

BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

INTERIM FINANCIAL STATEMENTS

30 JUNE 2023



Independent auditor's report

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

My opinion

In my opinion, the interim financial statements present fairly, in all material respects, the financial position of Bank of China (Thai) Public Company Limited (the Bank) as at 30 June 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards (TFRS).

What I have audited

The Bank's interim financial statements comprise:

- the statement of financial position as at 30 June 2023;
- the statement of comprehensive income for the six-month period then ended;
- the statement of changes in equity for the six-month period then ended;
- the statement of cash flows for the six-month period then ended; and
- the notes to the interim financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the interim financial statements section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants including Independence Standards issued by the Federation of Accounting Professions (TFAC Code) that are relevant to my audit of the interim 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 2.8 of the interim financial statements, which describes the accounting policies in relation to adopting the temporary exemptions announced by the Federation of Accounting Professions to relieve the impact from COVID-19 for the reporting periods ending between 1 January 2022 and 31 December 2023. My opinion is not modified in respect to this matter.

Responsibilities of management for the interim financial statements

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

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

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



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

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

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

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

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

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

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in blue ink, appearing to read "Sakuna Yamsakul", with a stylized flourish at the end.

Sakuna Yamsakul
Certified Public Accountant (Thailand) No. 4906
Bangkok
21 September 2023

Bank of China (Thai) Public Company Limited
Statement of Financial Position
As at 30 June 2023

		30 June 2023	31 December 2022
	Notes	Thousand Baht	Thousand Baht
Assets			
Cash		133,620	124,803
Interbank and money market items - net	6	19,896,654	12,593,045
Derivative assets	7	410,194	97,891
Investments - net	8	6,695,218	6,996,323
Loans to customers and accrued interest receivables - net	9	37,565,051	41,303,046
Premises and equipment - net	11	107,065	96,388
Right-of-use assets - net	12.1	354,717	247,149
Intangible assets - net	13	14,182	12,441
Deferred tax assets	28	188,985	179,286
Other assets	14	111,009	106,478
Total assets		65,476,695	61,756,850

(Mr. Wang Hongwei)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Financial Position (Cont'd)
As at 30 June 2023

		30 June 2023	31 December 2022
	Notes	Thousand Baht	Thousand Baht
Liabilities and shareholders' equity			
Liabilities			
Deposits	15	49,516,431	43,060,263
Interbank and money market items	16	707,826	4,039,321
Liabilities payable on demand		112,787	272,241
Derivative liabilities	7	151,998	116,020
Debts issued and borrowings	17	2,491,251	2,419,368
Lease liabilities	12.2	344,416	234,842
Provisions	18	342,461	243,043
Accrued interest payable		190,431	92,004
Other liabilities	19	556,377	529,376
Total liabilities		54,413,978	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	20	(33,483)	(13,360)
Retained earnings			
Appropriated - statutory reserve	21	56,944	36,964
Unappropriated		1,039,256	726,768
Total equity		11,062,717	10,750,372
Total liabilities and shareholders' equity		65,476,695	61,756,850

(Mr. Wang Hongwei)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Comprehensive Income
For the six-month period ended 30 June 2023

		30 June 2023	30 June 2022
	Notes	Thousand Baht	Thousand Baht
Interest income	23	1,193,751	761,633
Interest expenses	24	(481,741)	(202,855)
Net interest income		712,010	558,778
Fees and service income		113,255	121,876
Fees and service expenses		(16,820)	(10,048)
Net fees and service income	25	96,435	111,828
Net gains on financial instruments measured at fair value through profit or loss	26	418,845	173,277
Losses on investments		(342)	-
Other operating income		3,817	3,155
Total operating income		1,230,765	847,038
Other operating expenses			
Employee expenses		294,839	284,714
Directors' remunerations		2,526	2,540
Premises and equipment expenses		72,636	90,392
Taxes and duties		41,631	26,942
Other operating expenses		29,200	27,992
Total operating expenses		440,832	432,580
Expected credit losses	27	374,185	198,505
Profits from operation before income tax		415,748	215,953
Income tax	28	(83,280)	(43,156)
Net profits for the periods		332,468	172,797



