unit: Thousand Baht)	
	For the six-month period ended 30 June 2020	For the year ended 31 December 2019
Provisions for long-term employee benefits at the beginning of the period/year	26,164	16,546
Recognised in profit or loss:		
Current service cost	4,103	7,156
Interest cost	184	279
Past service cost	-	2,020
Total benefits recognised in profit or loss	4,287	9,455
Recognised in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumption changes	-	(2,338)
Financial assumption changes	-	3,545
Experience adjustments	-	(483)
Total benefits recognised in other comprehensive income	-	724
Benefits paid during the period/year	(1,466)	(561)
Provisions for long-term employee benefits at the end of the period/year	28,985	26,164

As at 30 June 2020, the Bank does not expected to pay long-term employee benefits in the next one year (31 December 2019: Baht 1.47 million).

As at 30 June 2020, the weighted average duration of the Bank's long-term employee benefit obligation is 21 years (31 December 2019: 21 years).

The principal assumptions used in determining employee benefits under retirement plans can be summarised as follows:

	(Unit: Percentage per annum)	
	30 June 2020	31 December 2019
Average salary incremental rate	5.00	5.00
Average staff turnover rate	0.00 - 29.00	0.00 - 29.00
Discount rate	1.49	1.49

Sensitivity analysis for principal assumptions that affects provisions for long-term employee benefits as at 30 June 2020 and 31 December 2019 are summarised below:

	(Unit: Thousand Baht)			
	30 June 2020		31 December 2019	
	Increased by 1%	Decreased by 1%	Increased by 1%	Decreased by 1%
Average salary incremental rate	1,483	(1,330)	2,080	(1,877)
Average staff turnover rate	(1,385)	820	(2,184)	1,282
Discount rate	(1,279)	1,449	(2,022)	2,291

22. Other liabilities

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Accrued expenses	127,424	255,938
Cash subscription payable	203,013	203,013
Corporate income tax payable	86,278	80,127
Other liabilities payable on behalf of Bank of China Limited,		
Bangkok branch	10,789	10,789
Others	212,544	173,893
Total other liabilities	640,048	723,760

23. Other components of equity

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Revaluation surplus (deficit) on investments		
Revaluation surplus on investments		
Debt instruments	113,849	54,663
Revaluation deficit on investments		
Debt instruments	(5,834)	-
Total revaluation surplus on investment measured fair value though other comprehensive income	108,015	-
Total revaluation surplus on available-for-sale investments	-	54,663
Less: Income tax effects	(21,603)	(10,933)
Revaluation surplus on investment measured through other comprehensive income - net of income tax	86,412	-
Revaluation surplus on available-for-sale investment - net of income tax	-	43,730

24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

25. Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking business B.E. 2551.

As at 30 June 2020 and 31 December 2019, Capital funds of the Bank calculated in accordance with the BOT's guidelines with reference to Basel III framework consist of the following:

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
<u>Tier I capital</u>		
Common Equity Tier I capital		
Issued and fully paid-up share capital	10,000,000	10,000,000
Statutory reserve	21,037	7,818
Retained earnings after appropriation	398,006	-
Other components of equity	86,412	43,730
Less: Deduction items from Common Equity Tier I	(175,200)	(72,004)
Total Tier I capital	10,330,255	9,979,544
<u>Tier II capital</u>		
Subordinated debentures	2,325,729	2,325,729
Total Tier II capital	2,325,729	2,325,729
Total capital funds	12,655,984	12,305,273

Capital Adequacy Ratio	(Unit: Percentage)			
	30 June 2020		31 December 2019	
	Minimum requirement		Minimum requirement	
	by BOT	The Bank	by BOT	The Bank
Common Equity Tier I to risk-weighted assets	7.00	16.03	7.00	16.23
Tier I capital funds to risk-weighted assets	8.50	16.03	8.50	16.23
Total capital funds to risk-weighted assets	11.00	19.64	11.00	20.01

In accordance with the Notification of the Bank of Thailand regarding the disclosure of capital maintenance for commercial banks, the Bank will disclose capital maintenance information as at 30 June 2020 on its website (www.bankofchina.com/th) by October 2020.

26. Interest income

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Interbank and money market items	73,814	95,486
Investments in debt instruments	81,817	46,178
Loans to customers	770,005	712,617
Total interest income	925,636	854,281

27. Interest expenses

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Deposits	330,903	194,990
Interbank and money market items	95,886	92,061
Contributions to the Deposit Protection Agency	54,163	63,363
Debts issued		
- Subordinated debentures	19,625	32,489
Others	3,683	-
Total interest expenses	504,260	382,903

28. Net fees and service income

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Fees and service income		
- Acceptances, avals and guarantees	44,125	43,201
- Others	69,495	84,390
Total fees and service income	113,620	127,591
Fees and service expenses	(9,693)	(9,201)
Net fees and service income	103,927	118,390

29. Net gains on financial instruments measured at fair value through profit or loss/Net gains on trading and foreign exchange transactions

