

BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

INTERIM FINANCIAL STATEMENTS

30 JUNE 2021



Independent auditor's report

To the Board of Directors of Bank of China (Thai) Public Company Limited

My opinion

In my opinion, the interim financial statements present fairly, in all material respects, the financial position of Bank of China (Thai) Public Company Limited (the Bank) as at 30 June 2021, and its financial performance and its cash flows for the period then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Bank's interim financial statements comprise:

- the statement of financial position as at 30 June 2021;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the interim financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

Emphasis of matter

I draw attention to Note 2 of the interim financial statements, which describes the accounting policies in relation to adopting the temporary exemptions announced by the Federation of Accounting Professions to relieve the impact from COVID-19 for the reporting periods ending between 1 January 2020 and 31 December 2021. My opinion is not modified in respect to this matter.

Responsibilities of management for the interim financial statements

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

In preparing the interim 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.

The audit committee assists management in discharging their responsibilities for overseeing the Bank's financial reporting process.



Auditor's responsibilities for the audit of the interim financial statements

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

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the interim 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 interim 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 interim financial statements, including the disclosures, and whether the interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, appearing to read 'Sakuna Y'.

Sakuna Yamsakul
Certified Public Accountant (Thailand) No. 4906
Bangkok
23 September 2021

Bank of China (Thai) Public Company Limited
Statement of Financial Position
As at 30 June 2021

		30 June 2021	31 December 2020
	Notes	Thousand Baht	Thousand Baht
Assets			
Cash		149,095	146,824
Interbank and money market items - net	6	9,711,743	9,266,527
Derivative assets	7	98,278	48,364
Investments - net	8	7,904,823	12,873,976
Loans to customers and accrued interest receivables - net	9	49,640,182	45,455,163
Properties foreclosed	11	42,837	42,837
Premises and equipment - net	12	113,150	137,595
Right-of-use assets - net	13.1	332,008	343,277
Intangible assets - net	14	10,818	14,607
Deferred tax assets	29	85,669	111,959
Other assets	15	92,947	99,739
Total assets		68,181,550	68,540,868

(Mr. Li Feng)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Financial Position (Cont'd)
As at 30 June 2021

		30 June 2021	31 December 2020
	Notes	Thousand Baht	Thousand Baht
Liabilities and shareholders' equity			
Liabilities			
Deposits	16	44,430,885	47,093,872
Interbank and money market items	17	9,838,220	7,382,620
Liabilities payable on demand		63,400	355,761
Derivative liabilities	7	66,514	23,372
Debts issued and borrowings	18	2,243,731	2,102,597
Lease liabilities	13.2	317,039	320,917
Provisions	19	243,103	266,168
Accrued interest payable		96,998	270,821
Other liabilities	20	513,606	503,097
Total liabilities		57,813,496	58,319,225
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	21	64,849	114,913
Retained earnings			
Appropriated - statutory reserve	22	24,439	21,037
Unappropriated		278,766	85,693
Total equity		10,368,054	10,221,643
Total liabilities and shareholders' equity		68,181,550	68,540,868

(Mr. Li Feng)
Chief Executive Officer, Country Head

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Bank of China (Thai) Public Company Limited
Statement of Comprehensive Income
For the six-month period ended 30 June 2021

		30 June 2021	30 June 2020
	Notes	Thousand Baht	Thousand Baht
Interest income	24	716,258	925,636
Interest expenses	25	(246,416)	(504,260)
Net interest income		469,842	421,376
Fees and service income		103,878	113,620
Fees and service expenses		(9,535)	(9,693)
Net fees and service income	26	94,343	103,927
Net gains on financial instruments measured at fair value through profit or loss	27	107,442	150,818
Gains on investments		28,141	-
Other operating income		3,036	1,527
Total operating income		702,804	677,648
Other operating expenses			
Employee expenses		275,767	236,295
Directors' remunerations		2,496	2,516
Premises and equipment expenses		91,491	90,369
Taxes and duties		27,182	51,366
Other operating expenses		31,798	40,252
Total operating expenses		428,734	420,798
Expected credit losses	28	37,881	140,091
Profits from operation before income tax		236,189	116,759
Income tax	29	(39,714)	(11,733)
Profits for the periods		196,475	105,026

(Mr. Li Feng)

Chief Executive Officer, Country Head

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Bank of China (Thai) Public Company Limited
Statement of Comprehensive Income (Cont'd)
For the six-month period ended 30 June 2021

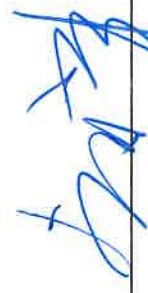
		30 June 2021	30 June 2020
	Notes	Thousand Baht	Thousand Baht
Other comprehensive income (loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gains (losses) on investments in debt instruments measured at fair value through other comprehensive income		(62,482)	53,352
Income tax relating to other comprehensive income (loss) for items that will be reclassified subsequently to profit or loss	29	12,418	(10,670)
Other comprehensive income (loss) for the periods		(50,064)	42,682
Total comprehensive income for the periods		146,411	147,708
Earnings per share			
Basic earnings per share (Baht per share)	32	0.20	0.11

(Mr. Li Feng)
Chief Executive Officer, Country Head

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Bank of China (Thai) Public Company Limited
Statement of Changes in Equity
For the six-month period ended 30 June 2021

	Other components of equity		Retained earnings		
	Issued and fully paid-up share capital	Surplus (deficit) on changes in value of investments measured at fair value through other comprehensive income	Appropriated	Unappropriated	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Balance as of 1 January 2020	10,000,000	43,730	7,818	(31,030)	13,020,518
Profit for the period	-	-	-	105,026	105,026
Other comprehensive income for the period	-	42,682	-	-	42,682
Total comprehensive income for the period	-	42,682	-	105,026	147,708
Transferred unappropriated retained earnings to statutory reserve	-	-	13,219	(13,219)	-
Balance as of 30 June 2020	10,000,000	86,412	21,037	60,777	13,168,226
Balance as of 1 January 2021	10,000,000	114,913	21,037	85,693	13,221,643
Profit for the period	-	-	-	196,475	196,475
Other comprehensive loss for the period	-	(50,064)	-	-	(50,064)
Total comprehensive income (loss) for the period	-	(50,064)	-	196,475	146,411
Transferred unappropriated retained earnings to statutory reserve	-	-	3,402	(3,402)	-
Balance as of 30 June 2021	10,000,000	64,849	24,439	278,766	13,368,054


(Mr. Li Feng)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Cash Flows
For the six-month period ended 30 June 2021

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Cash flows from operating activities		
Profits from operation before income tax	236,189	116,759
Adjustments to reconcile profits from operation before income tax to net cash received (paid) from operating activities:		
Depreciation and amortisation	53,332	59,825
Expected credit losses	37,881	140,091
Impairment charge on non-financial assets	16,445	-
Amortisation of (premium) discount on debt instruments	10,355	(8,121)
Gains on investments	(28,141)	-
Unrealised gains on changes in fair value of financial derivative instruments	(6,772)	(67,632)
Unrealised losses on exchange rate	107,497	51,555
Gains on disposal of equipments	(234)	(969)
Gains on lease modification	(1,341)	-
Losses on assets written-off	2,588	414
Withholding tax written-off	1,181	-
Provisions for long-term employee benefits	5,601	4,287
Net interest income	(469,842)	(421,376)
Cash received on interest income	768,807	930,643
Cash paid on interest expenses	(423,218)	(427,973)
Cash paid on income tax	(1,167)	(12,301)
Profits from operating activities before changes in operating assets and liabilities	309,161	365,202
(Increase) decrease in operating assets		
Interbank and money market items	(518,202)	(4,910,943)
Loans to customers	(4,259,436)	(2,388,249)
Other assets	(11,230)	23,616
Increase (decrease) in operating liabilities		
Deposits	(2,662,987)	8,028,002
Interbank and money market items	2,455,600	21,076
Liabilities payable on demand	(292,361)	420,947
Provisions for long-term employee benefits	-	(1,466)
Other liabilities	18,876	(46,130)
Net cash flows from operating activities	(4,960,579)	1,512,055

(Mr. Li Feng)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Cash Flows (Cont'd)
For the six-month period ended 30 June 2021

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Cash flows from investing activities		
Proceeds from redemption of investments	5,481,185	3,500,000
Cash paid for investments	(475,295)	(4,962,182)
Proceeds from disposal of premises and equipment	234	998
Purchases of premises and equipment	(8,826)	(6,440)
Purchases of intangible assets	(69)	(119)
Net cash flows from investing activities	4,997,229	(1,467,743)
Cash flows from financing activities		
Cash paid on lease liabilities	(34,379)	(30,236)
Net cash flows from financing activities	(34,379)	(30,236)
Net increase in cash and cash equivalents	2,271	14,076
Cash and cash equivalents as at 1 January	146,824	139,719
Cash and cash equivalents as at 30 June	149,095	153,795
Supplemental disclosures of cash flows information		
Non-cash items:		
Increase in account payables from premises and equipment purchased	7	-
Right-of-use assets	8,294	11,484

(Mr. Li Feng)
Chief Executive Officer, Country Head

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

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1 General information

Bank of China (Thai) Public Company Limited ("the Bank") is 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 2021, the Bank conducts its business through a network of 8 branches throughout all regions in Thailand (31 December 2020: 8 branches). Its major shareholder is Bank of China (Hong Kong) Limited, a company registered in Hong Kong.

These interim financial statements were authorised for issue by the Bank's Board of Directors on 23 September 2021.

