

BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2023



Independent auditor's report

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

My opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Bank of China (Thai) Public Company Limited (the Bank) as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRS).

What I have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 financial statements section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants including Independence Standards issued by the Federation of Accounting Professions (TFAC Code) that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with the TFAC Code. 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 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 2022 and 31 December 2023. My opinion is not modified in respect to this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

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

PricewaterhouseCoopers ABAS Ltd.

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Auditor's responsibilities for the audit of the financial statements

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

I communicate with 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 blue ink, appearing to read 'Sakuna Yamsakul', with a stylized flourish at the end.

Sakuna Yamsakul
Certified Public Accountant (Thailand) No. 4906
Bangkok
26 March 2024

Bank of China (Thai) Public Company Limited
Statement of Financial Position
As at 31 December 2023

		2023	2022
	Notes	Thousand Baht	Thousand Baht
Assets			
Cash		126,508	124,803
Interbank and money market items - net	5	25,652,174	12,593,045
Derivative assets	6	61,008	97,891
Investments - net	7	7,499,007	6,996,323
Loans to customers and accrued interest receivables - net	8	34,775,000	41,303,046
Premises and equipment - net	10	96,519	96,388
Right-of-use assets - net	11.1	328,654	247,149
Intangible assets - net	12	13,375	12,441
Deferred tax assets	27	176,906	179,286
Other assets	13	148,994	106,478
Total assets		68,878,145	61,756,850



(Mr. Liu Quanlei)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2023

		2023	2022
	Notes	Thousand Baht	Thousand Baht
Liabilities and shareholders' equity			
Liabilities			
Deposits	14	52,245,051	43,060,263
Interbank and money market items	15	1,220,508	4,039,321
Liabilities payable on demand		743,901	272,241
Derivative liabilities	6	110,767	116,020
Debts issued and borrowings	16	1,368,932	2,419,368
Lease liabilities	11.2	314,851	234,842
Provisions	17	266,999	243,043
Accrued interest payable		359,025	92,004
Other liabilities	18	599,436	529,376
Total liabilities		57,229,470	51,006,478
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	19	7,012	(13,360)
Retained earnings			
Appropriated - statutory reserve	20	56,944	36,964
Unappropriated		1,584,719	726,768
Total equity		11,648,675	10,750,372
Total liabilities and shareholders' equity		68,878,145	61,756,850



(Mr. Liu Quanlei)
Chief Executive Officer, Country Head

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Bank of China (Thai) Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2023

		2023	2022
	Notes	Thousand Baht	Thousand Baht
Interest income	22	2,540,894	1,726,894
Interest expenses	23	(951,416)	(491,381)
Net interest income		1,589,478	1,235,513
Fees and service income		257,370	257,444
Fees and service expenses		(28,352)	(20,788)
Net fees and service income	24	229,018	236,656
Net gains on financial instruments measured at fair value through profit or loss	25	896,415	362,492
Gains (losses) on investments		(28,283)	4,183
Other operating income		12,633	36,330
Total operating income		2,699,261	1,875,174
Employee expenses		622,710	602,871
Directors' remunerations		4,812	4,376
Premises and equipment expenses		150,152	163,546
Taxes and duties		85,810	61,803
Other operating expenses		69,078	56,995
Total operating expenses		932,562	889,591
Expected credit losses	26	668,345	486,255
Profits from operation before income tax		1,098,354	499,328
Income tax	27	(220,002)	(99,721)
Profits for the years		878,352	399,607



(Mr. Liu Quanlei)

Chief Executive Officer, Country Head

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Bank of China (Thai) Public Company Limited
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2023

		2023	2022
	Notes	Thousand Baht	Thousand Baht
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains (losses) on investments in debt instruments measured at fair value through other comprehensive income		27,105	(79,535)
Income tax relating to other comprehensive income (loss) for items that will be reclassified subsequently to profit or loss	27	(6,733)	17,489
Total items that will be reclassified subsequently to profit or loss		20,372	(62,046)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains (losses) on defined benefit plan	17.2	(526)	4,075
Income tax relating to other comprehensive income (loss) for items that will not be reclassified subsequently to profit or loss	27	105	(815)
Total items that will not be reclassified subsequently to profit or loss		(421)	3,260
Other comprehensive income (loss) for the years		19,951	(58,786)
Total comprehensive income for the years		898,303	340,821
Earnings per share			
Basic earnings per share (Baht per share)	30	0.88	0.40



(Mr. Liu Quanlei)

Chief Executive Officer, Country Head

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Bank of China (Thai) Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2023

	Note	Other components of equity		Retained earnings		
		Issued and fully paid-up share capital Thousand Baht	Surplus (deficit) on changes in value of investments measured at fair value through other comprehensive income Thousand Baht	Appropriated Thousand Baht	Unappropriated Thousand Baht	Total Thousand Baht
Balance as of 1 January 2022		10,000,000	48,686	24,439	336,426	10,409,551
Profit for the year		-	-	-	399,607	399,607
Other comprehensive income (loss) for the year		-	(62,046)	-	3,260	(58,786)
Total comprehensive income (loss) for the year		-	(62,046)	-	402,867	340,821
Transferred unappropriated retained earnings to statutory reserve		-	-	12,525	(12,525)	-
Balance as of 31 December 2022		10,000,000	(13,360)	36,964	726,768	10,750,372
Balance as of 1 January 2023		10,000,000	(13,360)	36,964	726,768	10,750,372
Profit for the year		-	-	-	878,352	878,352
Other comprehensive income (loss) for the year		-	20,372	-	(421)	19,951
Total comprehensive income for the year		-	20,372	-	877,931	898,303
Transferred unappropriated retained earnings to statutory reserve	20	-	-	19,980	(19,980)	-
Balance as of 31 December 2023		10,000,000	7,012	56,944	1,584,719	11,648,675

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

Bank of China (Thai) Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2023

	2023	2022
	Thousand Baht	Thousand Baht
Cash flows from operating activities		
Profits from operation before income tax	1,098,354	499,328
Adjustments to reconcile profits from operation before income tax to net cash received (paid) from operating activities:		
Depreciation and amortisation	95,018	92,939
Expected credit losses	388,351	88,303
Impairment (reversal) charge on non-financial assets	(14,895)	14,895
Amortisation of discount (premium) on debt instruments	3,456	21,322
Gains on investments	28,283	(4,183)
Unrealised losses (gains) on changes in fair value of financial derivative instruments	31,630	3,713
Unrealised losses (gains) on exchange rate	(979,491)	190,456
Gains on disposal of equipments	(4,941)	(16,457)
Losses on lease modification	-	210
Losses on assets written-off	14,317	-
Provisions for employee benefits	14,179	11,885
Net interest income	(1,592,934)	(1,256,835)
Cash received on interest income	2,420,168	1,619,315
Cash paid on interest expenses	(654,833)	(503,020)
Cash paid on income tax	(158,802)	(117,868)
Profits from operating activities before changes in operating assets and liabilities	687,860	644,003
(Increase) decrease in operating assets		
Interbank and money market items	(12,888,831)	814,593
Loans to customers	6,070,270	6,498,669
Properties foreclosed	-	42,837
Other assets	(33,664)	2,251
Increase (decrease) in operating liabilities		
Deposits	9,184,788	(1,544,265)
Interbank and money market items	(2,818,813)	(7,897,880)
Liabilities payable on demand	471,660	(52,711)
Provisions for employee benefits	(1,126)	-
Other liabilities	(24,948)	(201,911)
Net cash flows from operating activities	647,196	(1,694,414)



(Mr. Liu Quanlei)

Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2023

	2023	2022
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Cash flows from investing activities		
Proceeds from redemption of investment in debt designated at fair value through other comprehensive income	2,741,381	3,354,183
Cash paid for investment in debt designated at fair value through other comprehensive income	(2,098,507)	(96,354)
Proceeds from redemption of investment in debt at amortised cost	545,000	-
Cash paid for investment in debt at amortised cost	(1,749,086)	(1,484,149)
Proceeds from disposal of premises and equipment	6,576	19,520
Purchases of premises and equipment	(27,015)	(31,756)
Purchases of intangible assets	(3,537)	(5,650)
Net cash flows from investing activities	<u>(585,188)</u>	<u>1,755,794</u>
Cash flows from financing activities		
Cash paid on lease liabilities	(60,303)	(67,102)
Net cash flows from financing activities	<u>(60,303)</u>	<u>(67,102)</u>
Net decrease in cash and cash equivalents	1,705	(5,722)
Cash and cash equivalents as at 1 January	<u>124,803</u>	<u>130,525</u>
Cash and cash equivalents as at 31 December	<u><u>126,508</u></u>	<u><u>124,803</u></u>
Supplemental disclosures of cash flows information		
Non-cash items:		
Increase in account payables from Intangible assets purchased	-	12
Increase in lease liabilities	140,312	11,904
Increase in right-of-use assets	148,093	18,769