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Foreign currencies and derivatives on foreign exchange	150,818	104,908
Total	150,818	104,908

30. Expected credit losses

Expected credit losses for financial assets for the six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Thousand Baht)
	For the six-month period ended 30 June 2020
Interbank and money market items	14
Debt instruments measured at fair value through other comprehensive income	(2,337)
Loans to customers and accrued interest receivables	145,348
Total	143,025
Loan commitments and financial guarantee contracts	(2,934)
Total	140,091

31. Bad debts, doubtful accounts and impairment losses

	(Unit: Thousand Baht)
	For the six-month period ended 30 June 2019
Bad debts and doubtful accounts	
Interbank and money market items	2,177
Loans to customers	53,319
Total bad debts, doubtful accounts and impairment losses	55,496

32. Income tax expenses

Income tax expenses of the Bank for the six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Current income tax:		
Income tax for the periods	9,917	38,307
Adjustments in respect of corporate income tax of previous years	(2,578)	(212)
Deferred tax:		
Deferred tax on temporary differences and reversal of temporary differences	5,459	7,004
Deferred tax effect from change in tax rate	(1,065)	-
Income tax expenses reported in the statement of comprehensive income	11,733	45,099

The amount of income tax relating to each component of other comprehensive income for the six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Revaluation surplus on investments	(10,670)	(2,223)
Income tax recorded directly to other comprehensive income	(10,670)	(2,223)

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
Accounting profits before tax	116,759	240,543
Applicable tax rates	10% and 20%	10% and 20%
Accounting profits before tax multiplied by applicable tax rate	23,044	46,766
Adjustments in respect of corporate income tax of previous years	(2,578)	(212)
Tax effect of non-taxable income and non-deductible expenses	(7,668)	(1,455)
Deferred tax effect from change in tax rate	(1,065)	-
Income tax expenses reported in the statement of comprehensive income	11,733	45,099

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Change in deferred tax			
	assets/liabilities for the six-month periods ended 30 June			
	30 June 2020	31 December 2019	2020	2019
Deferred tax assets (liabilities)				
arose from:				
Revaluation surplus on				
investments	(21,603)	(10,933)	(10,670)	(2,223)
Allowance for expected credit				
losses	30,949	-	30,949	-
Provisions	19,566	30,435	(10,869)	(11,290)
Stop accrued interest	1,233	816	417	61
Deferred fees income	22,567	16,754	5,813	(549)
Others	6,735	5,465	1,270	4,774
Deferred tax assets	59,447	42,537	16,910	(9,227)
Changes in deferred income tax:				
Recognised in retained earnings as at 1 January 2020			31,974	-
Recognised in profit or loss			(4,394)	(7,004)
Recognised in other comprehensive income (loss)			(10,670)	(2,223)
			16,910	(9,227)

33. Contingent liabilities

33.1 Commitments

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Guarantees of loans	851,483	942,569
Letters of credit	236,382	294,151
Liabilities under unmatured import bills	67,654	6,536
Other commitments		
- Undrawn overdraft amount	270,123	61,466
- Other guarantees	16,167,946	17,712,317
- Others	8,514,068	10,511,819
Total	26,107,656	29,528,858

33.2 Service commitments

The Bank has entered into other service commitments. The terms of the agreements are 3 years. As at 30 June 2020, the Bank has future minimum lease payments required under these non-cancellable contracts amounting to approximately Baht 1 million.

33.3 Contingent liabilities

As at 30 June 2020 and 31 December 2019, the Bank has contingent liabilities amounting to approximately Baht 3 million in respect of litigation, which final judgement has not yet been reached. However, the management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuit and therefore no liabilities are currently recorded.

34. Related party transactions

Related parties comprise individuals or enterprises that control or are controlled by the Bank, whether directly or indirectly, or which are under common control with the Bank.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors and officers with authority in the plan and the direction of the Bank's operations, together with close family members of such persons and companies which are controlled and influenced by them, whether directly or indirectly.

During the periods, the Bank had significant business transactions with its related companies and related persons. These transactions have been concluded on commercial terms and based agreed upon in the ordinary course of business between the Bank and those parties are summarised below:

	For the six-month periods ended		(Unit: Thousand Baht)
	30 June		
	2020	2019	Terms and pricing policy
Parent company:			
Interest income	22,629	29,746	At market price
Interest expenses	61,036	75,302	At market price
Premises and equipment expenses	2,037	758	At the rate agreed under the service contract
Fee income	3,487	183	At the rate agreed under the service contract
Fee expenses	7	85	At the rate agreed under the service contract
Other expenses	154	-	At the rate agreed under the service contract
Companies in the Bank of China Group:			
Interest income	3,312	8,386	At market price
Interest expenses	54,346	49,181	At market price
Premises and equipment expenses	2,033	5,355	At the rate agreed under the service contract
Fee income	13,398	25,415	At the rate agreed under the service contract
Fee expenses	236	240	At the rate agreed under the service contract
Other expenses	148	262	At the rate agreed under the service contract
Related parties:			
Interest expenses	581	1,095	At market price