2 Significant accounting policies

The significant accounting policies applied in the preparation of the Bank's interim financial statements are set out below:

2.1 Basis of preparation

The interim financial statements have been prepared in accordance with Thai Financial Reporting Standards under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547. The primary financial statements (including statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows) are prepared in the full format as required by the Notification of the Bank of Thailand ("BOT"), No. SorNorSor. 21/2561 dated 31 October 2018, "The Preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group" and BOT circular letter No. TorPorTor ForNorSor (23) Wor 276/2563 dated 28 February 2020, "The Relief Programs for Customers Affected by Thai Economic Situations".

The interim financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of interim financial statements in conformity with Thai Financial Reporting Standard requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial statements are disclosed in Note 4.

An English version of the interim financial statements has been prepared from the interim financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial statements shall prevail.

2.2 New and amended financial reporting standards

Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2022 and have significant impacts to the Bank.

Certain amended TFRSs have been issued that are not mandatory for the current reporting period and have not been early adopted by the Bank.

Interest rate benchmark (IBOR) reform – phase 2, amendments to TFRS 9, TFRS 7, TFRS 16 and TFRS 4, and accounting guidance for insurance business provide relief measures addressing issues that might affect financial reporting during the reform, including the effects of changes to contractual cash flows or hedging relationship arising from the replacement of one benchmark with an alternative benchmark.

Key relief measures of the phase 2 amendments which are relevant to the Bank are as follows:

- When changing the basis for determining contractual cash flows for financial assets and financial liabilities (including lease liabilities), changes that are necessary as a direct result of the IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. TFRS 16 has also been amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of the IBOR reform.

TFRS 7 requires additional disclosure about:

- The nature and extent of risks arising from the IBOR reform to which the entity is exposed to
- How the entity manages those risks
- The entity's progress in transitioning from the IBOR to alternative benchmark rates and how the entity is managing this transition.

2.3 Revenue recognition

a) Interest and discount

The Bank recognises interest income on an accrual basis by using the effective interest 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 method over the period to maturity.

b) Fees and service income

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 including income recognised over the time of servicing such as fees and service income from acceptances, avals and guarantees, certain fee income received from corporate business customers and income recognised at a point in time such as other fee income related to transaction business of the bank.

c) Interest on investments

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

2.4 Expenses recognition

The Bank recognises expenses on an accrual basis.

2.5 Cash

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

2.6 Interbank and money market items (assets/liabilities)

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

2.7 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).

2.8 Financial instruments

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 statement of comprehensive income. Gains or losses on foreign exchange, expected credit losses, and interest income calculated using the effective interest 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.

Income from investments and disposals of investments

Gains or 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.

The Bank applies staging guideline to debtors, who make debt restructuring contract as a result from being affected by the situation impacting the Thai economy, from BOT circular letter number TorPorTor ForNorSor (23) Wor 276/2563 regarding to "The relief programs for customers affected by Thai economic situations." with effective date from 1 January 2020 until 31 December 2021 as following detail:

- The Bank will classify debt restructuring for debtors without non-performing loans (non-NPL) as Stage 1 immediately. If analysing the status and business of debtors and it's clear that the debtors can comply with debt restructuring agreements without waiting for the results of debt restructuring compliance conditions, it will be considered as pre-emptive debt restructuring and not troubled debt restructuring (TDR).
- The Bank will classify debt restructuring for debtors with non-performing loans (NPL) as Stage 1 if the debtors can repay in accordance with the debt restructuring contract for three consecutive months or three instalment payment periods, whichever period is longer.
- In case that the debt restructuring causes the previously effective interest rate (EIR) no longer reflect the estimated cash flow received from the loan. The Bank can use new calculated EIR as an interest rate for the new debt restructuring under the guidelines of the Bank of Thailand circular.

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.

Offsetting

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right of set-off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Cash collateral on exchange traded derivative transactions is presented gross unless the collateral cash flows are always settled net with the derivative cash flows. In certain situations, even though master netting agreements exist, the lack of management intention to settle on a net basis results in the financial assets and liabilities being reported gross on the statement of financial position.

2.9 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.

2.10 Allowance for expected credit losses on financial assets

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 period-end 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 being 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 for debt instruments measured at fair value through other comprehensive income in profit or loss as expected credit losses.

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 (undrawn credit facility). The measurement of expected credit losses on 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.

2.11 Properties foreclosed

Properties foreclosed consist of immovable and movable properties which are stated at lower of cost or net realisable value which referred from the latest appraised value less estimated selling expenses, which are additionally adjusted considering the type and characteristic of the properties in accordance with BOT's guideline. The Bank recognises losses on impairment or reversal of losses on impairment as other operating expenses or income in the statements of comprehensive income. Gains or losses on disposals of those properties foreclosed after deducting selling expenses are recognised as other operating income or expenses in the statements of comprehensive income, except for sales that allow buyer to borrow money which gains or losses on disposals will be recognised in accordance with the BOT's guidelines.

According to the BOT's Policy No. Thor Por Thor, Phor Thor Sor. (23) Wor.575/2562 dated 8 May 2019, regarding Delivery Policy of Appraisal Guarantee and Properties foreclosed acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institutions, all properties foreclosed are appraised by the external appraisers. Except for properties foreclosed in risk areas in the southern region (Pattani, Yala, Narathiwat and Sadao District of Songkhla) with a book value of less than Baht 50 million, appraised by an internal appraiser or an external appraiser on a case-by-case basis.

2.12 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at the end of each reporting period.

No depreciation is determined for assets under construction/installation.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

2.13 Leases

At inception of contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank as a lessee

The Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Bank recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

At the commencement date, right-of-use assets are measured at cost, less accumulated depreciation, any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received.

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, lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising an option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the year in which the event or condition that triggers the payment occurs.

The Bank discounted the present value of the lease payments 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 change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and Leases of low-value assets

Payments under a lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

2.14 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.

2.15 Impairment of non-financial assets

At the end of each reporting period, 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 years. Such reversal is recognised in profit or loss.

2.16 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.

Remeasurements of post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise and are included in retained earnings in the statements of changes in equity.

Past-service costs are recognised immediately in profit or loss.

2.17 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.

2.18 Current and deferred income taxes

The tax expense for the period comprises of the current and deferred income taxes. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Bank's operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is recognised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Foreign currencies

The interim financial statements are 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.

2.20 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.

3 Significant events during the current period

3.1 Coronavirus disease 2019 (COVID-19) pandemic

The Coronavirus disease 2019 (COVID-19) pandemic is impacting various businesses and industries both directly and indirectly, resulting in an economic slowdown. 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 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.

3.2 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 ("BOT") No. For Nor Sor. (23) Wor. 276/2563 "Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy" and the circular of the Bank of Thailand ("BOT") No. For Nor Sor. (01) Wor. 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 applied 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 ("BOT") No. For Nor Sor. (01) Wor. 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 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 ("BOT") No. For Nor Sor. (01) Wor. 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 general approach is used in determining expected credit losses.

As at 30 June 2021, the Bank has provided assistance to 156 affected debtors in total (31 December 2020: 126 affected debtors in total) which 6 debtors classified as corporate loans and 150 as retail loans (31 December 2020: 8 debtors classified as corporate loans and 118 as retail loans) with outstanding balances of Baht 1,744 million (31 December 2020: Baht 3,014 million) whose classification remains at the same stage as prior to the measures.

4 Significant accounting judgements and estimates

The preparation of interim 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:

4.1 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.

4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 Leases

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

In determining the lease term, the management is required to exercise judgement in assessing whether the Bank is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Bank to exercise either the extension or termination option.

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

4.7 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.

4.8 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.

4.9 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.

5 Classification of financial assets and liabilities

	30 June 2021				
	Financial Instruments measured at fair value through profit or loss Thousand Baht	Financial instruments measured at fair value through other comprehensive income Thousand Baht	Investments in equity Instruments designated at fair value through other comprehensive income Thousand Baht	Financial Instruments measured at amortised cost Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	-	149,095	149,095
Interbank and money market items - net	-	-	-	9,711,743	9,711,743
Derivative assets	98,278	-	-	-	98,278
Investments - net	-	7,904,818	5	-	7,904,823
Loans to customers and accrued interest receivables - net	-	-	-	49,640,182	49,640,182
Total financial assets	98,278	7,904,818	5	59,501,020	67,504,121
Financial liabilities					
Deposits	-	-	-	44,430,885	44,430,885
Interbank and money market items	-	-	-	9,838,220	9,838,220
Liabilities payable on demand	-	-	-	63,400	63,400
Derivative liabilities	66,514	-	-	-	66,514
Debts issued and borrowings	-	-	-	2,243,731	2,243,731
Lease liabilities	-	-	-	317,039	317,039
Total financial liabilities	66,514	-	-	56,893,275	56,959,789
	31 December 2020				
	Financial Instruments measured at fair value through profit or loss Thousand Baht	Financial instruments measured at fair value through other comprehensive income Thousand Baht	Investments in equity Instruments designated at fair value through other comprehensive income Thousand Baht	Financial Instruments measured at amortised cost Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	-	146,824	146,824
Interbank and money market items - net	-	-	-	9,266,527	9,266,527
Derivative assets	48,364	-	-	-	48,364
Investments - net	-	12,873,971	5	-	12,873,976
Loans to customers and accrued interest receivables - net	-	-	-	45,455,163	45,455,163
Total financial assets	48,364	12,873,971	5	54,868,514	67,790,854
Financial liabilities					
Deposits	-	-	-	47,093,872	47,093,872
Interbank and money market items	-	-	-	7,382,620	7,382,620
Liabilities payable on demand	-	-	-	355,761	355,761
Derivative liabilities	23,372	-	-	-	23,372
Debts issued and borrowings	-	-	-	2,102,597	2,102,597
Lease liabilities	-	-	-	320,917	320,917
Total financial liabilities	23,372	-	-	57,255,767	57,279,139