(Mr. Liu Quanlei)

Chief Executive Officer, Country Head

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

Note	Contents
1	General information
2	Significant accounting policies
3	Significant accounting judgements and estimates
4	Classification of financial assets and liabilities
5	Interbank and money market items (assets)
6	Derivatives
7	Investments
8	Loans to customers and accrued interest receivables
9	Allowance for expected credit losses
10	Premises and equipment
11	Leases
12	Intangible assets
13	Other assets
14	Deposit
15	Interbank and money market items (liabilities)
16	Debts issued and borrowings
17	Provisions
18	Other liabilities
19	Other components of equity
20	Statutory reserve
21	Capital funds
22	Interest income
23	Interest expenses
24	Net fees and service income
25	Net gains on financial instruments measured at fair value through profit or loss
26	Expected credit losses
27	Income tax
28	Contingent liabilities
29	Related party transactions
30	Earnings per share
31	Financial position and results of operations classified by business activity
32	Fair value of financial instruments
33	Offsetting of financial assets and financial liabilities
34	Risk management
35	Subsequent events

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 31 December 2023, the Bank conducts its business through a network of 6 branches throughout all regions in Thailand (2022: 6 branches). Its major shareholder is Bank of China (Hong Kong) Limited, a company registered in Hong Kong.

These financial statements were authorised for issue by the Bank's Board of Directors on 26 March 2024.

2 Significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS"). 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 2. Wor. 802/2564 dated 3 September 2021, "Guidance on temporary relief measures for entities assisting debtors affected by COVID-19 (Measures for Sustainable Debt Solutions)".

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

The preparation of financial statements in conformity with TFRS 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 financial statements are disclosed in Note 3.

An English version of the financial statements has been prepared from the 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 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 2024 and are related to the Bank.

The following amended TFRSs were not mandatory for the current reporting period and the Bank has not early adopted them.

- A) Amendment to TAS 1 - Presentation of financial statements revised the disclosure from 'significant accounting policies' to 'material accounting policies'. The amendment also provides guidelines on identifying when the accounting policy information is material. Consequently, immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.
- B) Amendment to TAS 8 - Accounting policies, changes in accounting estimates and errors revised to the definition of 'accounting estimates' to clarify how the Bank should distinguish between changes in accounting policies and changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to transactions, other events and conditions from the date of that change. Whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period as if the new accounting policy had always been applied.

- C) Amendments to TAS 12 - Income taxes require the Bank to recognise deferred tax related to assets and liabilities arising from a single transaction that, on initial recognition, gives rise to equal amounts of taxable and deductible temporary differences. Example transactions are leases and decommissioning obligations.

The amendment should be applied to transactions on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that they can probably be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised at the beginning of retained earnings or another component of equity, as appropriate.

The above amendment financial reporting standards and accounting guidance do not have significant impact on the Bank.

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. The classifications of debt instruments are as follows;

- Amortised cost

Financial assets that are held for collection of contractual cash flows that represent solely payments of principal and interest (SPPI) are measured at amortised cost. Interest income is included in finance income using the effective interest method. Any gain or loss on derecognition is presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item.

- Fair value through other comprehensive income (FVOCI)

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.

- Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on subsequent measurement is presented in other gains/(losses).

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 2. Wor. 802/2564 dated 3 September 2021, "Guidance on temporary relief measures for entities assisting debtors affected by COVID-19 (Measures for Sustainable Debt Solutions)" with effective date from 1 January 2022 until 31 December 2023 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 BoT circular.

When the accounting guidance on temporary relief measures for the entities assisting debtors affected by the COVID-19 pandemic is ended, the Bank needs to recognise transactions and consider staging of new restructuring debtors following TFRS 9.

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.

For the year ended 31 December 2023, the management considered to provision the additional expected credit losses as management overlay due to the Bank cautionary measure after assessing the various conditions and economic uncertainties arising from the COVID-19 situation which could result in asset quality deterioration in the coming periods.

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 and measured at amortised cost 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 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.

2.12 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

3 - 12 years

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 associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less which comprise car rental.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 Foreign currencies

The 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.

2.19 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 accounting judgements and estimates

The preparation of financial statements in conformity with TFRS 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:

3.1 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

4 Classification of financial assets and liabilities

	2023				
	Financial Instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity Instruments designated at fair value through other comprehensive income	Financial Instruments measured at amortised cost	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Financial assets					
Cash	-	-	-	126,508	126,508
Interbank and money market items - net	-	-	-	25,652,174	25,652,174
Derivative assets	61,008	-	-	-	61,008
Investments - net	-	4,825,735	5	2,673,267	7,499,007
Loans to customers and accrued interest receivables - net	-	-	-	34,775,000	34,775,000
Total financial assets	61,008	4,825,735	5	63,226,949	68,113,697
Financial liabilities					
Deposits	-	-	-	52,245,051	52,245,051
Interbank and money market items	-	-	-	1,220,508	1,220,508
Liabilities payable on demand	-	-	-	743,901	743,901
Derivative liabilities	110,767	-	-	-	110,767
Debts issued and borrowings	-	-	-	1,368,932	1,368,932
Lease liabilities	-	-	-	314,851	314,851
Total financial liabilities	110,767	-	-	55,893,243	56,004,010

Bank of China (Thai) Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2023

	2022				
	Financial Instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity Instruments designated at fair value through other comprehensive income	Financial Instruments measured at amortised cost	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Financial assets					
Cash	-	-	-	124,803	124,803
Interbank and money market items - net	-	-	-	12,593,045	12,593,045
Derivative assets	97,891	-	-	-	97,891
Investments - net	-	5,516,544	5	1,479,774	6,996,323
Loans to customers and accrued interest receivables - net	-	-	-	41,303,046	41,303,046
Total financial assets	97,891	5,516,544	5	55,500,668	61,115,108
Financial liabilities					
Deposits	-	-	-	43,060,263	43,060,263
Interbank and money market items	-	-	-	4,039,321	4,039,321
Liabilities payable on demand	-	-	-	272,241	272,241
Derivative liabilities	116,020	-	-	-	116,020
Debts issued and borrowings	-	-	-	2,419,368	2,419,368
Lease liabilities	-	-	-	234,842	234,842
Total financial liabilities	116,020	-	-	50,026,035	50,142,055

5 Interbank and money market items (assets)

	2023			2022		
	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	570,688	-	570,688	507,157	-	507,157
Commercial banks	50,109	10,318,689	10,368,798	31,270	5,210,000	5,241,270
Total	620,797	10,318,689	10,939,486	538,427	5,210,000	5,748,427
<u>Add</u> Accrued interest receivables	-	11,677	11,677	-	651	651
<u>Less</u> Allowance for expected credit losses	(1)	(2,089)	(2,090)	-	(146)	(146)
Total domestic items	620,796	10,328,277	10,949,073	538,427	5,210,505	5,748,932
Foreign items						
US Dollar	7,078,477	3,852,244	10,930,721	726,089	4,173,533	4,899,622
Yen	12,129	-	12,129	8,447	-	8,447
Euro	193,872	-	193,872	31,749	-	31,749
Hong Kong Dollar	1,473	-	1,473	846	-	846
Chinese Yuan	3,338,427	-	3,338,427	1,122,363	744,960	1,867,323
Other currencies	109,957	-	109,957	80,819	-	80,819
Total	10,734,335	3,852,244	14,586,579	1,970,313	4,918,493	6,888,806
<u>Add</u> Accrued interest receivables	-	116,805	116,805	-	15,990	15,990
<u>Less</u> Deferred income	-	(58)	(58)	-	(60,223)	(60,223)
<u>Less</u> Allowance for expected credit losses	(11)	(214)	(225)	-	(460)	(460)
Total foreign items	10,734,324	3,968,777	14,703,101	1,970,313	4,873,800	6,844,113
Total domestic and foreign items	11,355,120	14,297,054	25,652,174	2,508,740	10,084,305	12,593,045