As at 30 June 2020 and 31 December 2019, the outstanding balances of the accounts between the Bank and related companies are as follows:

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Outstanding balance		
Parent company:		
Interbank and money market items (assets)	6,217,201	2,437,658
Derivative assets	6,568	20
Accrued interest receivables	9,062	2,372
Interbank and money market items (liabilities)	2,567,107	2,775,617
Derivative liabilities	17,474	70
Debts issued and borrowings	2,162,335	2,110,780
Accrued interest payables	6,351	12,665
Accrued expenses	2,532	379
Commitment from foreign exchange contracts	4,098,549	101,074
Commitment from interest rate contracts	463,358	-
Companies in the Bank of China Group:		
Interbank and money market items (assets)	1,123,672	484,556
Accrued interest receivables	3	599
Accrued fee income	6,296	5,722
Interbank and money market items (liabilities)	6,426,070	6,193,902
Derivative liabilities	-	2,018
Accrued interest payables	3,796	5,026
Cash subscription payable	203,013	203,013
Other liabilities on behalf of Bank of China Limited,		
Bangkok branch	10,789	10,789
Accrued expenses	6,098	4,016
Other liabilities	6,076	6,624
Commitment from foreign exchange contracts	530	144,405
Related parties:		
Investments	5	5
Deposits	223,447	269,502
Accrued interest payables	10	60

Outstanding balances with directors and key management personnel are as follows:

	(Unit: Thousand Baht)	
	30 June 2020	31 December 2019
Loans to customers	31	92
Deposits	34,800	3,224

Directors and management's benefits

During the six-month periods ended 30 June 2020 and 2019, the Bank had short-term benefit expenses paid to their directors and key management as follows:

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Short-term benefits ⁽¹⁾	20,711	20,568
Total	20,711	20,568

⁽¹⁾ Short-term benefits include directors' remuneration amounting to Baht 2.5 million (2019: Baht 1 million).

35. Earnings per share

Basic earnings per share is calculated by dividing profits for the periods attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the periods.

	For the six-month periods ended 30 June	
	2020	2019
Profits for the periods (Thousand Baht)	105,026	195,444
Basic earnings per share (Baht/share)	0.11	0.20
Weighted average number of shares (shares)	1,000,000,000	1,000,000,000

36. Financial position and results of operations classified by business activity

As at 30 June 2020 and 31 December 2019, financial positions of the Bank classified by geographic locations are as follows:

	30 June 2020			31 December 2019		
	(Unit: Thousand Baht)					
	Domestic	Foreign	Total	Domestic	Foreign	Total
Total assets	70,872,556	7,819,876	78,692,432	61,105,009	8,887,095	69,992,104
Interbank and money market						
items - net (assets)	17,042,870	1,347,692	18,390,562	12,234,800	1,139,246	13,374,046
Investments - net	11,046,754	-	11,046,754	9,529,490	-	9,529,490
Loans to customers and accrued						
interest receivables - net	41,952,601	6,461,406	48,414,007	38,853,023	7,743,365	46,596,388
Deposits	55,115,767	73	55,115,840	47,087,766	72	47,087,838
Interbank and money market						
items (liabilities)	3,189	8,993,177	8,996,366	247,168	8,728,122	8,975,290
Liabilities payable on demand	705,425	-	705,425	284,478	-	284,478
Debts issued and borrowings	-	2,162,335	2,162,335	-	2,110,780	2,110,780

The operating results of the Bank for the six-month periods ended 30 June 2020 and 2019 classified by geographic locations are as follows:

	For the six-month periods ended 30 June			(Unit: Thousand Baht)		
	2020	2019		2020	2019	
	Domestic	Foreign	Total	Domestic	Foreign	Total
Interest income	796,597	129,039	925,636	713,960	140,321	854,281
Less: Interest expenses	(423,379)	(80,881)	(504,260)	(290,989)	(91,914)	(382,903)
Net interest income	373,218	48,158	421,376	422,971	48,407	471,378
Net fees and service income	92,744	11,183	103,927	108,021	10,369	118,390
Other operating income	148,458	3,887	152,345	110,781	(5,495)	105,286
Less: Other operating expenses	(420,798)	-	(420,798)	(399,015)	-	(399,015)
Profits from operation before expected credit losses and income tax	193,622	63,228	256,850	242,758	53,281	296,039