6 Interbank and money market items (assets)

	30 June 2021			31 December 2020		
	At call Thousand Baht	Term Thousand Baht	Total Thousand Baht	At call Thousand Baht	Term Thousand Baht	Total Thousand Baht
Domestic items						
Bank of Thailand and Financial Institutions Development Fund	1,344,081	-	1,344,081	1,210,500	-	1,210,500
Commercial banks	54,912	4,400,000	4,454,912	84,636	5,500,000	5,584,636
Total	1,398,993	4,400,000	5,798,993	1,295,136	5,500,000	6,795,136
<u>Add</u> Accrued interest receivables	-	62	62	-	146	146
<u>Less</u> Allowance for expected credit losses	-	(12)	(12)	-	(22)	(22)
Total domestic items	1,398,993	4,400,050	5,799,043	1,295,136	5,500,124	6,795,260
Foreign items						
US Dollar	918,823	1,276,577	2,195,400	835,250	315,606	1,150,856
Yen	2,422	-	2,422	5,384	-	5,384
Euro	36,218	-	36,218	42,385	-	42,385
Hong Kong Dollar	3,976	826,120	830,096	1,567	775,060	776,627
Chinese Yuan	31,288	857,969	889,257	27,056	461,870	488,926
Other currencies	70,903	-	70,903	45,773	-	45,773
Total	1,063,630	2,960,666	4,024,296	957,415	1,552,536	2,509,951
<u>Add</u> Accrued interest receivables	-	443	443	-	1,066	1,066
<u>Less</u> Deferred income	-	(108,974)	(108,974)	-	(36,714)	(36,714)
<u>Less</u> Allowance for expected credit losses	-	(3,065)	(3,065)	-	(3,036)	(3,036)
Total foreign items	1,063,630	2,849,070	3,912,700	957,415	1,513,852	2,471,267
Total domestic and foreign items	2,462,623	7,249,120	9,711,743	2,252,551	7,013,976	9,266,527

7 Derivatives

Derivatives held for trading

As at 30 June 2021 and 31 December 2020, the Bank has fair value and notional amount of derivatives held for trading classified by type of risk as follows:

Type of risk	30 June 2021			31 December 2020		
	Fair value		Notional Amount [*] Thousand Baht	Fair value		Notional Amount [*] Thousand Baht
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Foreign exchange	97,061	65,297	5,915,265	44,938	19,946	5,244,532
Interest rate	1,217	1,217	961,599	3,426	3,426	901,113
Total	98,278	66,514	6,876,864	48,364	23,372	6,145,645

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

8 Investments

Classified by type of investments

As at 30 June 2021 and 31 December 2020, the Bank has investments, as detailed follows:

	30 June 2021 Fair value Thousand Baht	31 December 2020 Fair value Thousand Baht
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state enterprises instruments	6,635,942	11,317,943
Private debt instruments	35,786	884,593
Foreign debt instruments	1,238,791	683,924
Total	7,910,519	12,886,460
Allowance for expected credit losses	5,701	12,489
Investments in equity instruments designated at fair value through other comprehensive income		
Non-marketable domestic equity instruments	5	5
Total	5	5
Investments - net	7,904,823	12,873,976

As at 30 June 2021, Government bonds amounting to Baht 5,765 million (31 December 2020: Baht 10,390 million) are used as collateral for credit balance on clearing position with the Bank of Thailand.

9 Loans to customers and accrued interest receivables

9.1 Classified by loan type

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Overdrafts	95,978	70,969
Loans	50,993,126	46,760,040
Trade bills	51,277	49,936
Total loans to customers	51,140,381	46,880,945
<u>Add</u> Interest receivables and undue interest receivables	164,703	140,227
Total loans to customers and accrued interest receivables	51,305,084	47,021,172
<u>Less</u> Deferred income	(83,952)	(97,783)
Total loans to customers and interest receivables net of deferred income	51,221,132	46,923,389
<u>Less</u> Allowance for expected credit losses	(1,580,950)	(1,468,226)
Total loans to customers and accrued interest receivables - net	49,640,182	45,455,163

9.2 Classified by currency and residency of debtors

	30 June 2021			31 December 2020		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Baht	33,998,994	-	33,998,994	31,185,549	-	31,185,549
US Dollar	6,272,060	9,399,566	15,671,626	5,279,281	8,892,576	14,171,857
Euro	-	1,144,239	1,144,239	-	1,106,292	1,106,292
Other currencies	158	325,364	325,522	107,843	309,404	417,247
Total loans to customers	40,271,212	10,869,169	51,140,381	36,572,673	10,308,272	46,880,945

9.3 Classified by loan classification

	30 June 2021	
	Loans to customers and accrued interest receivables Thousand Baht	Allowance for expected credit losses Thousand Baht
Financial assets where there has not been a significant increase in credit risk (Performing)	48,298,414	597,653
Financial assets where there has been a significant increase in credit risk (Under-Performing)	1,147,039	181,552
Financial assets that are credit-impaired (Non-Performing)	1,859,631	801,745
Total	51,305,084	1,580,950
	31 December 2020	
	Loans to customers and accrued interest receivables Thousand Baht	Allowance for expected credit losses Thousand Baht
Financial assets where there has not been a significant increase in credit risk (Performing)	44,990,028	579,641
Financial assets where there has been a significant increase in credit risk (Under-Performing)	281,470	15,386
Financial assets that are credit-impaired (Non-Performing)	1,749,674	873,199
Total	47,021,172	1,468,226

9.4 Movement of loans to customers and interest receivables

	30 June 2021			
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL) Thousand Baht	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) Thousand Baht	Financial assets that are credit-impaired (Lifetime ECL - credit impaired) Thousand Baht	Total Thousand Baht
Loans to customers and accrued interest receivables				
Beginning balance	44,990,028	281,470	1,749,674	47,021,172
Changes due to changes in stages	(826,347)	815,239	11,108	-
New financial assets purchased or acquired	13,000,290	147,223	-	13,147,513
Derecognised financial assets	(7,514,763)	(77,281)	(2,521)	(7,594,565)
Changes due to collection and modification	(2,035,759)	(61,563)	107	(2,097,215)
Bad debt written - off	-	-	(4,063)	(4,063)
Foreign exchange	672,655	41,245	87,173	801,073
Other	12,310	706	18,153	31,169
Ending balance	48,298,414	1,147,039	1,859,631	51,305,084

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	31 December 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
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Loans to customers and accrued interest receivables				
Beginning balance	46,572,993	128,939	795,998	47,497,930
Changes due to changes in stages	(1,317,039)	163,062	1,153,977	-
New financial assets purchased or acquired	15,149,143	124,727	-	15,273,870
Derecognised financial assets	(12,355,411)	(75,902)	(170,501)	(12,601,814)
Changes due to collection and modification	(3,180,610)	(58,646)	(31,447)	(3,270,703)
Bad debt written - off	-	-	(18,926)	(18,926)
Foreign exchange	83,256	-	(5,025)	78,231
Other	37,696	(710)	25,598	62,584
Ending balance	44,990,028	281,470	1,749,674	47,021,172

10 Allowance for expected credit losses

	30 June 2021			
	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
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Interbank and money market items (assets)				
Beginning balance	3,058	-	-	3,058
Changes due to revaluation of allowance for credit losses	(104)	-	-	(104)
New financial assets purchased or acquired	152	-	-	152
Derecognised financial assets	(29)	-	-	(29)
Ending balance	3,077	-	-	3,077
Investments in debt instruments measured at fair value through other comprehensive income				
Beginning balance	12,489	-	-	12,489
Changes due to revaluation of allowance for credit losses	2,037	-	-	2,037
New financial assets purchased or acquired	92	-	-	92
Derecognised financial assets	(8,917)	-	-	(8,917)
Ending balance	5,701	-	-	5,701
Loans to customers and accrued interest receivables				
Beginning balance	579,641	15,386	873,199	1,468,226
Changes due to changes in stages	(18,774)	17,643	1,131	-
Changes due to revaluation of allowance for credit losses	(39,371)	149,292	(68,329)	41,592
New financial assets purchased or acquired	115,301	2,381	-	117,682
Derecognised financial assets	(39,144)	(3,150)	(2,521)	(44,815)
Bad debt written-off	-	-	(4,063)	(4,063)
Bad debt recovery	-	-	2,328	2,328
Ending balance	597,653	181,552	801,745	1,580,950

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	31 December 2020			
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL) Thousand Baht	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) Thousand Baht	Financial assets that are credit- impaired (Lifetime ECL - credit impaired) Thousand Baht	Total Thousand Baht
Interbank and money market items (assets)				
Beginning balance	3,280	-	-	3,280
Changes due to revaluation of allowance for credit losses	220	-	-	220
New financial assets purchased or acquired	75	-	-	75
Derecognised financial assets	(517)	-	-	(517)
Ending balance	3,058	-	-	3,058
Investments in debt instruments measured at fair value through other comprehensive income				
Beginning balance	8,729	-	-	8,729
Changes due to revaluation of allowance for credit losses	2,327	-	-	2,327
New financial assets purchased or acquired	3,825	-	-	3,825
Derecognised financial assets	(2,392)	-	-	(2,392)
Ending balance	12,489	-	-	12,489
Loans to customers and accrued interest receivables				
Beginning balance	805,027	12,150	504,328	1,321,505
Changes due to changes in stages	(25,851)	18,623	7,228	-
Changes due to revaluation of allowance for credit losses	(261,652)	(12,720)	511,023	236,651
New financial assets purchased or acquired	195,830	-	-	195,830
Derecognised financial assets	(133,713)	(2,667)	(134,779)	(271,159)
Bad debt written-off	-	-	(18,926)	(18,926)
Bad debt recovery	-	-	4,325	4,325
Ending balance	579,641	15,386	873,199	1,468,226