6 Derivatives

Derivatives held for trading

As at 31 December 2023 and 2022, the Bank has fair value and notional amount of derivatives held for trading classified by type of risk as follows:

Type of risk	2023			2022		
	Fair value		Notional Amount*	Fair value		Notional Amount*
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Foreign exchange	35,831	85,590	7,845,792	30,705	48,834	5,286,864
Interest rate	25,177	25,177	2,156,068	67,186	67,186	2,799,554
Total	61,008	110,767	10,001,860	97,891	116,020	8,086,418

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

7 Investments

Classified by type of investments

As at 31 December 2023 and 2022, the Bank has investments, as detailed follows:

	2023 Fair value Thousand Baht	2022 Fair value Thousand Baht
Investments in debt instruments measured at amortised cost		
Government and state enterprises instruments	2,196,315	987,651
Foreign debt instruments	478,400	492,833
Total	2,674,715	1,480,484
<u>Less</u> Allowance for expected credit losses	(1,448)	(710)
Total	2,673,267	1,479,774
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state enterprises instruments	3,648,292	4,227,120
Private debt instruments	14,684	34,697
Foreign debt instruments	1,162,759	1,254,727
Total	4,825,735	5,516,544
Allowance for expected credit losses	(4,630)	(6,292)
Investments in equity instruments designated at fair value through other comprehensive income		
Non-marketable domestic equity instruments	5	5
Total	5	5
Investments - net	7,499,007	6,996,323

As at 31 December 2023, Government bonds amounting to Baht 4,455 million (2022: Baht 3,261 million) are used as collateral for credit balance on clearing position with the Bank of Thailand.

Amounts recognised in profit or loss and other comprehensive income

The following gains (losses) were recognised in profit or loss and other comprehensive income during the year as follows:

	2023 Thousand Baht	2022 Thousand Baht
Gains (losses) from changes in value of investments in debt instruments measured at FVOCI	(1,178)	(75,352)
<u>Less</u> Gains (losses) realised from sale of investments in debt instruments measured at FVOCI	(28,283)	4,183
Total	27,105	(79,535)

8 Loans to customers and accrued interest receivables

8.1 Classified by loan type

	2023 Thousand Baht	2022 Thousand Baht
Overdrafts	10,467	29,455
Loans	37,032,503	43,029,941
Trade bills	-	53,845
Total loans to customers	37,042,970	43,113,241
<u>Add</u> Interest receivables and undue interest receivables	212,569	255,262
Total loans to customers and accrued interest receivables	37,255,539	43,368,503
<u>Less</u> Deferred income	(77,409)	(63,423)
Total loans to customers and interest receivables net of deferred income	37,178,130	43,305,080
<u>Less</u> Allowance for expected credit losses	(2,403,130)	(2,002,034)
Total loans to customers and accrued interest receivables - net	34,775,000	41,303,046

As at 31 December 2023, the Bank has provided assistance to 5 affected debtors in total which are classified as corporate loans with outstanding balances of Baht 1,601 million whose classification remains at the same stage as prior to the measures.

8.2 Classified by currency and residency of debtors

	2023			2022		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Baht	22,798,511	-	22,798,511	25,841,842	-	25,841,842
US Dollar	5,411,762	6,582,253	11,994,015	8,147,727	8,144,569	16,292,296
Euro	322,057	-	322,057	-	978,557	978,557
Other currencies	1,015,068	913,319	1,928,387	546	-	546
Total loans to customers	29,547,398	7,495,572	37,042,970	33,990,115	9,123,126	43,113,241

8.3 Classified by loan classification

	2023	
	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)	35,046,861	835,874
Financial assets where there has been a significant increase in credit risk (Under-Performing)	40,485	4,417
Financial assets that are credit-impaired (Non-Performing)	2,168,193	1,562,839
Total	37,255,539	2,403,130
	2022	
	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)	39,948,568	430,996
Financial assets where there has been a significant increase in credit risk (Under-Performing)	1,862,510	708,268
Financial assets that are credit-impaired (Non-Performing)	1,557,425	862,770
Total	43,368,503	2,002,034

8.4 Movement of loans to customers and interest receivables

	2023			
	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	39,947,568	1,863,510	1,557,425	43,368,503
Changes due to changes in stages	(340,043)	(566,087)	906,130	-
New financial assets purchased or acquired	22,138,898	-	-	22,138,898
Derecognised financial assets	(24,141,967)	(1,232,564)	(27,868)	(25,402,399)
Changes due to collection and modification	(2,427,728)	(23,435)	(20,574)	(2,471,737)
Bad debt written - off	(898)	(937)	(226,298)	(228,133)
Foreign exchange	(128,969)	(2)	(20,622)	(149,593)
Ending balance	35,046,861	40,485	2,168,193	37,255,539
	2022			
	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	46,887,763	1,018,060	1,900,864	49,806,687
Changes due to changes in stages	(1,550,164)	1,541,579	8,585	-
New financial assets purchased or acquired	19,103,138	-	-	19,103,138
Derecognised financial assets	(22,002,111)	(504,784)	(341)	(22,507,236)
Changes due to collection and modification	(2,903,140)	(238,938)	(4,222)	(3,146,300)
Bad debt written - off	(692)	(694)	(396,567)	(397,953)
Foreign exchange	412,774	48,287	49,106	510,167
Ending balance	39,947,568	1,863,510	1,557,425	43,368,503

9 Allowance for expected credit losses

	2023			
	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	606	-	-	606
Changes due to revaluation of allowance for credit losses	10	-	-	10
New financial assets purchased or acquired	2,302	-	-	2,302
Derecognised financial assets	(603)	-	-	(603)
Ending balance	2,315	-	-	2,315
Investments in debt instruments				
Beginning balance	7,003	-	-	7,003
Changes due to revaluation of allowance for credit losses	(349)	-	-	(349)
New financial assets purchased or acquired	1,687	-	-	1,687
Derecognised financial assets	(2,263)	-	-	(2,263)
Ending balance	6,078	-	-	6,078
Loans to customers and accrued interest receivables				
Beginning balance	430,996	708,268	862,770	2,002,034
Changes due to changes in stages	(493,814)	(180,932)	674,746	-
Changes due to revaluation of allowance for credit losses	135,339	(2,039)	119,866	253,166
New financial assets purchased or acquired	870,542	-	-	870,542
Derecognised financial assets	(107,170)	(520,639)	(1,477)	(629,286)
Bad debt written-off	(19)	(241)	(93,066)	(93,326)
Ending balance	835,874	4,417	1,562,839	2,403,130

Bank of China (Thai) Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2023

	2022			
	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	2,512	-	-	2,512
Changes due to revaluation of allowance for credit losses	86	-	-	86
New financial assets purchased or acquired	296	-	-	296
Derecognised financial assets	(2,288)	-	-	(2,288)
Ending balance	606	-	-	606
Investments in debt instruments				
Beginning balance	7,468	-	-	7,468
Changes due to revaluation of allowance for credit losses	855	-	-	855
New financial assets purchased or acquired	764	-	-	764
Derecognised financial assets	(2,084)	-	-	(2,084)
Ending balance	7,003	-	-	7,003
Loans to customers and accrued interest receivables				
Beginning balance	624,664	191,827	1,049,293	1,865,784
Changes due to changes in stages	(341,948)	340,663	1,285	-
Changes due to revaluation of allowance for credit losses	14,080	195,171	209,301	418,552
New financial assets purchased or acquired	329,112	-	-	329,112
Derecognised financial assets	(194,876)	(18,975)	(549)	(214,400)
Bad debt written-off	(36)	(418)	(396,560)	(397,014)
Ending balance	430,996	708,268	862,770	2,002,034