37. Fair value of assets and liabilities

As at 30 June 2020 and 31 December 2019, the Bank had the financial assets and liabilities that were measured at fair value or disclosed fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	30 June 2020				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value					
Financial assets					
Derivative assets	168,229	-	168,229	-	168,229
Investments in debt instruments measured					
at fair value through other comprehensive income	11,046,749	-	11,046,749	-	11,046,749
Investments in equity instruments designated					
at fair value through other comprehensive income	5	-	5	-	5
Financial liabilities					
Derivative liabilities	103,231	-	103,231	-	103,231
Financial assets and liabilities not measured at fair value					
Financial assets					
Cash	153,795	153,795	-	-	153,795
Interbank and money market items - net (assets)	18,390,562	6,341,348	12,049,214	-	18,390,562
Loan to customers and accrued interest					
receivables - net	48,414,007	-	48,414,007	-	48,414,007
Financial liabilities					
Deposits	55,115,840	12,995,052	42,120,788	-	55,115,840
Interbank and money market items (liabilities)	8,996,366	170,191	8,826,175	-	8,996,366
Liabilities payable on demand	705,425	-	705,425	-	705,425
Debts issued and borrowings	2,162,335	-	1,992,523	-	1,992,523
Lease liabilities	195,169	-	195,169	-	195,169

(Unit: Thousand Baht)

31 December 2019					
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value					
Financial assets					
Derivative assets	5,113	-	5,113	-	5,113
Available-for-sale-investments					
Debt instruments	9,529,490	-	9,529,490	-	9,529,490
Financial liabilities					
Derivative liabilities	7,747	-	7,747	-	7,747
Financial assets and liabilities not measured at fair value					
Financial assets					
Cash	139,719	139,719	-	-	139,719
Interbank and money market items (assets)	13,374,046	1,158,376	12,215,670	-	13,374,046
Loan to customers and accrued interest					
receivables - net	46,596,388	-	46,596,388	-	46,596,388
Financial liabilities					
Deposits	47,087,838	11,742,639	35,345,199	-	47,087,838
Interbank and money market items (liabilities)	8,975,290	247,168	8,728,122	-	8,975,290
Liabilities payable on demand	284,478	-	284,478	-	284,478
Debts issued and borrowings	2,110,780	-	2,017,328	-	2,017,328

During the current period, there were no transfers among the fair value hierarchy levels.

Fair value of assets and liabilities

Fair value of each item of assets and liabilities is estimated using the following methods and assumptions.

(a) Cash

The fair value is assumed to approximate its book value in the statement of financial position.

(b) Interbank and money market items (asset)

The fair value is assumed to approximate their book value in the statement of financial position due to their short-term maturity.

(c) Derivatives

For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market such as spot rates, forward rates of foreign currencies and interest rate yield curves. The Bank had considered an effect of counterparty's credit risk when determining the fair value of derivatives.

(d) Investments

For debts instruments, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.

(e) Loans to customers

The fair values of the floating rate loans that are scheduled to be re-priced regularly and have no significant change in credit risk or of the fixed rate loans that are re-priced within 1 year as from the financial reporting date are estimated to approximate their carrying values. The fair values of fixed rate loans that are scheduled to be re-priced longer than 1 year as from the financial reporting date are estimated using the discounted cash flow techniques and applying an average interest rates currently being offered to other borrowers with similar credit quality and similar loan terms and conditions, except that such loans, upon which fair value calculation under such techniques, provide the fair values which are not materially different from their carrying values, the fair values are therefore approximated their carrying values.

(f) Deposits

The fair values of demand deposits, floating-rate deposits and deposits that are re-priced within 1 year as from the financial reporting date are estimated to approximate their carrying values. The fair values for other fixed-rate deposits are estimated using the discounted cash flow techniques by discounting the expected future cash flows at the Bank's interest rate for similar deposits.

(g) Interbank and money market items (liabilities)

The fair value of interbank and money market items payable on demand, floating-rate deposits or fixed-rate deposits with no more than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book value.

(h) Liabilities payable on demand

The fair value is assumed to approximate its book value in the statement of financial position due to its short-term maturity.

(i) Debts issued and borrowings

The fair values of floating rate debts issued and borrowings with a remaining maturity period of longer than 1 year as from the financial reporting date are estimated using the discounted cash flow techniques and applying an average rate of interest currently charged on borrowings with similar arrangements.

38. Risk management

38.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to fulfill an obligation, causing the Bank to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial instrument less provision for losses as stated in the statements of financial position and the risk of commitments from avals, guarantees of loans and other guarantees.

In addition, the Bank manages credit risk by the means of careful consideration of credit approval process, analysis of risk factors and the ability of customers to service debt, and a credit review process, which examines and reviews the quality of the loan portfolio so as to prevent and provide a remedy for problem loans in the future.

The Bank's credit risk management involves the performance of independent due diligence without management intervention, which takes both business developments and risk mitigation into consideration; credit approval based on careful decision-making and a systematic post-approval review, monitoring and evaluation process. The Bank's guidelines for credit risk management are consistent with both the policies of the parent company and regulatory guidelines.

The maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for recognised and unrecognised financial instruments. The maximum exposure is shown at the gross carrying amount before both the effect of mitigation through use of master netting and collateral arrangements.

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their carrying amount.