11 Properties foreclosed

Properties foreclosed as of 30 June 2021 and 31 December 2020 are summarised as follows:

Type of properties foreclosed	30 June 2021			Ending balance Thousand Baht
	Beginning balance Thousand Baht	Increase Thousand Baht	Decrease Thousand Baht	
Assets from debt repayment				
Immovable properties				
- Appraised by external appraisers	42,837	-	-	42,837
Total	42,837	-	-	42,837
<u>Less</u> Allowance for impairment	-	-	-	-
Total properties foreclosed	42,837	-	-	42,837
Type of properties foreclosed	31 December 2020			Ending balance Thousand Baht
	Beginning balance Thousand Baht	Increase Thousand Baht	Decrease Thousand Baht	
Assets from debt repayment				
Immovable properties				
- Appraised by external appraisers	-	42,837	-	42,837
Total	-	42,837	-	42,837
<u>Less</u> Allowance for impairment	-	-	-	-
Total properties foreclosed	-	42,837	-	42,837

12 Premises and equipment

Movements of the premises and equipment are summarised as follows:

	Building and building improvements Thousand Baht	Computer equipment Thousand Baht	Furniture and office equipment Thousand Baht	Vehicles Thousand Baht	Asset under construction/ Installation Thousand Baht	Total Thousand Baht
As at 1 January 2021						
Cost	287,078	74,281	133,675	30,189	1,396	526,619
<u>Less</u> Accumulated depreciation	(179,076)	(62,533)	(116,866)	(28,150)	-	(386,625)
<u>Less</u> Accumulated impairment	(2,399)	-	-	-	-	(2,399)
Net book amount	105,603	11,748	16,809	2,039	1,396	137,595
For the six-month period ended 30 June 2021						
Opening net book amount	105,603	11,748	16,809	2,039	1,396	137,595
Additions	3,299	4,801	726	-	-	8,826
Transfer in (out)	1,396	-	-	-	(1,396)	-
Disposal, net	-	-	-	-	-	-
Write-off, net	(2,588)	-	-	-	-	(2,588)
Depreciation charge	(6,519)	(3,291)	(6,062)	(312)	-	(16,184)
Impairment charge	(14,499)	-	-	-	-	(14,499)
Closing net book amount	86,692	13,258	11,473	1,727	-	113,150
As at 30 June 2021						
Cost	287,761	79,082	134,401	28,591	-	529,835
<u>Less</u> Accumulated depreciation	(184,171)	(65,824)	(122,928)	(26,864)	-	(399,787)
<u>Less</u> Accumulated impairment	(16,898)	-	-	-	-	(16,898)
Net book amount	86,692	13,258	11,473	1,727	-	113,150
As at 1 January 2020						
Cost	343,403	73,619	132,311	36,465	2,085	587,883
<u>Less</u> Accumulated depreciation	(203,896)	(64,170)	(100,377)	(35,212)	-	(403,655)
Transfer to right-of-use assets due to TFRS 16 adoption	(23,304)	-	-	-	-	(23,304)
Net book amount	116,203	9,449	31,934	1,253	2,085	160,924
For the year ended 31 December 2020						
Opening net book amount	116,203	9,449	31,934	1,253	2,085	160,924
Additions	3,312	9,824	2,254	2,050	1,396	18,836
Transfer in (out)	1,406	-	679	-	(2,085)	-
Disposal, net	-	(2)	(3)	(9)	-	(14)
Depreciation charge	(12,919)	(7,523)	(18,055)	(1,255)	-	(39,752)
Impairment charge	(2,399)	-	-	-	-	(2,399)
Closing net book amount	105,603	11,748	16,809	2,039	1,396	137,595
As at 31 December 2020						
Cost	287,078	74,281	133,675	30,189	1,396	526,619
<u>Less</u> Accumulated depreciation	(179,076)	(62,533)	(116,866)	(28,150)	-	(386,625)
<u>Less</u> Accumulated impairment	(2,399)	-	-	-	-	(2,399)
Net book amount	105,603	11,748	16,809	2,039	1,396	137,595

Depreciation included in profit or loss for the six-month periods ended 30 June 2021 and 2020 are summarised as follows:

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Depreciation for the periods	16,184	20,839

As at 30 June 2021, 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 316 million (31 December 2020: Baht 298 million).

13 Leases

The Bank has entered into the lease agreements for rental of premises 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.

13.1 Right-of-use assets

Movements of the right-of-use assets are summarised below:

	Building Thousand Baht
As at 1 January 2021	
Cost	451,041
<u>Less</u> Accumulated depreciation	(107,764)
Net book amount	343,277
For the six-month period ended 30 June 2021	
Opening net book amount	343,277
Additions	8,294
Lease modifications and reassessment	16,560
Depreciation charge	(34,177)
Impairment charge	(1,946)
Closing net book amount	332,008
As at 30 June 2021	
Cost	445,225
<u>Less</u> Accumulated depreciation	(111,271)
<u>Less</u> Accumulated impairment	(1,946)
Net book amount	332,008
As at 1 January 2020	
Cost	282,156
<u>Less</u> Accumulated depreciation - Transfer from building	(37,739)
Net book amount	244,417
For the year ended 31 December 2020	
Opening net book amount	244,417
Additions	168,885
Depreciation charge	(70,025)
Closing net book amount	343,277
As at 31 December 2020	
Cost	451,041
<u>Less</u> Accumulated depreciation	(107,764)
Net book amount	343,277

13.2 Lease liabilities

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Lease payments	343,258	350,635
<u>Less</u> Deferred interest expenses	(26,219)	(29,718)
Total	317,039	320,917

A maturity analysis of lease payments is disclosed in Note 36.3 to the interim financial statements under the liquidity risk.

13.3 Expenses relating to leases that are recognised in profit or loss

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Depreciation of right-of-use assets	34,177	28,956
Interest expenses on lease liabilities	5,388	3,683
Expenses relating to lease of low-value assets	-	1,121
Gains on lease modification	(1,341)	-

The Bank had total cash outflows for leases for the six-month period ended 30 June 2021 of Baht 34.38 million (30 June 2020: Baht 30.24 million).

14 Intangible assets

	License fee Thousand Baht	Computer software Thousand Baht	Total Thousand Baht
As at 1 January 2021			
Cost	37,998	21,610	59,608
<u>Less</u> Accumulated amortisation	(33,794)	(11,207)	(45,001)
Net book amount	4,204	10,403	14,607
For the six-month period ended 30 June 2021			
Opening net book amount	4,204	10,403	14,607
Additions	69	-	69
Disposal, net	-	(887)	(887)
Amortisation charge	(1,897)	(1,074)	(2,971)
Closing net book amount	2,376	8,442	10,818
As at 30 June 2021			
Cost	38,067	20,716	58,783
<u>Less</u> Accumulated amortisation	(35,691)	(12,274)	(47,965)
Net book amount	2,376	8,442	10,818
As at 1 January 2020			
Cost	35,965	19,672	55,637
<u>Less</u> Accumulated amortisation	(30,153)	(9,316)	(39,469)
Net book amount	5,812	10,356	16,168
For the year ended 31 December 2020			
Opening net book amount	5,812	10,356	16,168
Additions	2,033	1,938	3,971
Amortisation charge	(3,641)	(1,891)	(5,532)
Closing net book amount	4,204	10,403	14,607
As at 31 December 2020			
Cost	37,998	21,610	59,608
<u>Less</u> Accumulated amortisation	(33,794)	(11,207)	(45,001)
Net book amount	4,204	10,403	14,607

Amortisation included in profit or loss for the six-month periods ended 30 June 2021 and 2020 are summarised as follows:

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Amortisation for the periods	2,971	2,684

As at 30 June 2021, 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 2 million (31 December 2020: Baht 2 million).

15 Other assets

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Accrued interest receivables from investments	34,787	42,321
Deposits	22,368	22,146
Prepaid expenses	19,513	15,692
Others	16,279	19,580
Total	92,947	99,739

16 Deposit

16.1 Classified by type of deposits

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Current accounts	505,172	577,467
Saving accounts	18,011,828	16,410,398
Fixed accounts		
- not over 6 months	5,442,966	1,974,175
- 6 months and up to 1 year	12,562,825	17,600,798
- over 1 year	7,908,094	10,531,034
Total	44,430,885	47,093,872

16.2 Classified by currency and residency of deposits

	30 June 2021			31 December 2020		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Baht	33,322,373	33,985	33,356,358	36,980,291	23,159	37,003,450
US Dollar	8,651,322	283,833	8,935,155	8,354,023	238,556	8,592,579
Chinese Yuan	2,096,630	440	2,097,070	1,456,133	408	1,456,541
Other currencies	37,168	5,134	42,302	36,383	4,919	41,302
Total	44,107,493	323,392	44,430,885	46,826,830	267,042	47,093,872

17 Interbank and money market items (liabilities)

	30 June 2021			31 December 2020		
	At call Thousand Baht	Term Thousand Baht	Total Thousand Baht	At call Thousand Baht	Term Thousand Baht	Total Thousand Baht
Domestic items						
Commercial banks	10,909	-	10,909	4,660	-	4,660
Total domestic items	10,909	-	10,909	4,660	-	4,660
Foreign items						
Baht	220,229	-	220,229	163,499	-	163,499
US Dollars	-	7,311,358	7,311,358	-	5,023,705	5,023,705
Hong Kong Dollars	-	826,120	826,120	-	775,060	775,060
Australian Dollars	-	325,365	325,365	-	309,404	309,404
Euro	-	1,144,239	1,144,239	-	1,106,292	1,106,292
Total foreign items	220,229	9,607,082	9,827,311	163,499	7,214,461	7,377,960
Total domestic and foreign items	231,138	9,607,082	9,838,220	168,159	7,214,461	7,382,620

18 Debts issued and borrowings

As at 30 June 2021 and 31 December 2020, debts issued and borrowings classified by type of securities, maturity and interest rate are as follows:

Type	Maturity	Interest rate per annum (%)	Currency	30 June 2021			31 December 2020		
				Amount			Amount		
				Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Subordinated debentures	21 August 2027	3M LIBOR + 0.3	USD	-	2,243,731	2,243,731	-	2,102,597	2,102,597
Total				-	2,243,731	2,243,731	-	2,102,597	2,102,597

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 plus 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 2021 and 31 December 2020, 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.