(Mr. Wang Hongwei)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Comprehensive Income (Cont'd)
For the six-month period ended 30 June 2023

		30 June 2023	30 June 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		(23,514)	(117,460)
Income tax relating to other comprehensive income (loss) for items that will be reclassified subsequently to profit or loss	28	3,391	24,965
Total items that will be reclassified subsequently to profit or loss		(20,123)	(92,495)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains (losses) on defined benefit plan		-	-
Income tax relating to other comprehensive income (loss) for items that will not be reclassified subsequently to profit or loss	28	-	-
Total items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income (loss) for the periods		(20,123)	(92,495)
Total comprehensive income for the periods		312,345	80,302
Earnings per share			
Basic earnings per share (Baht per share)	31	0.33	0.17

(Mr. Wang Hongwei)
Chief Executive Officer, Country Head

Bank of China (Thai) Public Company Limited
Statement of Changes in Equity
For the six-month period ended 30 June 2023

	Other components of equity		Retained earnings		Total Thousand Baht
	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	
Balance as of 1 January 2022	10,000,000	48,686	24,439	336,426	10,409,551
Profit for the period	-	-	-	172,797	172,797
Other comprehensive loss for the period	-	(92,495)	-	-	(92,495)
Total comprehensive income (loss) for the period	-	(92,495)	-	172,797	80,302
Transferred unappropriated retained earnings to statutory reserve	-	-	12,525	(12,525)	-
Balance as of 30 June 2022	10,000,000	(43,809)	36,964	496,698	10,489,853
Balance as of 1 January 2023	10,000,000	(13,360)	36,964	726,768	10,750,372
Profit for the period	-	-	-	332,468	332,468
Other comprehensive loss for the period	-	(20,123)	-	-	(20,123)
Total comprehensive income (loss) for the period	-	(20,123)	-	332,468	312,345
Transferred unappropriated retained earnings to statutory reserve	-	-	19,980	(19,980)	-
Balance as of 30 June 2023	10,000,000	(33,483)	56,944	1,039,256	11,062,717



(Mr. Wang Hongwei)

Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Cash Flows
For the six-month period ended 30 June 2023

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Cash flows from operating activities		
Profits from operation before income tax	415,748	215,953
Adjustments to reconcile profits from operation before income tax to net cash received (paid) from operating activities:		
Depreciation and amortisation	46,668	47,659
Expected credit losses	370,813	(196,297)
Impairment (reversal) charge on non-financial assets	(14,895)	14,895
Losses on assets written-off	14,317	-
Amortisation of discount (premium) on debt instruments	(1,129)	8,899
Gains on investments	342	-
Unrealised losses (gains) on changes in fair value of financial derivative instruments	(276,325)	(587,981)
Unrealised losses (gains) on exchange rate	149,991	(201,637)
Gains on disposal of equipments	(661)	(340)
Losses on lease modification	-	210
Provision for restoration and dismantling cost	-	1,600
Provisions for employee benefits	6,754	6,045
Net interest income	(710,881)	(567,677)
Cash received on interest income	1,140,773	732,464
Cash paid on interest expenses	(353,021)	(221,555)
Cash paid on income tax	(69,425)	(3,280)
Profits from operating activities before changes in operating assets and liabilities	719,069	(751,042)
(Increase) decrease in operating assets		
Interbank and money market items	(7,266,157)	3,949,581
Loans to customers	3,424,252	2,503,745
Other assets	(12,166)	(30,128)
Increase (decrease) in operating liabilities		
Deposits	6,456,168	(7,298,227)
Interbank and money market items	(3,331,495)	620,955
Liabilities payable on demand	(159,454)	(161,199)
Provisions for employee benefits	(1,126)	-
Other liabilities	(22,444)	(116,916)
Net cash flows from operating activities	(193,353)	(1,283,231)