For financial guarantees contracts, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees are called upon. For undrawn credit limits that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 30 June 2020, the maximum exposure to credit risk are as follows:

	(Unit: Thousand Baht)
	30 June 2020
Interbank and money market items (assets)	18,384,118
Investments in debt instruments measured at fair value through other comprehensive income	11,053,141
Loans to customers and accrued interest receivables	49,868,426
Other accrued interest receivables	26,411
Total financial assets	79,332,096
Loan commitments	8,784,191
Financial guarantees	17,323,465
Total	26,107,656
Total credit risk exposure	105,439,752

Credit quality analysis

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank has adopted a policy to mitigate this risk, whereby credit analysis is performed based on customer information and the status of customers is followed up consistently.

The table below shows the credit quality of financial assets exposed to credit risk. The amounts presented for financial assets are the gross carrying amount (before netting allowance for expected credit losses). The amounts presented for undrawn credit limits and financial guarantee contracts are the amounts committed or guaranteed, respectively.

Explanations of the 12-month expected credit losses, lifetime expected credit losses - not credit impaired, and lifetime expected credit losses - credit impaired are included in Note 4.9 to the financial statements.

(Unit: Thousand Baht)

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
Interbank and money market items - net (assets)				
Investment grade*	18,393,856	-	-	18,393,856
Non-investment grade*	-	-	-	-
Total	18,393,856	-	-	18,393,856
Less: Allowance for expected credit losses	(3,294)	-	-	(3,294)
Net carrying amount	18,390,562	-	-	18,390,562
Investments in debt instruments measured at fair value through other comprehensive income				
Investment grade*	11,053,141	-	-	11,053,141
Non-investment grade*	-	-	-	-
Total	11,053,141	-	-	11,053,141
Less: Allowance for expected credit losses	(6,392)	-	-	(6,392)
Net carrying amount	11,046,749	-	-	11,046,749
Loans to customers and accrued interest receivables - net				
0 - 30 days overdue	47,776,323	99,702	-	47,876,025
31 - 90 days overdue	-	36,498	-	36,498
Over 90 days overdue	-	-	1,955,903	1,955,903
Total	47,776,323	136,200	1,955,903	49,868,426
Less: Allowance for expected credit losses	(431,606)	(8,174)	(1,014,639)	(1,454,419)
Net carrying amount	47,344,717	128,026	941,264	48,414,007
Loan commitments				
Loan commitments	8,783,296	895	-	8,784,191
Less: Allowance for expected credit losses	(42,831)	(336)	-	(43,167)
Net carrying amount	8,740,465	559	-	8,741,024
Financial guarantee contracts				
Financial guarantee contracts	17,179,315	70,000	74,150	17,323,465
Less: Allowance for expected credit losses	(29,146)	(1,727)	(74,150)	(105,023)
Net carrying amount	17,150,169	68,273	-	17,218,442

*Rating of external credit risk rating agency

Interbank and money market

As at 30 June 2020, the Bank has interbank and money market items amounting to Baht 18,394 million for which the counterparties have the credit ratings as investment grade according to the ratings of TRIS Rating, Fitch Ratings, Moody's Investors Service and Standard & Poor's.

Collateral and any operations to increase creditability

The Bank holds collateral and any operations to increase the creditability of its exposure to credit risk. Details of the collateral held by the Bank for each type of financial asset are as follows:

(Unit: Thousand Baht)		
	Exposure to risk with collateral	Type of collateral
	30 June 2020	
Loans to customers and accrued interest receivables	14,854,734	Lands, buildings and deposits

38.2 Market Risk

Market risk is the risk that the Bank may be affected by changes in value of position on the statements of financial position and off-the statements of financial position which is caused by fluctuation of interest rate, foreign exchange rate, equity securities price and commodity price resulting in negative impact on income and capital. The Bank has strict, prudent and reliable market risk management guidelines to ensure that the market risk remains at the low level and can be efficiently managed since the Bank's market risk is relatively limited. This enables the Bank to maintain foreign currency position within the specified risk limits and to improve the effectiveness in its monitoring of the value of positions, processes related to the management of derivative transactions, issuance of new derivative products as well as the adjustment of interest rates, when necessary, and adjustment related to the efficiency of the Bank's use of capital.

Interest rate risk

Interest rate risk in banking book is the risk or potential loss to earnings and economic value of the Bank due to the change in interest rates. This interest rate risk arises from mismatches between the maturities and the repricing terms of assets and liabilities.

These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Bank's risk management policies.