19 Provisions

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Allowance for expected credit losses on loan commitments and financial guarantee contracts	130,439	157,505
Provision for restoration and dismantling cost	72,522	74,122
Provision for long-term employee benefits	40,142	34,541
Total	243,103	266,168

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

As at 30 June 2021 and 31 December 2020, allowance for expected credit losses of loan commitments and financial guarantee contracts by classification are as follows:

	30 June 2021	
	Loan commitments and financial guarantee contracts Thousand Baht	Allowance for expected credit losses Thousand Baht
Financial assets where there has not been a significant increase in credit risk (Performing)	32,737,871	53,216
Financial assets where there has been a significant increase in credit risk (Under-Performing)	93,999	3,073
Financial assets that are credit-impaired (Non-Performing)	74,150	74,150
Total	32,906,020	130,439
	31 December 2020	
	Loan commitments and financial guarantee contracts Thousand Baht	Allowance for expected credit losses Thousand Baht
Financial assets where there has not been a significant increase in credit risk (Performing)	32,711,227	79,859
Financial assets where there has been a significant increase in credit risk (Under-Performing)	131,606	3,496
Financial assets that are credit-impaired (Non-Performing)	74,150	74,150
Total	32,916,983	157,505

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

30 June 2021				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL) Thousand Baht	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) Thousand Baht	Financial assets that are credit-impaired (Lifetime ECL - credit impaired) Thousand Baht	Total Thousand Baht
Beginning balance	79,859	3,496	74,150	157,505
Changes due to changes in stages	24	(24)	-	-
Changes due to revaluation of allowance for credit losses	(17,365)	(186)	-	(17,551)
New loan commitments/ guarantee contracts issued	8,750	20	-	8,770
Derecognised financial assets	(18,052)	(233)	-	(18,285)
Ending balance	53,216	3,073	74,150	130,439

31 December 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL) Thousand Baht	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) Thousand Baht	Financial assets that are credit-impaired (Lifetime ECL - credit impaired) Thousand Baht	Total Thousand Baht
Beginning balance	75,297	1,577	74,250	151,124
Changes due to changes in stages	90	(90)	-	-
Changes due to revaluation of allowance for credit losses	(7,406)	2,005	-	(5,401)
New loan commitments/ guarantee contracts issued	39,351	81	-	39,432
Derecognised financial assets	(27,473)	(77)	(100)	(27,650)
Ending balance	79,859	3,496	74,150	157,505

19.2 Provisions for long-term employee benefits

Changes in provisions for long-term employee benefits for the six-month period ended 30 June 2021 and for the year ended 31 December 2020 can be summarised as follows:

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Provisions for long-term employee benefits at the beginning of the period/year	34,541	26,164
Recognised in profit or loss:		
Current service cost	5,426	8,206
Interest cost	175	368
Past service cost	-	-
Total benefits recognised in profit or loss	5,601	8,574
Recognised in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumption changes	-	(1,163)
Financial assumption changes	-	1,384
Experience adjustments	-	1,048
Total benefits recognised in other comprehensive income	-	1,269
Benefits paid during the period/year	-	(1,466)
Provisions for long-term employee benefits at the end of the period/year	40,142	34,541

As at 30 June 2021, the Bank does not expect to pay long-term employee benefits in the next one year (31 December 2020: Nil).

As at 30 June 2021, the weighted average duration of the Bank's long-term employee benefit obligation is 8 years (31 December 2020: 8 years).

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

	30 June 2021 Percentage per annum	31 December 2020 Percentage per annum
Average salary incremental rate	5.00	5.00
Average staff turnover rate	0.00 - 28.00	0.00 - 28.00
Discount rate	1.01	1.01

Sensitivity analysis for principal assumptions that affects provisions for long-term employee benefits as at 30 June 2021 and 31 December 2020 are summarised as follows:

	30 June 2021		31 December 2020	
	Increased by 1% Thousand Baht	Decreased by 1% Thousand Baht	Increased by 1% Thousand Baht	Decreased by 1% Thousand Baht
Average salary incremental rate	3,204	(2,889)	2,671	(2,416)
Average staff turnover rate	(3,153)	1,847	(2,828)	1,653
Discount rate	(2,919)	3,300	(2,621)	2,963

20 Other liabilities

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Accrued expenses	126,493	185,757
Cash subscription payable	203,013	203,013
Corporate income tax payable	-	-
Other liabilities payable on behalf of Bank of China Limited, Bangkok branch	10,789	10,789
Others	173,311	103,538
Total other liabilities	513,606	503,097

21 Other components of equity

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Revaluation surplus (deficit) on investments		
Revaluation surplus on investments		
Debt instruments	83,631	147,609
Revaluation deficit on investments		
Debt instruments	(2,494)	(3,989)
Total revaluation surplus on investment measured fair value through other comprehensive income	81,137	143,620
Less Income tax effects	(16,288)	(28,707)
Revaluation surplus on investments measured through other comprehensive income - net of income tax	64,849	114,913

22 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 for the year 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.

23 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 2021 and 31 December 2020, Capital funds of the Bank calculated in accordance with the BOT's guidelines with reference to Basel III framework consist of the following:

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Tier I capital		
Common Equity Tier I capital		
Issued and fully paid-up share capital	10,000,000	10,000,000
Statutory reserve	24,439	21,037
Retained earnings after appropriation	462,647	398,006
Other components of equity	64,849	114,913
<u>Less</u> Deduction items from Common Equity Tier I	(352,098)	(315,533)
Total Tier I capital	10,199,837	10,218,423
Tier II capital		
Subordinated debentures	2,325,729	2,325,729
Total Tier II capital	2,325,729	2,325,729
Total capital funds	12,525,566	12,544,152

	30 June 2021		31 December 2020	
	Minimum requirement by BOT Percentage	The Bank Percentage	Minimum requirement by BOT Percentage	The Bank Percentage
Capital Adequacy Ratio				
Common Equity Tier I to risk-weighted assets	7.00	16.70	7.00	17.82
Tier I capital funds to risk-weighted assets	8.50	16.70	8.50	17.82
Total capital funds to risk-weighted assets	11.00	20.51	11.00	21.88

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 2021 on its website (www.bankofchina.com/th) by October 2021.

24 Interest income

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Interbank and money market items	37,330	73,814
Investments in debt instruments	69,228	81,817
Loans to customers	609,700	770,005
Total interest income	716,258	925,636

25 Interest expenses

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Deposits	157,715	330,903
Interbank and money market items	36,018	95,886
Contributions to the Deposit Protection Agency	42,057	54,163
Debts issued and borrowings	5,238	19,625
Others	5,388	3,683
Total interest expense	246,416	504,260

26 Net fees and service income

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Fees and service income		
- Acceptances, avals and guarantees	40,459	44,125
- Others	63,419	69,495
Total fees and service income	103,878	113,620
Fees and service expenses	(9,535)	(9,693)
Net fees and service income	94,343	103,927

27 Net gains on financial instruments measured at fair value through profit or loss

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Foreign currencies and derivatives on foreign exchange	107,442	150,818
Total	107,442	150,818

28 Expected credit losses

Expected credit losses for financial assets for the six-month periods ended 30 June 2021 and 2020 are as follows:

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Interbank and money market items	(214)	14
Debt instruments measured at fair value through other comprehensive income	(6,792)	(2,337)
Loans to customers and accrued interest receivables	72,846	145,348
Total	65,840	143,025
Loan commitments and financial guarantee contracts	(27,959)	(2,934)
Total expected credit losses	37,881	140,091

29 Income tax

Income tax expenses of the Bank for the six-month periods ended 30 June 2021 and 2020 are as follows:

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Current income tax		
Income tax for the periods	-	9,917
Adjustments in respect of corporate income tax of previous years	1,006	(2,578)
Deferred tax		
Deferred tax on temporary differences and reversal of temporary differences	38,708	5,459
Deferred tax effect from change in tax rate	-	(1,065)
Income tax expenses reported in the statement of comprehensive income	39,714	11,733

The amount of income tax relating to each component of other comprehensive income for the six-month periods ended 30 June 2021 and 2020 are as follows:

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Revaluation surplus (deficit) on investments	12,418	(10,670)
Income tax recorded directly to other comprehensive income	12,418	(10,670)

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 2021 and 2020 are as follows:

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Accounting profits before tax	236,189	116,759
Applicable tax rates	20%	10% and 20%
Accounting profits before tax multiplied by applicable tax rate	47,238	23,044
Adjustments in respect of corporate income tax of previous years	1,006	(2,578)
Tax effect of non-taxable income and non-deductible expenses	980	(7,668)
Utilisation of previously unrecognised tax losses	(9,510)	-
Deferred tax effect from change in tax rate	-	(1,065)
Income tax expenses reported in the statement of comprehensive income	39,714	11,733

The weighted average income tax rate for the period ended 30 June 2021 was 16.81% (2020: 10.05%).