10 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 2022						
Cost	262,317	81,764	114,524	31,260	-	489,865
<u>Less</u> Accumulated depreciation	(181,070)	(69,002)	(107,099)	(27,177)	-	(384,348)
Net book amount	81,247	12,762	7,425	4,083	-	105,517
For the year ended 31 December 2022						
Opening net book amount	81,247	12,762	7,425	4,083	-	105,517
Additions	3,511	1,781	4,098	3,395	19,040	31,825
Transfer in (out)	907	-	73	-	(980)	-
Disposal, net	(2,813)	-	(247)	(3)	-	(3,063)
Reclassification	-	50	(119)	-	-	(69)
Depreciation charge	(12,102)	(6,067)	(3,705)	(1,053)	-	(22,927)
Impairment charge	(14,895)	-	-	-	-	(14,895)
Closing net book amount	55,855	8,526	7,525	6,422	18,060	96,388
As at 31 December 2022						
Cost	246,071	83,595	116,008	31,691	18,060	495,425
<u>Less</u> Accumulated depreciation	(175,321)	(75,069)	(108,483)	(25,269)	-	(384,142)
<u>Less</u> Accumulated impairment	(14,895)	-	-	-	-	(14,895)
Net book amount	55,855	8,526	7,525	6,422	18,060	96,388
As at 1 January 2023						
Cost	246,071	83,595	116,008	31,691	18,060	495,425
<u>Less</u> Accumulated depreciation	(175,321)	(75,069)	(108,483)	(25,269)	-	(384,142)
<u>Less</u> Accumulated impairment	(14,895)	-	-	-	-	(14,895)
Net book amount	55,855	8,526	7,525	6,422	18,060	96,388
For the year ended 31 December 2023						
Opening net book amount	55,855	8,526	7,525	6,422	18,060	96,388
Additions	755	11,114	5,939	-	9,207	27,015
Transfer in (out)	27,147	-	62	-	(27,209)	-
Disposal, net	(1,551)	-	(84)	-	-	(1,635)
Write-off, net	(14,184)	-	(133)	-	-	(14,317)
Depreciation charge	(13,896)	(6,951)	(3,359)	(1,621)	-	(25,827)
Impairment charge	14,895	-	-	-	-	14,895
Closing net book amount	69,021	12,689	9,950	4,801	58	96,519
As at 31 December 2023						
Cost	229,311	93,859	114,792	31,691	58	469,711
<u>Less</u> Accumulated depreciation	(160,290)	(81,170)	(104,842)	(26,890)	-	(373,192)
Net book amount	69,021	12,689	9,950	4,801	58	96,519

Depreciation included in profit or loss for the year ended 31 December 2023 and 2022 are summarised as follows:

	2023 Thousand Baht	2022 Thousand Baht
Depreciation for the years	25,827	22,927

11 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 3 and 12 years.

11.1 Right-of-use assets

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

	Building Thousand Baht
For the year ended 31 December 2022	
Opening net book amount	295,761
Additions	23,966
Lease modifications and reassessment	(5,197)
Depreciation charge	(67,381)
Closing net book amount	247,149
For the year ended 31 December 2023	
Opening net book amount	247,149
Additions	7,781
Lease modifications and reassessment	140,312
Depreciation charge	(66,588)
Closing net book amount	328,654

11.2 Lease liabilities

	2023 Thousand Baht	2022 Thousand Baht
Lease payments	340,372	250,417
<u>Less</u> Deferred interest expenses	(25,521)	(15,575)
Total	314,851	234,842

A maturity analysis of lease payments is disclosed in Note 34.3 to the financial statements under the liquidity risk.

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

	2023 Thousand Baht	2022 Thousand Baht
Depreciation of right-of-use assets	66,588	67,381
Interest expenses on lease liabilities	8,611	8,012
Expense relating to short-term leases	127	-
Losses on lease modification	-	210

The Bank had total cash outflows for leases for the year ended 31 December 2023 of Baht 68 million (2022: Baht 67 million).

12 Intangible assets

	License fee Thousand Baht	Computer software Thousand Baht	Software under development Thousand Baht	Total Thousand Baht
As at 1 January 2022				
Cost	38,083	20,716	-	58,799
<u>Less</u> Accumulated amortisation	(36,030)	(13,357)	-	(49,387)
Net book amount	2,053	7,359	-	9,412
For the year ended 31 December 2022				
Opening net book amount	2,053	7,359	-	9,412
Additions	311	237	5,112	5,660
Amortisation charge	(298)	(2,333)	-	(2,631)
Transfer in (out)	-	2,728	(2,728)	-
Reclassification	(1,638)	1,638	-	-
Closing net book amount	428	9,629	2,384	12,441
As at 31 December 2022				
Cost	36,756	25,319	2,384	64,459
<u>Less</u> Accumulated amortisation	(36,328)	(15,690)	-	(52,018)
Net book amount	428	9,629	2,384	12,441
As at 1 January 2023				
Cost	36,756	25,319	2,384	64,459
<u>Less</u> Accumulated amortisation	(36,328)	(15,690)	-	(52,018)
Net book amount	428	9,629	2,384	12,441
For the year ended 31 December 2023				
Opening net book amount	428	9,629	2,384	12,441
Additions	61	510	2,966	3,537
Amortisation charge	(387)	(2,216)	-	(2,603)
Transfer in (out)	-	5,350	(5,350)	-
Closing net book amount	102	13,273	-	13,375
As at 31 December 2023				
Cost	36,817	31,179	-	67,996
<u>Less</u> Accumulated amortisation	(36,715)	(17,906)	-	(54,621)
Net book amount	102	13,273	-	13,375

Amortisation included in profit or loss for the year ended 31 December 2023 and 2022 are summarised as follows:

	2023 Thousand Baht	2022 Thousand Baht
Amortisation for the year	2,603	2,631

13 Other assets

	2023 Thousand Baht	2022 Thousand Baht
Accrued interest receivables from investments	54,136	45,281
Deposits	21,242	21,280
Prepaid expenses	11,754	15,356
Margin receivables	60,237	19,225
Others	1,625	5,336
Total	148,994	106,478

14 Deposit

14.1 Classified by type of deposits

	2023 Thousand Baht	2022 Thousand Baht
Current accounts	980,514	795,377
Saving accounts	28,546,102	25,382,339
Fixed accounts	22,718,435	16,882,547
Total	52,245,051	43,060,263

14.2 Classified by currency and residency of deposits

	2023			2022		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Baht	22,966,622	45,176	23,011,798	22,883,940	30,702	22,914,642
US Dollar	22,981,949	256,393	23,238,342	16,016,783	341,838	16,358,621
Chinese Yuan	5,091,690	634,357	5,726,047	3,023,562	656,522	3,680,084
Other currencies	262,836	6,028	268,864	100,788	6,128	106,916
Total	51,303,097	941,954	52,245,051	42,025,073	1,035,190	43,060,263

15 Interbank and money market items (liabilities)

	2023			2022		
	At call Thousand Baht	Term Thousand Baht	Total Thousand Baht	At call Thousand Baht	Term Thousand Baht	Total Thousand Baht
Domestic items						
Commercial banks	22,556	-	22,556	2,995	700,000	702,995
Total domestic items	22,556	-	22,556	2,995	700,000	702,995
Foreign items						
Baht	185,101	-	185,101	289,278	-	289,278
US Dollars	-	433,609	433,609	-	2,119,712	2,119,712
Hong Kong Dollars	-	-	-	-	6,651	6,651
Australian Dollars	-	236,941	236,941	-	-	-
Euro	-	342,301	342,301	-	920,685	920,685
Total foreign items	185,101	1,012,851	1,197,952	289,278	3,047,048	3,336,326
Total domestic and foreign items	207,657	1,012,851	1,220,508	292,273	3,747,048	4,039,321

16 Debts issued and borrowings

As at 31 December 2023 and 2022, debts issued and borrowings classified by type of securities, maturity and interest rate are as follows:

Type	Maturity	Interest rate per annum (%)	Currency	2023			2022		
				Amount			Amount		
				Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Subordinated debentures	21 August 2033	O/N SOFR + 0.97	USD	-	1,368,932	1,368,932	-	-	-
Subordinated debentures	21 August 2027	3M LIBOR + 0.3	USD	-	-	-	-	2,419,368	2,419,368
Total				-	1,368,932	1,368,932	-	2,419,368	2,419,368

As at 31 December 2023 and 2022, the subordinated debentures are name-registered, unsecured, subordinated debentures with no debenture holders' representative through Bank of China (Hong Kong) Limited amounting to USD 40 million and 70 million, respectively. The debentures have a 10-year tenor and bear interest at a floating rate of Overnight SOFR plus 0.97 percent per annum and 3-month LIBOR plus 0.3 percent per annum respectively. The interests are 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 31 December 2023 and 2022, the Bank was approved by BoT to count proceeds received from the issuance of the above subordinated debentures for an amount of Baht 1,413 and 1,861 million respectively as a part of its Tier II capital, in accordance with the conditions specified in the BoT's guidelines regarding the Basel III framework.