However, financial assets and liabilities represented their carrying amounts in the statements of financial position, are classified by types of interest rates as follows:

(Unit: Thousand Baht)

	30 June 2020				
	Floating rate	Fixed rate	Non-interest bearing	Non-performing loan	Total
Financial assets					
Cash	-	-	153,795	-	153,795
Interbank and money market items	1,793,678	11,245,249	5,345,191	-	18,384,118
Derivative assets	-	-	168,229	-	168,229
Investments	-	11,053,141	5	-	11,053,146
Loans to customers	34,921,071	12,879,626	-	1,939,088	49,739,785
Total financial assets	36,714,749	35,178,016	5,667,220	1,939,088	79,499,073
Financial liabilities					
Deposits	12,483,008	42,120,787	512,045	-	55,115,840
Interbank and money market items	6,261,832	2,567,107	167,427	-	8,996,366
Liabilities payable on demand	-	-	705,425	-	705,425
Derivative liabilities	-	-	103,231	-	103,231
Debts issued and borrowings	2,162,335	-	-	-	2,162,335
Lease liabilities	-	195,169	-	-	195,169
Total financial liabilities	20,907,175	44,883,063	1,488,128	-	67,278,366

(Unit: Thousand Baht)

31 December 2019					
	Floating rate	Fixed rate	Non-interest bearing	Non-performing loan	Total
Financial assets					
Cash	-	-	139,719	-	139,719
Interbank and money market items	1,339,847	11,543,506	593,087	-	13,476,440
Derivative assets	-	-	5,113	-	5,113
Investments	-	9,529,485	5	-	9,529,490
Loans to customers	36,448,463	10,046,278	73,261	795,968	47,363,970
Total financial assets	37,788,310	31,119,269	811,185	795,968	70,514,732
Financial liabilities					
Deposits	11,093,213	35,345,199	649,426	-	47,087,838
Interbank and money market items	5,986,179	2,747,714	241,397	-	8,975,290
Liabilities payable on demand	-	-	284,478	-	284,478
Derivative liabilities	-	-	7,747	-	7,747
Debts issued and borrowings	2,110,780	-	-	-	2,110,780
Total financial liabilities	19,190,172	38,092,913	1,183,048	-	58,466,133

With respect to financial instruments that carry fixed interest rates, the periods from the financial statement date to the repricing or maturity date (whichever is the earlier) are presented below:

(Unit: Thousand Baht)

	30 June 2020					
	Repricing or maturity date					Weighted average
	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total	(% per annum)
Financial assets						
Interbank and money market items	11,245,249	-	-	-	11,245,249	0.61
Investments	3,659,458	1,108,393	6,168,074	117,216	11,053,141	1.68
Loans to customers	4,119,227	3,300,157	5,460,242	-	12,879,626	2.74
Total financial assets	19,023,934	4,408,550	11,628,316	117,216	35,178,016	
Financial liabilities						
Deposits	16,030,851	25,869,946	219,990	-	42,120,787	1.49
Interbank and money market items	2,567,107	-	-	-	2,567,107	1.19
Lease liabilities	-	61,434	133,076	15,318	209,828	1.55 - 4.52 ⁽¹⁾
Total financial liabilities	18,597,958	25,931,380	353,066	15,318	44,897,722	

⁽¹⁾ Interest rate per annum

(Unit: Thousand Baht)

	31 December 2019					
	Repricing or maturity date					Weighted average
	Within 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total	(% per annum)
Financial assets						
Interbank and money market items	11,543,506	-	-	-	11,543,506	1.38
Investments	2,000,707	2,700,130	4,828,648	-	9,529,485	1.69
Loans to customers	1,811,951	1,470,861	6,741,640	21,826	10,046,278	3.05
Total financial assets	15,356,164	4,170,991	11,570,288	21,826	31,119,269	
Financial liabilities						
Deposits	11,739,776	7,498,393	16,107,030	-	35,345,199	1.71
Interbank and money market items	2,747,714	-	-	-	2,747,714	2.19
Total financial liabilities	14,487,490	7,498,393	16,107,030	-	38,092,913	

Interest rate sensitivity analysis

Analysis of sensitivity to changes in interest rates shows the impact of potential changes in interest rates on the income statement and equity of the Bank when other variables are set to constant values.

The sensitivity of the income statement is the effect of changes in interest rates to profit or loss of the period. For financial assets and financial liabilities at the end of the reporting period, the sensitivity of equity is calculated by measuring the fair value as at 30 June 2020 of financial assets measured at fair value through other comprehensive income using a new fixed rate, including the effect of hedging cash flow risk by assuming change in interest rate.

The effect of change in interest rates on profit or loss and equity as of 30 June 2020 can be summarised as follows:

	(Unit: Thousand Baht)	
	Sensitivity of	
	Profit or loss	Equity
Increased by 1%	56,093	(194,380)
Decreased by 1%	(56,093)	194,380

Foreign exchange

Foreign exchange risk is the risk that changes in foreign exchange rates may result in fluctuations in revenues or the values of financial assets and liabilities, and changes in the value of financial instruments.

Since the Bank has foreign exchange transactions, it may be exposed to foreign exchange risk. However, the Bank has a policy to mitigate this foreign exchange exposure through management of its net foreign exchange position and operation in accordance with a risk management policy which has been approved by its Board of Directors and is in strict accordance with BOT's guidelines.