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht	Change in deferred tax assets/liabilities for the six-month periods ended	
			30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Deferred tax assets (liabilities) arose from				
Revaluation surplus on investments	(16,289)	(28,707)	12,418	(10,670)
Allowance for expected credit losses	27,301	34,073	(6,772)	30,949
Provisions	30,596	35,000	(4,404)	(10,869)
Stop accrued interest	816	816	-	417
Deferred fees income	15,666	16,582	(916)	5,813
Unused tax loss	20,449	48,509	(28,060)	-
Others	7,130	5,686	1,444	1,270
Deferred tax assets	85,669	111,959	(26,290)	16,910
Changes in deferred income tax				
Recognised in retained earnings as at 1 January 2020			-	31,974
Recognised in profit or loss			(38,708)	(4,394)
Recognised in other comprehensive income (loss)			12,418	(10,670)
Total			(26,290)	16,910

30 Contingent liabilities

30.1 Commitments

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Guarantees of loans	912,924	869,590
Letters of credit	115,806	265,668
Liabilities under unmatured import bills	121,737	34,336
Other commitments		
- Undrawn overdraft amount	30,337	95,376
- Other guarantees	21,254,183	17,198,701
- Others	10,471,033	14,453,312
Total	32,906,020	32,916,983

30.2 Service commitments

The Bank has entered into other service commitments. The terms of the agreements are approximately 3 years. As at 30 June 2021, the Bank has future minimum lease payments required under these non-cancellable contracts amounting to approximately Baht 4.2 million (31 December 2020: Baht 0.4 million).

30.3 Contingent liabilities/Litigation cases

As at 30 June 2021 and 31 December 2020, the Bank has contingent liabilities amounting to approximately Baht 3.3 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.

31 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 as follow:

	For the six-month periods ended		Terms and pricing policy
	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht	
Parent company			
Interest income	19,943	22,629	At market price
Interest expenses	8,822	61,036	At market price
Premises and equipment expenses	3,257	2,037	At the rate agreed under the service contract
Fee income	1,322	3,487	At the rate agreed under the service contract
Fee expenses	146	7	At the rate agreed under the service contract
Other expenses	551	154	At the rate agreed under the service contract
Companies in the Bank of China Group			
Interest income	1,661	3,312	At market price
Interest expenses	32,322	54,346	At market price
Premises and equipment expenses	2,458	2,033	At the rate agreed under the service contract
Fee income	12,499	13,398	At the rate agreed under the service contract
Fee expenses	382	236	At the rate agreed under the service contract
Other expenses	1,195	148	At the rate agreed under the service contract
Related parties			
Interest expenses	101	581	At market price

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As at 30 June 2021 and 31 December 2020, the outstanding balances of the accounts between the Bank and related companies are as follows:

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Outstanding balance		
Parent company		
Interbank and money market items (assets)	3,844,386	1,950,780
Derivative assets	124	4,624
Accrued interest receivables	516	292
Other receivables	-	8,365
Interbank and money market items (liabilities)	1,666,772	450,557
Derivative liabilities	2,095	493
Debts issued and borrowings	2,243,731	2,102,597
Accrued interest payables	2,341	1,190
Accrued expenses	2,475	3,144
Commitment from foreign exchange contracts	266,659	292,824
Commitment from interest rate swap contracts	480,800	450,557
Companies in the Bank of China Group		
Interbank and money market items (assets)	135,475	497,910
Accrued interest receivables	-	703
Accrued fee income	6,056	6,488
Interbank and money market items (liabilities)	8,160,539	6,927,403
Accrued interest payables	4,764	3,284
Cash subscription payable	203,013	203,013
Other liabilities on behalf of Bank of China Limited, Bangkok branch	10,789	10,789
Accrued expenses	13,450	9,027
Other liabilities	6,953	6,413
Related parties		
Investments	5	5
Deposits	201,451	207,052
Accrued interest payables	23	7

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

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Loans to customers	84	72
Deposits	28,005	52,664

Directors and management's benefits

During the six-month periods ended 30 June 2021 and 2020, the Bank had short-term benefit expenses paid to their directors and key management as follows:

	30 June 2021 Thousand Baht	30 June 2020 Thousand Baht
Short-term benefits*	27,501	20,711
Total	27,501	20,711

* Short-term benefits include directors' remuneration amounting to Baht 2.5 million (30 June 2020: Baht 2.5 million).

32 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.

	30 June 2021	30 June 2020
Profits for the periods (Thousand Baht)	196,475	105,026
Basic earnings per share (Baht per share)	0.20	0.11
Weighted average number of shares (shares)	1,000,000,000	1,000,000,000

33 Financial position and results of operations classified by business activity

As at 30 June 2021 and 31 December 2020, financial positions of the Bank classified by geographic locations are as follows:

	30 June 2021		31 December 2020		
	Domestic Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Total assets	68,181,550	68,181,550	62,120,572	6,420,296	68,540,868
Interbank and money market items - net (assets)	9,711,743	9,711,743	8,808,928	457,599	9,266,527
Investments - net	7,904,823	7,904,823	12,873,976	-	12,873,976
Loans to customers and accrued interest receivables - net	49,640,182	49,640,182	39,500,768	5,954,395	45,455,163
Deposits	44,430,885	44,430,885	47,093,800	72	47,093,872
Interbank and money market items (liabilities)	9,838,220	9,838,220	4,661	7,377,959	7,382,620
Liabilities payable on demand	63,400	63,400	355,269	492	355,761
Debts issued and borrowings	2,243,731	2,243,731	-	2,102,597	2,102,597

The operating results of the Bank for the six-month periods ended 30 June 2021 and 2020 classified by geographic locations are as follows:

	30 June 2021		30 June 2020		
	Domestic Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Interest income	716,258	716,258	796,597	129,039	925,636
<u>Less</u> Interest expenses	(246,416)	(246,416)	(423,379)	(80,881)	(504,260)
Net interest income	469,842	469,842	373,218	48,158	421,376
Net fees and service income	94,343	94,343	92,744	11,183	103,927
Other operating income	138,619	138,619	148,458	3,887	152,345
<u>Less</u> Other operating expenses	(428,734)	(428,734)	(420,798)	-	(420,798)
Profits from operation before expected credit losses and income tax	274,070	274,070	193,622	63,228	256,850

34 Fair value of financial instruments

As at 30 June 2021 and 31 December 2020, 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:

	30 June 2021				
	Carrying value Thousand Baht	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Financial assets and liabilities measured at fair value					
Financial assets					
Derivative assets	98,278	-	98,278	-	98,278
Investments in debt instruments measured at fair value through other comprehensive income	7,904,818	-	7,904,818	-	7,904,818
Investments in equity instruments designated at fair value through other comprehensive income	5	-	5	-	5
Financial liabilities					
Derivative liabilities	66,514	-	66,514	-	66,514
Financial assets and liabilities not measured at fair value					
Financial assets					
Cash	149,095	149,095	-	-	149,095
Interbank and money market items - net (assets)	9,711,743	2,462,623	7,249,120	-	9,711,743
Loan to customers and accrued interest receivables - net	49,640,182	-	49,640,182	-	49,640,182
Financial liabilities					
Deposits	44,430,885	18,517,000	25,913,885	-	44,430,885
Interbank and money market items (liabilities)	9,838,220	231,138	9,607,082	-	9,838,220
Liabilities payable on demand	63,400	-	63,400	-	63,400
Debts issued and borrowings	2,243,731	-	2,197,062	-	2,197,062
Lease liabilities	317,039	-	317,039	-	317,039

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	31 December 2020				
	Carrying value Thousand Baht	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Financial assets and liabilities measured at fair value					
Financial assets					
Derivative assets	48,364	-	48,364	-	48,364
Investments in debt instruments measured at fair value through other comprehensive income	12,873,971	-	12,873,971	-	12,873,971
Investments in equity instruments designated at fair value through other comprehensive income	5	-	5	-	5
Financial liabilities					
Derivative liabilities	23,372	-	23,372	-	23,372
Financial assets and liabilities not measured at fair value					
Financial assets					
Cash	146,824	146,824	-	-	146,824
Interbank and money market items - net (assets)	9,266,527	2,252,552	7,013,975	-	9,266,527
Loan to customers and accrued interest receivables - net	45,455,163	-	45,455,163	-	45,455,163
Financial liabilities					
Deposits	47,093,872	16,987,865	30,106,007	-	47,093,872
Interbank and money market items (liabilities)	7,382,620	168,160	7,214,460	-	7,382,620
Liabilities payable on demand	355,761	-	355,761	-	355,761
Debts issued and borrowings	2,102,597	-	2,023,248	-	2,023,248
Lease liabilities	320,917	-	320,917	-	320,917

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

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

The fair value of investments in domestic debts instruments is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.

The fair value of investments in foreign debt instruments is determined based on the latest published price obtained from reliable sources.

The fair value of investments in non-marketable equity instruments is determined based on generally accepted pricing models.

(e) Loans to customers

The fair value 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 is 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 value of demand deposits, floating-rate deposits and deposits that are re-priced within 1 year as from the financial reporting date is 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 value of floating rate debts issued and borrowings with a remaining maturity period of longer than 1 year as from the financial reporting date is estimated using the discounted cash flow techniques and applying an average rate of interest currently charged on borrowings with similar arrangements.