17 Provisions

	2023 Thousand Baht	2022 Thousand Baht
Allowance for expected credit losses on loan commitments and financial guarantee contracts	117,349	114,754
Provision for restoration and dismantling cost	85,509	77,727
Provision for long-term employee benefits	61,124	48,258
Others	3,017	2,304
Total	266,999	243,043

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

As at 31 December 2023 and 2022, allowance for expected credit losses of loan commitments and financial guarantee contracts by classification are as follows:

	2023	
	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)	22,006,371	43,171
Financial assets where there has been a significant increase in credit risk (Under-Performing)	268	28
Financial assets that are credit-impaired (Non-Performing)	74,150	74,150
Total	22,080,789	117,349
	2022	
	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)	17,872,561	29,304
Financial assets where there has been a significant increase in credit risk (Under-Performing)	82,443	11,300
Financial assets that are credit-impaired (Non-Performing)	74,150	74,150
Total	18,029,154	114,754

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

	2023			
	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	29,304	11,300	74,150	114,754
Changes due to changes in stages	4,677	(4,677)	-	-
Changes due to revaluation of allowance for credit losses	3,367	-	-	3,367
New loan commitments/ guarantee contracts issued	18,145	-	-	18,145
Derecognised financial assets	(12,322)	(6,595)	-	(18,917)
Ending balance	43,171	28	74,150	117,349

	2022			
	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	45,694	6,106	74,150	125,950
Changes due to changes in stages	(844)	844	-	-
Changes due to revaluation of allowance for credit losses	(10,727)	4,528	-	(6,199)
New loan commitments/ guarantee contracts issued	5,561	-	-	5,561
Derecognised financial assets	(10,380)	(178)	-	(10,558)
Ending balance	29,304	11,300	74,150	114,754

17.2 Provisions for long-term employee benefits

Changes in provisions for long-term employee benefits for the year ended 31 December 2023 and 2022 can be summarised as follows:

	2023 Thousand Baht	2022 Thousand Baht
Provisions for long-term employee benefits at the beginning of the year	48,258	40,201
Recognised in profit or loss:		
Current service cost	12,486	11,526
Interest cost	1,023	606
Gains from settlement	(43)	-
Total benefits recognised in profit or loss	13,466	12,132
Recognised in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumption changes	180	1,381
Financial assumption changes	(510)	(2,033)
Experience adjustments	856	(3,423)
Total benefits recognised in other comprehensive income	526	(4,075)
Benefits paid during the year	(1,126)	-
Provisions for long-term employee benefits at the end of the year	61,124	48,258

As at 31 December 2023, the weighted average duration of the Bank's long-term employee benefit obligation is 6 years (2022: 7 years).

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

	2023 Percentage per annum	2022 Percentage per annum
Average salary incremental rate	5.00	5.00
Average staff turnover rate	0.00 - 22.00	0.00 - 22.00
Discount rate	2.31	2.17

Sensitivity analysis for principal assumptions that affects provisions for long-term employee benefits as at 31 December 2023 and 2022 are summarised as follows:

	2023		2022	
	Increased by 1% Thousand Baht	Decreased by 1% Thousand Baht	Increased by 1% Thousand Baht	Decreased by 1% Thousand Baht
Average salary incremental rate	4,104	(3,711)	3,516	(3,172)
Average staff turnover rate	(3,714)	2,081	(3,206)	1,816
Discount rate	(3,414)	3,845	(2,954)	3,332

Expected maturity analysis of undiscounted retirement benefits:

	2023 Thousand Baht	2022 Thousand Baht
Maturity analysis of benefits expected to be paid		
Benefits expected to be paid within 1 year	8,101	1,169
Benefits expected to be paid between 1 and 2 years	8,459	8,124
Benefits expected to be paid between 2 and 5 years	34,622	17,635
Benefits expected to be paid in more than 5 years	575,822	552,810

18 Other liabilities

	2023 Thousand Baht	2022 Thousand Baht
Accrued expenses	208,491	194,618
Cash subscription payable	203,013	203,013
Other liabilities payable on behalf of Bank of China Limited, Bangkok branch	10,789	10,789
Corporate income tax payable	133,440	68,003
Others	43,703	52,953
Total other liabilities	599,436	529,376

19 Other components of equity

	2023 Thousand Baht	2022 Thousand Baht
Revaluation surplus (deficit) on investments		
Revaluation surplus on investments		
Debt instruments	43,703	31,271
Revaluation deficit on investments		
Debt instruments	(34,938)	(49,611)
Total revaluation surplus (deficit) on investment measured at fair value through other comprehensive income	8,765	(18,340)
<u>Less</u> Income tax effects	(1,753)	4,980
Revaluation surplus (deficit) on investments measured at fair value through other comprehensive income - net of income tax	7,012	(13,360)

20 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.

During the year of 2023, the Bank allocated additional legal reserve amounting to Baht 20.0 million. As at 31 December 2023, the Bank had total legal reserve amounting to Baht 56.9 million (2022: Baht 37.0 million).

21 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 31 December 2023 and 2022, Capital funds of the Bank calculated in accordance with the BoT's guidelines with reference to Basel III framework consist of the following:

	2023 Thousand Baht	2022 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	56,944	36,964
Retained earnings after appropriation	1,080,239	700,612
Other components of equity	7,012	(13,360)
<u>Less</u> Deduction items from Common Equity Tier I	<u>(666,237)</u>	<u>(657,982)</u>
Total Tier I capital	10,477,958	10,066,234
Tier II capital		
Subordinated debentures	1,412,790	1,860,583
Total Tier II capital	1,412,790	1,860,583
Total capital funds	11,890,748	11,926,817

	2023		2022	
Capital Adequacy Ratio	Minimum requirement by BoT Percentage	The Bank Percentage	Minimum requirement by BoT Percentage	The Bank Percentage
Common Equity Tier I to risk-weighted assets	7.00	19.48	7.00	18.99
Tier I capital funds to risk-weighted assets	8.50	19.48	8.50	18.99
Total capital funds to risk-weighted assets	11.00	22.11	11.00	22.50

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 31 December 2023 on its website (www.bankofchina.com/th) by April 2024.

22 Interest income

	2023 Thousand Baht	2022 Thousand Baht
Interbank and money market items	467,324	142,234
Investments in debt instruments	155,551	129,616
Loans to customers	1,918,019	1,455,044
Total interest income	2,540,894	1,726,894

23 Interest expenses

	2023 Thousand Baht	2022 Thousand Baht
Deposits	616,989	203,491
Interbank and money market items	95,985	165,087
Contributions to the Deposit Protection Agency	113,826	61,850
Debts issued and borrowings	116,005	52,941
Others	8,611	8,012
Total interest expense	951,416	491,381

24 Net fees and service income

	2023 Thousand Baht	2022 Thousand Baht
Fees and service income		
- Acceptances, avals and guarantees	85,202	97,804
- Others	172,168	159,640
Total fees and service income	257,370	257,444
Fees and service expenses	(28,352)	(20,788)
Net fees and service income	229,018	236,656

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

	2023 Thousand Baht	2022 Thousand Baht
Foreign currencies and derivatives on foreign exchange	896,415	362,492
Total	896,415	362,492

26 Expected credit losses

Expected credit losses for financial assets for the years ended 31 December 2023 and 2022 are as follows:

	2023 Thousand Baht	2022 Thousand Baht
Interbank and money market items	155	(2,528)
Debt instruments measured at fair value through other comprehensive income	(1,662)	(466)
Debt instruments measured at amortised cost	738	-
Loans to customers and accrued interest receivables	664,729	502,197
Total	663,960	499,203
Loan commitments and financial guarantee contracts	4,385	(12,948)
Total expected credit losses	668,345	486,255

27 Income tax

Income tax expenses of the Bank for the years ended 31 December 2023 and 2022 are as follows:

	2023 Thousand Baht	2022 Thousand Baht
Current income tax		
Income tax for the years	223,839	183,655
Adjustments in respect of corporate income tax of previous years	411	(134)
Deferred tax		
Deferred tax on temporary differences and reversal of temporary differences	(4,248)	(83,800)
Income tax expenses reported in the statement of comprehensive income	220,002	99,721

The amount of income tax relating to each component of other comprehensive income for the years ended 31 December 2023 and 2022 are as follows:

	2023 Thousand Baht	2022 Thousand Baht
Revaluation surplus (deficit) on investments	(6,733)	17,489
Actuarial (gains) losses on defined benefit plan	105	(815)
Income tax recorded directly to other comprehensive income	(6,628)	16,674

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2023 and 2022 are as follows:

	2023 Thousand Baht	2022 Thousand Baht
Accounting profits before tax	1,098,354	499,328
Applicable tax rates	20%	20%
Accounting profits before tax multiplied by applicable tax rate	219,671	99,866
Adjustments in respect of corporate income tax of previous years	411	(134)
Tax effect of non-taxable income and non-deductible expenses	615	113
Utilisation of previously unrecognised tax losses	(695)	(124)
Income tax expenses reported in the statement of comprehensive income	220,002	99,721

The weighted average income tax rate for the year ended 31 December 2023 was 20.03% (2022: 19.97%).

	2023 Thousand Baht	2022 Thousand Baht	Change in deferred tax assets/liabilities for the year ended	
			2023 Thousand Baht	2022 Thousand Baht
Deferred tax assets (liabilities) arose from				
Revaluation surplus on investments	(827)	4,979	(5,806)	17,489
Allowance for expected credit losses	23,762	24,214	(452)	(2,470)
Provisions	51,983	48,520	3,463	5,362
Stop accrued interest	816	816	-	-
Deferred fees income	7,370	7,944	(574)	(5,250)
Others	93,802	92,813	989	85,343
Deferred tax assets	176,906	179,286	(2,380)	100,474
Changes in deferred income tax				
Recognised in profit or loss			4,248	83,800
Recognised in other comprehensive income (loss)			(6,628)	16,674
Total			(2,380)	100,474

28 Contingent liabilities

28.1 Commitments

	2023 Thousand Baht	2022 Thousand Baht
Guarantees of loans	737,053	872,674
Letters of credit	122,290	141,225
Liabilities under unmatured import bills	110,689	377,247
Other commitments		
- Undrawn overdraft amount	128,315	48,389
- Other guarantees	20,090,129	15,825,159
- Others	892,313	764,460
Total	22,080,789	18,029,154

28.2 Service commitments

The Bank has entered into other service commitments. The terms of the agreements are approximately 1 year. As at 31 December 2023, the Bank has future minimum payments required under these non-cancellable contract ending on 31 March 2024 amounting to approximately Baht 0.3 million (2022: Baht 0.3 million).

28.3 Contingent liabilities/Litigation cases

As at 31 December 2023, the Bank has contingent liabilities amounting to approximately Baht 92 million (2022: Baht 74 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.

29 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 years, 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 year ended		Terms and pricing policy
	2023	2022	
	Thousand Baht	Thousand Baht	
Parent company			
Interest income	229,005	100,529	At market price
Interest expenses	156,459	105,389	At market price
Premises and equipment expenses	1,766	4,210	At the rate agreed under the service contract
Fee income	31,631	23,782	At the rate agreed under the service contract
Fee expenses	-	290	At the rate agreed under the service contract
Other expenses	671	681	At the rate agreed under the service contract
Companies in the Bank of China Group			
Interest income	14,119	6,661	At market price
Interest expenses	52,049	109,395	At market price
Premises and equipment expenses	2,156	7,416	At the rate agreed under the service contract
Fee income	2,782	17,070	At the rate agreed under the service contract
Fee expenses	1,586	1,179	At the rate agreed under the service contract
Other expenses	7,036	-	At the rate agreed under the service contract
Related parties			
Interest expenses	1,149	388	At market price

Bank of China (Thai) Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2023

As at 31 December 2023 and 2022, the outstanding balances of the accounts between the Bank and related companies are as follows:

	2023 Thousand Baht	2022 Thousand Baht
Outstanding balance		
Parent company		
Interbank and money market items (assets)	14,035,737	4,677,974
Derivative assets	28,711	74,223
Accrued interest receivables	116,805	11,286
Interbank and money market items (liabilities)	579,242	927,336
Derivative liabilities	6,542	2,913
Debts issued and borrowings	1,368,932	2,419,368
Accrued interest payables	10,172	14,195
Accrued expenses	2,750	3,940
Commitment from foreign exchange contracts	2,285,669	1,170,974
Commitment from interest rate swap contracts	1,078,034	1,399,777
Companies in the Bank of China Group		
Interbank and money market items (assets)	387,685	2,107,439
Accrued interest receivables	-	4,704
Accrued fee income	-	1,542
Interbank and money market items (liabilities)	618,710	2,408,990
Accrued interest payables	13,706	16,685
Cash subscription payable	203,013	203,013
Other liabilities on behalf of Bank of China Limited, Bangkok branch	10,789	10,789
Accrued expenses	11,733	16,000
Other liabilities	-	6,521
Related parties		
Investments	5	5
Deposits	210,935	170,032
Accrued interest payables	301	90

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

	2023 Thousand Baht	2022 Thousand Baht
Loans to customers	10	303
Deposits	9,880	16,382

Directors and management's benefits

During the years ended 31 December 2023 and 2022, the Bank had short-term benefit expenses paid to their directors and key management as follows:

	2023 Thousand Baht	2022 Thousand Baht
Short-term benefits*	56,747	70,603
Total	56,747	70,603

* Short-term benefits include directors' remuneration amounting to Baht 4.8 million (2022: Baht 4.4 million).

30 Earnings per share

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

	2023	2022
Profits for the years (Thousand Baht)	878,352	399,607
Basic earnings per share (Baht per share)	0.88	0.40
Weighted average number of shares (shares)	1,000,000,000	1,000,000,000

31 Financial position and results of operations classified by business activity

Financial position of the Bank classified by geographic locations as at 31 December 2023 and 2022 and the operating results of the Bank for the year ended 31 December 2023 and 2022 classified by geographic locations are only from domestic operation. The Bank does not operate in foreign locations.

32 Fair value of financial instruments

As at 31 December 2023 and 2022, 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:

	2023				
	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	61,008	-	61,008	-	61,008
Investments in debt instruments measured at fair value through other comprehensive income	4,825,735	-	4,825,735	-	4,825,735
Investments in equity instruments designated at fair value through other comprehensive income	5	-	5	-	5
Financial liabilities					
Derivative liabilities	110,767	-	110,767	-	110,767
Financial assets and liabilities not measured at fair value					
Financial assets					
Cash	126,508	126,508	-	-	126,508
Interbank and money market items - net (assets)	25,652,174	11,355,120	14,297,054	-	25,652,174
Investments in debt instruments measured at amortised cost	2,673,267	-	2,681,476	-	2,681,476
Loan to customers and accrued interest receivables - net	34,775,000	-	34,775,000	-	34,775,000
Financial liabilities					
Deposits	52,245,051	29,526,616	22,718,435	-	52,245,051
Interbank and money market items (liabilities)	1,220,508	207,657	1,012,851	-	1,220,508
Liabilities payable on demand	743,901	-	743,901	-	743,901
Debts issued and borrowings	1,368,932	-	1,296,354	-	1,296,354

	2022				
	Carrying value Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
Financial assets and liabilities measured at fair value					
Financial assets					
Derivative assets	97,891	-	97,891	-	97,891
Investments in debt instruments measured at fair value through other comprehensive income	5,516,544	-	5,516,544	-	5,516,544
Investments in equity instruments designated at fair value through other comprehensive income	5	-	5	-	5
Financial liabilities					
Derivative liabilities	116,020	-	116,020	-	116,020
Financial assets and liabilities not measured at fair value					
Financial assets					
Cash	124,803	124,803	-	-	124,803
Interbank and money market items - net (assets)	12,593,045	2,508,740	10,084,305	-	12,593,045
Investments in debt instruments measured at amortised cost	1,479,774	-	1,506,047	-	1,506,047
Loan to customers and accrued interest receivables - net	41,303,046	-	41,303,046	-	41,303,046
Financial liabilities					
Deposits	43,060,263	26,177,716	16,882,547	-	43,060,263
Interbank and money market items (liabilities)	4,039,321	292,273	3,747,048	-	4,039,321
Liabilities payable on demand	272,241	-	272,241	-	272,241
Debts issued and borrowings	2,419,368	-	2,395,783	-	2,395,783

During the current year, 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 loans to customers is presented at the carrying value of loans to customers and accrued interest receivables net of allowance for expected credit losses. The majority of loans to customer are floating rate loans, which the management has assessed that their effective interest rate are comparable to effective interest rate in the market.