The foreign currency position of the Bank as at 30 June 2020 and 31 December 2019 can be summarised as follows:

(Unit: Thousand Baht)

	30 June 2020					Total
	Baht	US Dollars	Chinese Yuan	Hong Kong Dollars	Others	
Financial assets						
Cash	114,626	28,967	10,202	-	-	153,795
Interbank and money market items	11,016,257	1,844,671	86,898	805,125	4,631,167	18,384,118
Investments	11,053,146	-	-	-	-	11,053,146
Loans to customers	32,073,528	16,222,458	382	115,918	1,327,499	49,739,785
Total financial assets	54,257,557	18,096,096	97,482	921,043	5,958,666	79,330,844
Financial liabilities						
Deposits	46,093,620	7,536,479	1,461,238	-	24,503	55,115,840
Interbank and money market items	167,427	6,585,237	2,763	913,440	1,327,499	8,996,366
Liabilities payable on demand	143,647	99,253	461,532	-	993	705,425
Debts issued and borrowings	-	2,162,335	-	-	-	2,162,335
Lease liabilities	209,828	-	-	-	-	209,828
Total financial liabilities	46,614,522	16,383,304	1,925,533	913,440	1,352,995	67,189,794
Commitments						
Guarantees of loans	-	-	-	-	851,483	851,483
Letters of credit	20,485	53,851	57,776	-	104,270	236,382
Liabilities under unmatured import bills	67,654	-	-	-	-	67,654
Other commitments						
Undrawn overdraft amount	270,123	-	-	-	-	270,123
Other guarantees	9,042,453	6,041,367	929,084	-	155,042	16,167,946
Others	6,833,426	1,680,642	-	-	-	8,514,068

(Unit: Thousand Baht)

31 December 2019

	Baht	US Dollars	Chinese Yuan	Hong Kong Dollars	Others	Total
Financial assets						
Cash	96,306	10,423	32,990	-	-	139,719
Interbank and money market items	10,328,641	1,066,164	1,243,365	798,358	39,912	13,476,440
Investments	9,529,490	-	-	-	-	9,529,490
Loans to customers	31,140,655	14,076,600	1,493	849,125	1,296,097	47,363,970
Total financial assets	51,095,092	15,153,187	1,277,848	1,647,483	1,336,009	70,509,619
Financial liabilities						
Deposits	38,758,534	7,006,921	1,307,022	-	15,361	47,087,838
Interbank and money market items	242,707	5,808,263	4,461	1,623,762	1,296,097	8,975,290
Liabilities payable on demand	45,293	197,745	28,412	141	12,887	284,478
Debts issued and borrowings	-	2,110,780	-	-	-	2,110,780
Total financial liabilities	39,046,534	15,123,709	1,339,895	1,623,903	1,324,345	58,458,386
Commitments						
Guarantees of loans	-	-	56,091	-	886,478	942,569
Letters of credit	49,843	58,896	185,412	-	-	294,151
Liabilities under unmatured import bills	-	6,536	-	-	-	6,536
Other commitments						
Undrawn overdraft amount	61,466	-	-	-	-	61,466
Other guarantees	10,234,564	6,404,120	943,661	-	129,972	17,712,317
Others	7,898,563	2,613,256	-	-	-	10,511,819

In addition, the Bank has commitments from foreign exchange contracts made for trading transactions as follows:

(Unit: Thousand Baht)

30 June 2020						
	Baht	US Dollars	Chinese Yuan	Hong Kong Dollars	Others	Total
Foreign exchange contracts						
- Bought	9,252,715	7,288,252	1,844,235	-	1,239	18,386,441
- Sold	5,203,016	8,553,383	-	-	4,568,777	18,325,176
Interest rate swap contracts	-	926,715	-	-	-	926,715

(Unit: Thousand Baht)

31 December 2019						
	Baht	US Dollars	Chinese Yuan	Hong Kong Dollars	Others	Total
Foreign exchange contracts						
- Bought	785,998	976,843	153,839	-	1,262	1,917,942
- Sold	975,827	868,028	71,433	5,128	-	1,920,416

Foreign exchange rate sensitivity analysis

Analysis of sensitivity to changes in foreign exchange rates shows the impact of potential changes in foreign exchange rates on the income statement and the shareholders' equity of the Bank when other variables are set to constant values. The risks encountered, and methods used for sensitivity analysis are unchanged from the previous period.

The effect of changes in exchange rate on profit or loss and equity as of 30 June 2020 can be summarised as follows:

(Unit: Thousand Baht)

	Sensitivity of	
	Profit or loss	Equity
Increased by 10%	1,249	1,249
Decreased by 10%	(1,249)	(1,249)

Note: The effect of increase (decrease) in exchange rate is the appreciation (depreciation) of foreign currencies compared to US Dollars.

38.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate funds for timely fulfillment of obligations.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Major source of fund is from share capital.