(j) Lease liabilities

The fair value of lease liabilities is determined by discounting the expected future cash flows by the Bank's incremental borrowing rates with similar conditions.

35 Offsetting of financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2021 and 31 December 2020.

30 June 2021						
Amounts subject to enforceable netting arrangements						
			Amount not set off in the statement of financial position			
	Gross amounts Thousand Baht	Amount offset Thousand Baht	Net amounts in the statement of financial position Thousand Baht	Financial instruments Thousand Baht	Cash collateral Thousand Baht	Net amount Thousand Baht
Financial assets						
Derivatives assets	67,514	-	67,514	32,065	17,500	14,565
Total financial assets	67,514	-	67,514	32,065	17,500	14,565
Financial liabilities						
Derivatives liabilities	47,939	-	47,939	12,490	5,129	7,361
Total financial liabilities	47,939	-	47,939	12,490	5,129	7,361
31 December 2020						
Amounts subject to enforceable netting arrangements						
			Amount not set off in the statement of financial position			
	Gross amounts Thousand Baht	Amount offset Thousand Baht	Net amounts in the statement of financial position Thousand Baht	Financial instruments Thousand Baht	Cash collateral Thousand Baht	Net amount Thousand Baht
Financial assets						
Derivatives assets	37,217	-	37,217	25,879	21,608	4,271
Total financial assets	37,217	-	37,217	25,879	21,608	4,271
Financial liabilities						
Derivatives liabilities	11,338	-	11,338	-	-	-
Total financial liabilities	11,338	-	11,338	-	-	-

36 Risk management

36.1 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 allowance for expected credit 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 or for non-derivative off-statement of financial position transaction equals to their contractual nominal amounts.

For financial guarantee 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 2021 and 31 December 2020, the maximum exposure to credit risk are as follows:

	30 June 2021 Thousand Baht	31 December 2020 Thousand Baht
Interbank and money market items (assets)	9,714,820	9,305,087
Investments in debt instruments measured at fair value through other comprehensive income	7,812,062	12,886,460
Loans to customers and accrued interest receivables	51,221,132	46,923,389
Other accrued interest receivables	34,787	42,321
Total financial assets	68,782,801	69,157,257
Loan commitments	10,501,370	14,548,688
Financial guarantee contracts	22,404,650	18,368,295
Total	32,906,020	32,916,983
Total credit risk exposure	101,688,821	102,074,240

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 2.10 to the interim financial statements.

	30 June 2021			Total Thousand Baht
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL) Thousand Baht	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) Thousand Baht	Financial assets that are credit-impaired (Lifetime ECL - credit impaired) Thousand Baht	
Interbank and money market items - net (assets)				
Investment grade*	9,714,820	-	-	9,714,820
Non-investment grade*	-	-	-	-
Total	9,714,820	-	-	9,714,820
Less Allowance for expected credit losses	(3,077)	-	-	(3,077)
Net carrying amount	9,711,743	-	-	9,711,743
Investments in debt instruments measured at fair value through other comprehensive income				
Investment grade*	7,910,519	-	-	7,910,519
Non-investment grade*	-	-	-	-
Total	7,910,519	-	-	7,910,519
Less Allowance for expected credit losses	(5,701)	-	-	(5,701)
Net carrying amount	7,904,818	-	-	7,904,818
Loans to customers and accrued interest receivables - net				
0 - 30 days overdue	48,214,462	1,137,818	-	49,352,280
31 - 90 days overdue	-	9,221	-	9,221
Over 90 days overdue	-	-	1,859,631	1,859,631
Total	48,214,462	1,147,039	1,859,631	51,221,132
Less Allowance for expected credit losses	(597,653)	(181,552)	(801,745)	(1,580,950)
Net carrying amount	47,616,809	965,487	1,057,886	49,640,182
Loan commitments				
Loan commitments	10,487,984	13,386	-	10,501,370
Less Allowance for expected credit losses	(28,178)	(96)	-	(28,274)
Net carrying amount	10,459,806	13,290	-	10,473,096
Financial guarantee contracts				
Financial guarantee contracts	22,249,887	80,613	74,150	22,404,650
Less Allowance for expected credit losses	(25,038)	(2,977)	(74,150)	(102,165)
Net carrying amount	22,224,849	77,636	-	22,302,485

* Rating of external credit risk rating agency

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	31 December 2020			
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL) Thousand Baht	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) Thousand Baht	Financial assets that are credit-impaired (Lifetime ECL - credit impaired) Thousand Baht	Total Thousand Baht
Interbank and money market items - net (assets)				
Investment grade*	9,269,585	-	-	9,269,585
Non-investment grade*	-	-	-	-
Total	9,269,585	-	-	9,269,585
Less Allowance for expected credit losses	(3,058)	-	-	(3,058)
Net carrying amount	9,266,527	-	-	9,266,527
Investments in debt instruments measured at fair value through other comprehensive income				
Investment grade*	12,886,460	-	-	12,886,460
Non-investment grade*	-	-	-	-
Total	12,886,460	-	-	12,886,460
Less Allowance for expected credit losses	(12,489)	-	-	(12,489)
Net carrying amount	12,873,971	-	-	12,873,971
Loans to customers and accrued interest receivables - net				
0 - 30 days overdue	44,883,684	278,585	-	45,162,269
31 - 90 days overdue	-	3,605	-	3,605
Over 90 days overdue	-	-	1,757,515	1,757,515
Total	44,883,684	282,190	1,757,515	46,923,389
Less Allowance for expected credit losses	(579,641)	(15,386)	(873,199)	(1,468,226)
Net carrying amount	44,304,043	266,804	884,316	45,455,163
Loan commitments				
Loan commitments	14,526,569	22,119	-	14,548,688
Less Allowance for expected credit losses	(43,150)	(188)	-	(43,338)
Net carrying amount	14,483,419	21,931	-	14,505,350
Financial guarantee contracts				
Financial guarantee contracts	18,184,658	109,487	74,150	18,368,295
Less Allowance for expected credit losses	(36,709)	(3,308)	(74,150)	(114,167)
Net carrying amount	18,147,949	106,179	-	18,254,128

* Rating of external credit risk rating agency

Collateral and any operations to increase creditability

The Bank holds collateral and any operations to increase the creditability of its exposure to credit risk. Fair value of collateral held in order to mitigate potential losses are shown below:

Type of collateral	30 June 2021	31 December 2020
	Thousand Baht	Thousand Baht
Lands, buildings, vehicle, and deposits	26,492,280	13,295,809

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

	30 June 2021				
	Floating rate Thousand Baht	Fixed rate Thousand Baht	Non-interest bearing Thousand Baht	Non-performing loan Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	149,095	-	149,095
Interbank and money market items	1,829,766	6,534,546	1,458,977	-	9,823,289
Derivative assets	-	-	98,278	-	98,278
Investments	-	7,910,519	5	-	7,910,524
Loans to customers	32,439,749	16,879,382	-	1,821,250	51,140,381
Total financial assets	34,269,515	31,324,447	1,706,355	1,821,250	69,121,567
Financial liabilities					
Deposits	17,941,096	25,913,885	575,904	-	44,430,885
Interbank and money market items	7,543,503	2,072,887	221,830	-	9,838,220
Liabilities payable on demand	-	-	63,400	-	63,400
Derivative liabilities	-	-	66,514	-	66,514
Debts issued and borrowings	2,243,731	-	-	-	2,243,731
Lease liabilities	-	317,039	-	-	317,039
Total financial liabilities	27,728,330	28,303,811	927,648	-	56,959,789

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	31 December 2020				
	Floating rate Thousand Baht	Fixed rate Thousand Baht	Non-interest bearing Thousand Baht	Non-performing loan Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	146,824	-	146,824
Interbank and money market items	1,653,636	6,277,476	1,373,975	-	9,305,087
Derivative assets	-	-	48,364	-	48,364
Investments	-	12,886,460	5	-	12,886,465
Loans to customers	31,623,362	13,524,013	-	1,733,570	46,880,945
Total financial assets	33,276,998	32,687,949	1,569,168	1,733,570	69,267,685
Financial liabilities					
Deposits	16,351,470	30,106,007	636,395	-	47,093,872
Interbank and money market items	6,765,822	450,557	166,241	-	7,382,620
Liabilities payable on demand	-	-	355,761	-	355,761
Derivative liabilities	-	-	23,372	-	23,372
Debts issued and borrowings	2,102,597	-	-	-	2,102,597
Lease liabilities	-	320,917	-	-	320,917
Total financial liabilities	25,219,889	30,877,481	1,181,769	-	57,279,139

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 sooner) are presented below:

	30 June 2021					
	Repricing or maturity date					
	Within 3 months Thousand Baht	3 - 12 months Thousand Baht	1 - 5 years Thousand Baht	More than 5 years Thousand Baht	Total Thousand Baht	Weighted average (% per annum)
Financial assets						
Interbank and money market items	5,274,611	106,022	1,048,409	105,504	6,534,546	1.48
Investments	-	1,606,293	6,191,083	113,143	7,910,519	1.81
Loans to customers	7,073,049	3,122,606	6,683,727	-	16,879,382	2.71
Total financial assets	12,347,660	4,834,921	13,923,219	218,647	31,324,447	
Financial liabilities						
Deposits	9,793,862	16,111,571	8,452	-	25,913,885	0.82
Interbank and money market items	1,666,772	-	406,115	-	2,072,887	0.45
Lease liabilities	14,678	45,273	247,513	9,575	317,039	2.57 - 4.52*
Total financial liabilities	11,475,312	16,156,844	662,080	9,575	28,303,811	

* Interest rate per annum

	31 December 2020					
	Repricing or maturity date					
	Within 3 months Thousand Baht	3 - 12 months Thousand Baht	1 - 5 years Thousand Baht	More than 5 years Thousand Baht	Total Thousand Baht	Weighted average (% per annum)
Financial assets						
Interbank and money market items	5,961,870	29,180	183,289	103,137	6,277,476	0.76
Investments	2,602,755	1,203,622	8,963,205	116,878	12,886,460	1.31
Loans to customers	4,757,339	3,380,363	5,386,311	-	13,524,013	2.85
Total financial assets	13,321,964	4,613,165	14,532,805	220,015	32,687,949	
Financial liabilities						
Deposits	14,594,021	14,397,342	1,114,644	-	30,106,007	1.23
Interbank and money market items	-	450,557	-	-	450,557	0.92
Lease liabilities	14,579	43,652	226,192	36,494	320,917	1.55 - 4.52*
Total financial liabilities	14,608,600	14,891,551	1,340,836	36,494	30,877,481	

* Interest rate per annum

Interest rate sensitivity analysis

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

The sensitivity of the statement of comprehensive income 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 2021 and 31 December 2020 of financial assets measured at fair value through other comprehensive income using a new fixed rate.