(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.

33 Offsetting of financial assets and financial liabilities

The following table presents the recognised financial instruments that are subject to enforceable master netting arrangements as at 31 December 2023 and 2022.

2023						
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	23,848	-	23,848	23,848	84,900	-
Total financial assets	23,848	-	23,848	23,848	84,900	-
Financial liabilities						
Derivatives liabilities	31,268	-	31,268	31,268	60,237	-
Total financial liabilities	31,268	-	31,268	31,268	60,237	-
2022						
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	15,204	-	15,204	1,094	-	1,094
Total financial assets	15,204	-	15,204	1,094	-	1,094
Financial liabilities						
Derivatives liabilities	27,945	-	27,945	13,836	19,225	-
Total financial liabilities	27,945	-	27,945	13,836	19,225	-

34 Risk management

34.1 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.

Concentration of exposure

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The Bank use a number of controls and measures to minimise undue concentration of exposure in the portfolios across industries. These include portfolio and counterparty limits, approval and review controls, and stress testing.

As at 31 December 2023 and 2022, concentrations of credit risk relative to the loans and receivables net of deferred revenue summarised by type of industry are as follows:

	2023 Thousand Baht	2022 Thousand Baht
Agriculture and mining	3,170,471	4,339,149
Manufacturing and commercial	16,549,793	16,752,984
Property development and construction	2,864,176	3,468,238
Infrastructure and service	5,218,542	7,335,308
Housing loans	1,718,849	1,955,729
Others	7,521,139	9,261,833
Total	37,042,970	43,113,241

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 31 December 2023 and 2022, the maximum exposure to credit risk are as follows:

	2023 Thousand Baht	2022 Thousand Baht
Interbank and money market items (assets)	25,654,547	12,653,874
Investments in debt instruments	7,549,414	7,023,240
Loans to customers and accrued interest receivables	37,255,539	43,368,503
Other accrued interest receivables	54,136	45,281
Total financial assets	70,513,636	63,090,898
Loan commitments	1,020,628	812,850
Financial guarantee contracts and others.	21,060,161	17,216,305
Total	22,080,789	18,029,155
Total credit risk exposure	92,594,425	81,120,053

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 financial statements.

	2023			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*	25,654,489	-	-	25,654,489
Non-investment grade*	-	-	-	-
Total	25,654,489	-	-	25,654,489
Less Allowance for expected credit losses	(2,315)	-	-	(2,315)
Net carrying amount	25,652,174	-	-	25,652,174
Investments in debt instruments				
Investment grade*	7,500,450	-	-	7,500,450
Non-investment grade*	-	-	-	-
Total	7,500,450	-	-	7,500,450
Less Allowance for expected credit losses	(6,078)	-	-	(6,078)
Net carrying amount	7,494,372	-	-	7,494,372
Loans to customers and accrued interest receivables - net				
0 - 30 days overdue	34,973,927	27,896	-	35,001,823
31 - 90 days overdue	-	12,537	-	12,537
Over 90 days overdue	-	-	2,163,770	2,163,770
Total	34,973,927	40,433	2,163,770	37,178,130
Less Allowance for expected credit losses	(835,874)	(4,417)	(1,562,839)	(2,403,130)
Net carrying amount	34,138,053	36,016	600,931	34,775,000
Loan commitments				
Loan commitments	1,020,360	268	-	1,020,628
Less Allowance for expected credit losses	(8,500)	(28)	-	(8,528)
Net carrying amount	1,011,860	240	-	1,012,100
Financial guarantee contracts				
Financial guarantee contracts	20,986,011	-	74,150	21,060,161
Less Allowance for expected credit losses	(34,671)	-	(74,150)	(108,821)
Net carrying amount	20,951,340	-	-	20,951,340

* Rating of external credit risk rating agency

	2022			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*	12,593,651	-	-	12,593,651
Non-investment grade*	-	-	-	-
Total	12,593,651	-	-	12,593,651
Less Allowance for expected credit losses	(606)	-	-	(606)
Net carrying amount	12,593,045	-	-	12,593,045
Investments in debt instruments				
Investment grade*	6,997,028	-	-	6,997,028
Non-investment grade*	-	-	-	-
Total	6,997,028	-	-	6,997,028
Less Allowance for expected credit losses	(7,002)	-	-	(7,002)
Net carrying amount	6,990,026	-	-	6,990,026
Loans to customers and accrued interest receivables - net				
0 - 30 days overdue	39,889,866	1,698,869	-	41,588,735
31 - 90 days overdue	-	164,153	-	164,153
Over 90 days overdue	-	-	1,552,192	1,552,192
Total	39,889,866	1,863,022	1,552,192	43,305,080
Less Allowance for expected credit losses	(430,996)	(708,268)	(862,770)	(2,002,034)
Net carrying amount	39,458,870	1,154,754	689,422	41,303,046
Loan commitments				
Loan commitments	812,470	380	-	812,850
Less Allowance for expected credit losses	(9,134)	(114)	-	(9,248)
Net carrying amount	803,336	266	-	803,602
Financial guarantee contracts				
Financial guarantee contracts	17,060,091	82,063	74,150	17,216,304
Less Allowance for expected credit losses	(20,170)	(11,186)	(74,150)	(105,506)
Net carrying amount	17,039,921	70,877	-	17,110,798

* 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	2023 Thousand Baht	2022 Thousand Baht
Lands, buildings, vehicle, and deposits	25,554,628	23,465,310

34.2 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:

	2023				
	Floating rate Thousand Baht	Fixed rate Thousand Baht	Non-interest bearing Thousand Baht	Non-performing loan Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	126,508	-	126,508
Interbank and money market items	10,364,575	14,170,933	990,557	-	25,526,065
Derivative assets	-	-	61,008	-	61,008
Investments	-	7,500,450	5	-	7,500,455
Loans to customers	24,500,078	10,387,307	-	2,155,585	37,042,970
Total financial assets	34,864,653	32,058,690	1,178,078	2,155,585	70,257,006
Financial liabilities					
Deposits	28,238,486	22,718,435	1,288,130	-	52,245,051
Interbank and money market items	21,975	1,012,851	185,682	-	1,220,508
Liabilities payable on demand	-	-	743,901	-	743,901
Derivative liabilities	-	-	110,767	-	110,767
Debts issued and borrowings	1,368,932	-	-	-	1,368,932
Lease liabilities	-	314,851	-	-	314,851
Total financial liabilities	29,629,393	24,046,137	2,328,480	-	56,004,010

Bank of China (Thai) Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2023

	2022				
	Floating rate Thousand Baht	Fixed rate Thousand Baht	Non-interest bearing Thousand Baht	Non-performing loan Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	124,803	-	124,803
Interbank and money market items	1,850,648	10,128,493	658,092	-	12,637,233
Derivative assets	-	-	97,891	-	97,891
Investments	-	6,997,028	5	-	6,997,033
Loans to customers	25,302,435	16,290,761	-	1,520,045	43,113,241
Total financial assets	27,153,083	33,416,282	880,791	1,520,045	62,970,201
Financial liabilities					
Deposits	25,251,410	16,882,547	926,306	-	43,060,263
Interbank and money market items	1,684,580	2,065,242	289,499	-	4,039,321
Liabilities payable on demand	-	-	272,241	-	272,241
Derivative liabilities	-	-	116,020	-	116,020
Debts issued and borrowings	2,419,368	-	-	-	2,419,368
Lease liabilities	-	234,842	-	-	234,842
Total financial liabilities	29,355,358	19,182,631	1,604,066	-	50,142,055

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:

	2023					
	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	14,170,933	-	-	-	14,170,933	3.46
Investments	240,678	-	5,413,005	1,846,767	7,500,450	2.37
Loans to customers	5,143,578	2,985,679	2,258,050	-	10,387,307	3.40
Total financial assets	19,555,189	2,985,679	7,671,055	1,846,767	32,058,690	
Financial liabilities						
Deposits	16,693,894	5,899,429	125,112	-	22,718,435	2.91
Interbank and money market items	1,012,851	-	-	-	1,012,851	2.87
Lease liabilities	15,371	43,705	224,218	31,557	314,851	2.72 - 4.52*
Total financial liabilities	17,722,116	5,943,134	349,330	31,557	24,046,137	

* Interest rate per annum

	2022					Weighted average (% per annum)
	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	
Financial assets						
Interbank and money market items	9,158,529	158,121	811,843	-	10,128,493	2.62
Investments	749,909	575,402	5,565,899	105,818	6,997,028	2.02
Loans to customers	8,323,657	3,580,826	4,386,278	-	16,290,761	2.79
Total financial assets	18,232,095	4,314,349	10,764,020	105,818	33,416,282	
Financial liabilities						
Deposits	9,789,151	7,091,224	2,172	-	16,882,547	1.85
Interbank and money market items	1,627,336	-	437,906	-	2,065,242	1.63
Lease liabilities	15,595	46,604	164,124	8,519	234,842	2.57 - 4.52*
Total financial liabilities	11,432,082	7,137,828	604,202	8,519	19,182,631	

* 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 year. 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 the end of the reporting period 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 31 December 2023 and 2022 can be summarised as follows:

	2023	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 1%	29,984	(196,964)
Decreased by 1%	(29,984)	196,964

	2022	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 1%	9,211	(142,947)
Decreased by 1%	(9,211)	142,947

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 31 December 2023 and 2022 can be summarised as follows:

	2023				
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets					
Cash	98,399	19,646	8,463	-	126,508
Interbank and money market items	10,223,966	11,772,177	3,338,599	317,432	25,652,174
Investments	5,858,035	-	1,640,972	-	7,499,007
Loans to customers	22,095,279	10,436,195	1,015,451	1,228,075	34,775,000
Other accrued interest receivables	21,590	-	32,546	-	54,136
Total financial assets	38,297,269	22,228,018	6,036,031	1,545,507	68,106,825
Financial liabilities					
Deposits	23,011,798	23,238,342	5,726,047	268,864	52,245,051
Interbank and money market items	185,682	433,609	21,975	579,242	1,220,508
Liabilities payable on demand	83,354	439,931	220,279	337	743,901
Debts issued and borrowings	-	1,368,932	-	-	1,368,932
Lease liabilities	314,851	-	-	-	314,851
Accrued interest payable	51,016	287,838	19,835	336	359,025
Total financial liabilities	23,646,701	25,768,652	5,988,136	848,779	56,252,268
Commitments					
Guarantees of loans	-	-	-	737,053	737,053
Letters of credit	-	122,290	-	-	122,290
Liabilities under unmatured import bills	14,190	96,499	-	-	110,689
Other commitments					
- Undrawn overdraft amount	128,315	-	-	-	128,315
- Other guarantees	17,408,883	2,182,882	323,168	175,196	20,090,129
- Others	603,855	40,015	-	248,443	892,313

Bank of China (Thai) Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2023

	2022				
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets					
Cash	89,085	24,103	11,615	-	124,803
Interbank and money market items	5,748,910	4,854,685	1,867,588	121,862	12,593,045
Investments	5,248,933	-	1,747,390	-	6,996,323
Loans to customers	25,559,785	14,796,602	520	946,139	41,303,046
Other accrued interest receivables	10,762	-	34,519	-	45,281
Total financial assets	36,657,475	19,675,390	3,661,632	1,068,001	61,062,498
Financial liabilities					
Deposits	22,914,642	16,358,621	3,680,084	106,916	43,060,263
Interbank and money market items	989,499	2,119,712	2,774	927,336	4,039,321
Liabilities payable on demand	42,951	171,186	57,441	663	272,241
Debts issued and borrowings	-	2,419,368	-	-	2,419,368
Lease liabilities	234,842	-	-	-	234,842
Accrued interest payable	38,936	41,114	11,468	486	92,004
Total financial liabilities	24,220,870	21,110,001	3,751,767	1,035,401	50,118,039
Commitments					
Guarantees of loans	-	-	-	872,674	872,674
Letters of credit	-	96,003	45,222	-	141,225
Liabilities under unmatured import bills	-	377,247	-	-	377,247
Other commitments					
- Undrawn overdraft amount	48,389	-	-	-	48,389
- Other guarantees	13,493,965	2,109,635	78,611	142,948	15,825,159
- Others	668,454	96,007	-	-	764,461

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

	2023				
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
Foreign exchange contracts					
- Bought	1,822,095	5,346,839	305,419	341,796	7,816,149
- Sold	4,532,066	1,949,352	338,986	1,025,388	7,845,792
Interest rate swap contracts	-	2,156,068	-	-	2,156,068

	2022				
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
Foreign exchange contracts					
- Bought	1,216,837	3,181,987	875,383	-	5,274,207
- Sold	2,694,504	1,867,306	725,054	-	5,286,864
Interest rate swap contracts	-	2,799,554	-	-	2,799,554

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 31 December 2023 and 2022 can be summarised as follows:

	2023	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 10%	666	666
Decreased by 10%	(666)	(666)

	2022	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 10%	3,086	3,086
Decreased by 10%	(3,086)	(3,086)

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

34.3 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 assets and marketable investments in debt instruments measured at fair value through other comprehensive income.

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).

Bank of China (Thai) Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2023

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:

	2023					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	126,508	-	-	-	-	126,508
Interbank and money market items	11,373,799	14,280,690	-	-	-	25,654,489
Derivative assets	-	61,008	-	-	-	61,008
Investments	-	240,678	5,413,005	1,846,767	5	7,500,455
Loans to customers*	-	21,094,174	11,674,410	4,345,190	64,356	37,178,130
Other accrued interest receivables	-	54,136	-	-	-	54,136
Total financial assets	11,500,307	35,730,686	17,087,415	6,191,957	64,361	70,574,726
Financial liabilities						
Deposits	29,526,616	22,593,323	125,112	-	-	52,245,051
Interbank and money market items	207,657	1,012,851	-	-	-	1,220,508
Liabilities payable on demand	743,901	-	-	-	-	743,901
Derivative liabilities	-	110,767	-	-	-	110,767
Debts issued and borrowings	-	-	-	1,368,932	-	1,368,932
Lease liabilities	-	67,459	240,752	32,161	-	340,372
Accrued interest payable	2,351	356,555	119	-	-	359,025
Total financial liabilities	30,480,525	24,140,955	365,983	1,401,093	-	56,388,556

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

	2022					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	124,803	-	-	-	-	124,803
Interbank and money market items	2,508,847	9,329,187	755,617	-	-	12,593,651
Derivative assets	-	30,705	67,186	-	-	97,891
Investments	-	1,325,311	5,565,899	105,818	5	6,997,033
Loans to customers*	17,693	23,710,273	15,614,103	3,748,574	214,437	43,305,080
Other accrued interest receivables	-	45,281	-	-	-	45,281
Total financial assets	2,651,343	34,440,757	22,002,805	3,854,392	214,442	63,163,739
Financial liabilities						
Deposits	26,177,715	16,880,376	2,172	-	-	43,060,263
Interbank and money market items	292,273	1,926,646	1,820,402	-	-	4,039,321
Liabilities payable on demand	272,241	-	-	-	-	272,241
Derivative liabilities	-	48,834	67,186	-	-	116,020
Debts issued and borrowings	-	-	2,419,368	-	-	2,419,368
Lease liabilities	-	68,660	172,506	9,251	-	250,417
Accrued interest payable	2,447	80,732	8,825	-	-	92,004
Total financial liabilities	26,744,676	19,005,248	4,490,459	9,251	-	50,249,634

* 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 31 December 2023 on its website (www.bankofchina.com/th) by April 2024.

35 Subsequent Events

On 26 March 2024, the Board of Director's Meeting passed a resolution to propose the allocation of legal reserve from profit for the year ended 31 December 2023 amounting to Baht 43.9 million to the Annual General Meeting of shareholders for approval.