The Bank's guidelines for liquidity risk management involve continuous risk analysis and assessment to ensure that adequate liquidity is maintained for the business operations while risk appetites are not exceeded, and management costs are appropriate, including liquidity gap analysis covering both normal and crisis situations. Impact analysis is conducted under three scenarios i.e., a bank-specific liquidity crisis, a market-wide liquidity crisis, and a combination liquidity crisis. The Bank has also adopted a Contingency Funding Plan (CFP) to mitigate the severity of impacts that may occur and tests the plan at least once a year. In addition, the Bank manages liquidity risk in accordance with the Basel III guidelines relating to Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The maturity analysis of financial assets and liabilities presented at their carrying amounts in the statements of financial position and commitments presented at notional amount, which are computed from the remaining maturity to repayment date is as follows:

(Unit: Thousand Baht)

	30 June 2020					
		Within		More than 5	Unspecified	
	At call	1 year	1 - 5 years	years	maturity	Total
					date	
Financial assets						
Cash	153,795	-	-	-	-	153,795
Interbank and money market items	6,341,349	11,245,249	797,520	-	-	18,384,118
Derivative assets	4	165,279	2,946	-	-	168,229
Investments	-	4,767,851	6,168,074	117,216	5	11,053,146
Loans to customers ⁽¹⁾	86,542	14,193,570	28,782,774	6,676,899	-	49,739,785
Total financial assets	6,581,690	30,371,949	35,751,314	6,794,115	5	79,499,073
Financial liabilities						
Deposits	12,995,053	41,900,797	219,990	-	-	55,115,840
Interbank and money market items	170,191	4,239,827	4,586,348	-	-	8,996,366
Liabilities payable on demand	705,425	-	-	-	-	705,425
Derivative liabilities	81	100,204	2,946	-	-	103,231
Debts issued and borrowings	-	-	-	2,162,335	-	2,162,335
Lease liabilities	-	61,434	133,076	15,318	-	209,828
Total financial liabilities	13,870,750	46,302,262	4,942,360	2,177,653	-	67,293,025
Commitments						
Guarantees of loans	-	-	10,758	840,725	-	851,483
Letters of credit	695	213,640	-	-	22,047	236,382
Liabilities under unmatured						
import bills	-	67,654	-	-	-	67,654
Other commitments						
Undrawn overdraft amount	-	270,123	-	-	-	270,123
Other guarantees	66,254	4,133,974	1,993,027	36,900	9,937,791	16,167,946
Others	222,169	6,294,674	1,907,662	13,429	76,134	8,514,068

⁽¹⁾ Credit-impaired loans have been classified within loans to customers with maturity of more than 5 years.

(Unit: Thousand Baht)

31 December 2019						
	At call	Within 1 year	1 - 5 years	More than 5 years	Unspecified maturity date	Total
Financial assets						
Cash	139,719	-	-	-	-	139,719
Interbank and money market items	1,158,294	11,543,506	774,640	-	-	13,476,440
Derivative assets	-	5,113	-	-	-	5,113
Investments - net	-	4,700,837	4,828,648	-	5	9,529,490
Loans to customers ⁽¹⁾	106,863	13,789,267	24,316,289	9,151,551	-	47,363,970
Total financial assets	1,404,876	30,038,723	29,919,577	9,151,551	5	70,514,732
Financial liabilities						
Deposits	11,742,639	19,238,169	16,107,030	-	-	47,087,838
Interbank and money market items	247,168	3,200,025	5,528,097	-	-	8,975,290
Liabilities payable on demand	284,478	-	-	-	-	284,478
Derivative liabilities	-	7,747	-	-	-	7,747
Debts issued and borrowings	-	-	-	2,110,780	-	2,110,780
Total financial liabilities	12,274,285	22,445,941	21,635,127	2,110,780	-	58,466,133
Commitments						
Guarantees of loans	-	56,389	13,739	872,441	-	942,569
Letters of credit	758	259,735	-	-	33,658	294,151
Liabilities under unmatured import bills	-	6,536	-	-	-	6,536
Other commitments						
Undrawn overdraft amount	-	61,466	-	-	-	61,466
Other guarantees	51,424	4,574,232	2,752,593	634,883	9,699,185	17,712,317
Others	161,513	7,687,206	2,593,047	10,358	59,695	10,511,819

⁽¹⁾ Non-performing loans have been classified within loans to customers with maturity of more than 5 years.

In accordance with the Notification of the Bank of Thailand No. Sor Nor Sor. 2/2561 regarding liquidity coverage ratio disclosure standards, the Bank will disclose liquidity coverage ratio information as at 30 June 2020 on its website (www.bankofchina.com/th) by October 2020.

39. Reclassification

The Bank has reclassified certain accounts for comparative purpose which this reclassification has been classified to conform with the presentation in the 2020 financial statements as follows:

(Unit: Thousand Baht)		
31 December 2019		
	As reclassified	As previously reported
Statements of financial position		
Provisions	87,207	92,073
Other liabilities	723,760	718,894

The reclassifications had no effect to previously reported profit or equity.

40. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 22 September 2020.