The effect of change in interest rates on profit or loss and equity as of 30 June 2021 and 31 December 2020 can be summarised as follows:

	30 June 2021	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 1%	12,854	(171,488)
Decreased by 1%	(12,854)	171,488

	31 December 2020	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 1%	(7,248)	(252,968)
Decreased by 1%	7,248	252,968

Foreign exchange risk

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 2021 and 31 December 2020 can be summarised as follows:

	30 June 2021					
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Hong Kong Dollar Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets						
Cash	112,362	23,682	13,051	-	-	149,095
Interbank and money market items	5,798,961	2,195,433	889,256	830,096	109,543	9,823,289
Investments	6,671,733	-	1,238,791	-	-	7,910,524
Loans to customers	33,998,994	15,671,626	158	-	1,469,603	51,140,381
Total financial assets	46,582,050	17,890,741	2,141,256	830,096	1,579,146	69,023,289
Financial liabilities						
Deposits	33,356,358	8,935,155	2,097,070	-	42,302	44,430,885
Interbank and money market items	221,830	7,311,358	9,308	826,120	1,469,604	9,838,220
Liabilities payable on demand	21,631	19,172	11,622	-	10,975	63,400
Debts issued and borrowings	-	2,243,731	-	-	-	2,243,731
Lease liabilities	317,039	-	-	-	-	317,039
Total financial liabilities	33,916,858	18,509,416	2,118,000	826,120	1,522,881	56,893,275
Commitments						
Guarantees of loans	-	-	-	-	912,924	912,924
Letters of credit	-	103,450	5,816	-	6,540	115,806
Liabilities under unmatured import bills	-	121,737	-	-	-	121,737
Other commitments						
- Undrawn overdraft amount	30,337	-	-	-	-	30,337
- Other guarantees	14,469,997	6,460,208	161,546	-	162,432	21,254,183
- Others	7,209,002	2,807,665	-	454,366	-	10,471,033

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	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Hong Kong Dollar Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets						
Cash	100,943	31,797	14,084	-	-	146,824
Interbank and money market items	6,795,106	1,150,887	488,926	776,627	93,541	9,305,087
Investments	12,202,541	-	683,924	-	-	12,886,465
Loans to customers	31,185,548	14,171,858	107,843	-	1,415,696	46,880,945
Total financial assets	50,284,138	15,354,542	1,294,777	776,627	1,509,237	69,219,321
Financial liabilities						
Deposits	37,003,451	8,592,578	1,456,542	-	41,301	47,093,872
Interbank and money market items	166,241	5,023,705	1,919	775,060	1,415,695	7,382,620
Liabilities payable on demand	21,899	306,318	26,573	10	961	355,761
Debts issued and borrowings	-	2,102,597	-	-	-	2,102,597
Lease liabilities	320,917	-	-	-	-	320,917
Total financial liabilities	37,512,508	16,025,198	1,485,034	775,070	1,457,957	57,255,767
Commitments						
Guarantees of loans	-	-	-	-	869,590	869,590
Letters of credit	146,973	88,650	23,527	-	6,518	265,668
Liabilities under unmatured import bills	2,529	-	31,807	-	-	34,336
Other commitments						
- Undrawn overdraft amount	95,376	-	-	-	-	95,376
- Other guarantees	12,489,080	4,150,669	400,976	-	157,976	17,198,701
- Others	10,413,126	3,852,733	187,453	-	-	14,453,312

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

30 June 2021						
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Hong Kong Dollar Thousand Baht	Others Thousand Baht	Total Thousand Baht
Foreign exchange contracts						
- Bought	2,164,165	3,719,801	63,389	-	-	5,947,355
- Sold	3,565,292	2,280,391	66,053	3,528	-	5,915,264
Interest rate swap contracts	-	961,599	-	-	-	961,599
31 December 2020						
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Hong Kong Dollar Thousand Baht	Others Thousand Baht	Total Thousand Baht
Foreign exchange contracts						
- Bought	1,785,664	3,289,209	193,773	-	601	5,269,247
- Sold	3,303,831	1,940,701	-	-	-	5,244,532
Interest rate swap contracts	-	901,113	-	-	-	901,113

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 statement of comprehensive income 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 2021 and 31 December 2020 can be summarised as follows:

	30 June 2021	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 10%	(5,884)	(5,884)
Decreased by 10%	5,884	5,884

	31 December 2020	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 10%	6,278	6,278
Decreased by 10%	(6,278)	(6,278)

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

36.3 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).

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The maturity analysis of financial assets and financial 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:

	30 June 2021					Total Thousand Baht
	At call Thousand Baht	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	More than 5 years Thousand Baht	Unspecified maturity date Thousand Baht	
Financial assets						
Cash	149,095	-	-	-	-	149,095
Interbank and money market items	2,462,623	5,380,633	1,874,529	105,504	-	9,823,289
Derivative assets	11	97,050	1,217	-	-	98,278
Investments	-	1,606,293	6,191,083	113,143	5	7,910,524
Loans to customers*	-	21,737,094	24,060,430	5,202,189	140,668	51,140,381
Total financial assets	2,611,729	28,821,070	32,127,259	5,420,836	140,673	69,121,567
Financial liabilities						
Deposits	18,615,568	25,815,273	44	-	-	44,430,885
Interbank and money market items	231,138	4,704,463	4,902,619	-	-	9,838,220
Liabilities payable on demand	63,400	-	-	-	-	63,400
Derivative liabilities	276	65,021	1,217	-	-	66,514
Debts issued and borrowings	-	-	-	2,243,731	-	2,243,731
Lease liabilities	-	68,984	264,448	9,826	-	343,258
Total financial liabilities	18,910,382	30,653,741	5,168,328	2,253,557	-	56,986,008
Commitments						
Guarantees of loans	-	416	9,174	903,334	-	912,924
Letters of credit	-	110,732	-	-	5,074	115,806
Liabilities under unmatured import bills	-	121,737	-	-	-	121,737
Other commitments	-	30,337	-	-	-	30,337
- Undrawn overdraft amount	-	30,337	-	-	-	30,337
- Other guarantees	453,435	1,527,934	4,920,439	1,062,395	13,289,980	21,254,183
- Others	25,923	9,078,912	1,343,713	3,549	18,936	10,471,033

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

	31 December 2020					Total Thousand Baht
	At call Thousand Baht	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	More than 5 years Thousand Baht	Unspecified maturity date Thousand Baht	
Financial assets						
Cash	146,824	-	-	-	-	146,824
Interbank and money market items	2,252,552	5,991,049	958,349	103,137	-	9,305,087
Derivative assets	-	44,938	3,426	-	-	48,364
Investments	-	3,806,377	8,963,205	116,878	5	12,886,465
Loans to customers*	-	18,161,785	23,377,502	5,215,080	126,578	46,880,945
Total financial assets	2,399,376	28,004,149	33,302,482	5,435,095	126,583	69,267,685
Financial liabilities						
Deposits	16,987,865	28,991,363	1,114,644	-	-	47,093,872
Interbank and money market items	168,160	3,118,452	4,096,008	-	-	7,382,620
Liabilities payable on demand	355,761	-	-	-	-	355,761
Derivative liabilities	-	19,946	3,426	-	-	23,372
Debts issued and borrowings	-	-	-	2,102,597	-	2,102,597
Lease liabilities	-	58,231	226,192	36,494	-	320,917
Total financial liabilities	17,511,786	32,187,992	5,440,270	2,139,091	-	57,279,139
Commitments						
Guarantees of loans	-	-	8,836	860,754	-	869,590
Letters of credit	-	206,805	-	-	58,863	265,668
Liabilities under unmatured import bills	-	34,336	-	-	-	34,336
Other commitments	-	95,376	-	-	-	95,376
- Undrawn overdraft amount	-	95,376	-	-	-	95,376
- Other guarantees	165,309	2,214,795	2,569,711	873,627	11,375,259	17,198,701
- Others	11,168	12,201,406	1,971,191	136,207	133,340	14,453,312

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

In accordance with the Notification of the BOT No. Sor Nor Sor. 2/2561 regarding liquidity coverage ratio disclosure standards, the Bank will disclose liquidity coverage ratio information as at 30 June 2021 on its website (www.bankofchina.com/th) by October 2021.