(Mr. Wang Hongwei)
Chief Executive Officer, Country Head

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

Bank of China (Thai) Public Company Limited
Statement of Cash Flows (Cont'd)
For the six-month period ended 30 June 2023

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Cash flows from investing activities		
Proceeds from redemption of investment in debt designated at fair value through other comprehensive income	799,322	-
Proceeds from redemption of investment in debt at amortised cost	-	1,400,000
Cash paid for investment in debt at amortised cost	(540,299)	(96,354)
Proceeds from disposal of premises and equipment	661	342
Purchases of premises and equipment	(21,009)	(2,561)
Purchases of intangible assets	(2,285)	(1,370)
Net cash flows from investing activities	<u>236,390</u>	<u>1,300,057</u>
Cash flows from financing activities		
Cash paid on lease liabilities	(34,220)	(33,331)
Net cash flows from financing activities	<u>(34,220)</u>	<u>(33,331)</u>
Net increase in cash and cash equivalents	8,817	(16,505)
Cash and cash equivalents as at 1 January	<u>124,803</u>	<u>130,525</u>
Cash and cash equivalents as at 30 June	<u><u>133,620</u></u>	<u><u>114,020</u></u>
Supplemental disclosures of cash flows information		
Non-cash items:		
Increase in account payables from premises and equipment purchased	1,799	-
Increase in account payables from Intangible assets purchased	674	187
Increase in lease liabilities	140,312	-
Increase in right-of-use assets	140,312	-

(Mr. Wang Hongwei)
Chief Executive Officer, Country Head

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

1 General information

Bank of China (Thai) Public Company Limited ("the Bank") is a public company incorporated under Thai law and domiciled in Thailand. The Bank has been operated mainly commercial banking business and its registered office is located at No.179/4 Bangkok City Tower, South Sathorn Road, Tungmahamek Sub District, Sathorn District, Bangkok.

As at 30 June 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 interim financial statements were authorised for issue by the Bank's Board of Directors on 21 September 2023.

2 Significant accounting policies

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

2.1 Basis of preparation

The interim financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS"). The primary interim 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 Interim 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 interim financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of interim financial statements in conformity with 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 interim financial statements are disclosed in Note 4.

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

2.2 New and amended financial reporting standards

Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2023 and are related to the Bank.

- A) Amendment to TAS 37 - Provisions, contingent liabilities and contingent assets clarified that, in considering whether a contract is onerous, the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognising a separate provision for an onerous contract, the entity must recognise any impairment losses that have occurred on the assets used in fulfilling the contract.
- B) Amendment to TFRS 9 - Financial Instruments clarified which fees should be included in the 10% test for the derecognition of financial liabilities. It should only include fees between the borrower and lender.

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.

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 six-month period ended 30 June 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

1 - 9 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 under a lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

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

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

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

2.19 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 interim 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 IBOR reform

3.1 Effect of IBOR reform

During the six-month period ended 30 June 2023, the Bank established an IBOR transition plan to amend existing contracts and agreements that reference with maturity after 30 June 2023 to other reference rates, or include fallback provisions.

The following table contains details of all the financial instruments the Bank holds as at 30 June 2023 which reference and haven't transitioned to an alternative interest rate benchmark yet:

	2023 USD LIBOR Thousand Baht
Non-derivative assets and liabilities	
Measured at amortised cost	
Long term loans	3,141,539
Long-term borrowings	2,491,251

4 Significant accounting judgements and estimates

The preparation of interim 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:

4.1 Recognition and derecognition of assets and liabilities

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

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

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

4.3 Fair value of financial instruments

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

4.4 Premises and equipment and depreciation

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

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

4.5 Intangible assets

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

4.6 Leases

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

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

Estimating the incremental borrowing rate

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

4.7 Deferred tax assets

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

4.8 Post-employment benefits under the defined benefit plan

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

4.9 Litigation

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

5 Classification of financial assets and liabilities

	30 June 2023				
	Financial Instruments measured at fair value through profit or loss Thousand Baht	Financial instruments measured at fair value through other comprehensive income Thousand Baht	Investments in equity Instruments designated at fair value through other comprehensive income Thousand Baht	Financial Instruments measured at amortised cost Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	-	133,620	133,620
Interbank and money market items - net	-	-	-	19,896,654	19,896,654
Derivative assets	410,194	-	-	-	410,194
Investments - net	-	4,677,115	5	2,018,098	6,695,218
Loans to customers and accrued interest receivables - net	-	-	-	37,565,051	37,565,051
Total financial assets	410,194	4,677,115	5	59,613,423	64,700,737
Financial liabilities					
Deposits	-	-	-	49,516,431	49,516,431
Interbank and money market items	-	-	-	707,826	707,826
Liabilities payable on demand	-	-	-	112,787	112,787
Derivative liabilities	151,998	-	-	-	151,998
Debts issued and borrowings	-	-	-	2,491,251	2,491,251
Lease liabilities	-	-	-	344,416	344,416
Total financial liabilities	151,998	-	-	53,172,711	53,324,709
	31 December 2022				
	Financial Instruments measured at fair value through profit or loss Thousand Baht	Financial instruments measured at fair value through other comprehensive income Thousand Baht	Investments in equity Instruments designated at fair value through other comprehensive income Thousand Baht	Financial Instruments measured at amortised cost Thousand Baht	Total Thousand Baht
Financial assets					
Cash	-	-	-	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

6 Interbank and money market items (assets)

	30 June 2023			31 December 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	1,045,353	-	1,045,353	507,157	-	507,157
Commercial banks	49,274	12,539,733	12,589,007	31,270	5,210,000	5,241,270
Total	1,094,627	12,539,733	13,634,360	538,427	5,210,000	5,748,427
<u>Add</u> Accrued interest receivables	-	4,774	4,774	-	651	651
<u>Less</u> Allowance for expected credit losses	-	(1,614)	(1,614)	-	(146)	(146)
Total domestic items	1,094,627	12,542,893	13,637,520	538,427	5,210,505	5,748,932
Foreign items						
US Dollar	498,229	5,285,594	5,783,823	726,089	4,173,533	4,899,622
Yen	17,224	-	17,224	8,447	-	8,447
Euro	188,076	-	188,076	31,749	-	31,749
Hong Kong Dollar	4,853	-	4,853	846	-	846
Chinese Yuan	191,301	-	191,301	1,122,363	744,960	1,867,323
Other currencies	83,753	-	83,753	80,819	-	80,819
Total	983,436	5,285,594	6,269,030	1,970,313	4,918,493	6,888,806
<u>Add</u> Accrued interest receivables	-	38,553	38,553	-	15,990	15,990
<u>Less</u> Deferred income	-	(47,523)	(47,523)	-	(60,223)	(60,223)
<u>Less</u> Allowance for expected credit losses	-	(926)	(926)	-	(460)	(460)
Total foreign items	983,436	5,275,698	6,259,134	1,970,313	4,873,800	6,844,113
Total domestic and foreign items	2,078,063	17,818,591	19,896,654	2,508,740	10,084,305	12,593,045

7 Derivatives

Derivatives held for trading

As at 30 June 2023 and 31 December 2022, the Bank has fair value and notional amount of derivatives held for trading classified by type of risk as follows:

Type of risk	30 June 2023			31 December 2022		
	Fair value		Notional Amount*	Fair value		Notional Amount*
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Foreign exchange	359,949	101,753	14,576,915	30,705	48,834	5,286,864
Interest rate	50,245	50,245	2,562,430	67,186	67,186	2,799,554
Total	410,194	151,998	17,139,345	97,891	116,020	8,086,418

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

8 Investments

Classified by type of investments

As at 30 June 2023 and 31 December 2022, the Bank has investments, as detailed follows:

	30 June 2023 Fair value Thousand Baht	31 December 2022 Fair value Thousand Baht
Investments in debt instruments measured at amortised cost		
Government and state enterprises instruments	1,531,488	987,651
Foreign debt instruments	487,384	492,833
Total	2,018,872	1,480,484
<u>Less</u> Allowance for expected credit losses	(774)	(710)
Total	2,018,098	1,479,774
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state enterprises instruments	3,451,680	4,227,120
Private debt instruments	34,583	34,697
Foreign debt instruments	1,190,852	1,254,727
Total	4,677,115	5,516,544
Allowance for expected credit losses	(4,359)	(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	6,695,218	6,996,323

As at 30 June 2023, Government bonds amounting to Baht 3,050 million (31 December 2022: Baht 3,261 million) are used as collateral for credit balance on clearing position with the Bank of Thailand.

9 Loans to customers and accrued interest receivables

9.1 Classified by loan type

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Overdrafts	10,508	29,455
Loans	39,623,585	43,029,941
Trade bills	54,896	53,845
Total loans to customers	39,688,989	43,113,241
<u>Add</u> Interest receivables and undue interest receivables	260,066	255,262
Total loans to customers and accrued interest receivables	39,949,055	43,368,503
<u>Less</u> Deferred income	(48,129)	(63,423)
Total loans to customers and interest receivables net of deferred income	39,900,926	43,305,080
<u>Less</u> Allowance for expected credit losses	(2,335,875)	(2,002,034)
Total loans to customers and accrued interest receivables - net	37,565,051	41,303,046

As at 30 June 2023, the Bank has provided assistance to 29 affected debtors in total which 5 debtors classified as corporate loans and 24 as retail loans with outstanding balances of Baht 1,855 million whose classification remains at the same stage as prior to the measures.

9.2 Classified by currency and residency of debtors

	30 June 2023			31 December 2022		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Baht	22,895,130	-	22,895,130	25,841,842	-	25,841,842
US Dollar	6,949,906	7,780,960	14,730,866	8,147,727	8,144,569	16,292,296
Euro	-	1,027,018	1,027,018	-	978,557	978,557
Other currencies	1,035,975	-	1,035,975	546	-	546
Total loans to customers	30,881,011	8,807,978	39,688,989	33,990,115	9,123,126	43,113,241

9.3 Classified by loan classification

	30 June 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)	36,434,808	554,095
Financial assets where there has been a significant increase in credit risk (Under-Performing)	1,553,149	369,919
Financial assets that are credit-impaired (Non-Performing)	1,961,098	1,411,861
Total	39,949,055	2,335,875
	31 December 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

9.4 Movement of loans to customers and interest receivables

	30 June 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	(1,256,315)	892,705	363,610	-
New financial assets purchased or acquired	12,486,465	-	-	12,486,465
Derecognised financial assets	(13,246,911)	(1,232,383)	(4,461)	(14,483,755)
Changes due to collection and modification	(1,775,107)	(31,457)	(714)	(1,807,278)
Bad debt written - off	-	(421)	(2,951)	(3,372)
Foreign exchange	279,108	61,195	48,189	388,492
Ending balance	36,434,808	1,553,149	1,961,098	39,949,055
	31 December 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

10 Allowance for expected credit losses

	30 June 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	(27)	-	-	(27)
New financial assets purchased or acquired	2,267	-	-	2,267
Derecognised financial assets	(306)	-	-	(306)
Ending balance	2,540	-	-	2,540
Investments in debt instruments				
Beginning balance	7,003	-	-	7,003
Changes due to revaluation of allowance for credit losses	(1,813)	-	-	(1,813)
New financial assets purchased or acquired	41	-	-	41
Derecognised financial assets	(98)	-	-	(98)
Ending balance	5,133	-	-	5,133
Loans to customers and accrued interest receivables				
Beginning balance	430,996	708,268	862,770	2,002,034
Changes due to changes in stages	(202,219)	(11,640)	213,859	-
Changes due to revaluation of allowance for credit losses	(140,295)	149,501	338,027	347,233
New financial assets purchased or acquired	489,329	-	-	489,329
Derecognised financial assets	(23,716)	(476,011)	(185)	(499,912)
Bad debt written-off	-	(199)	(2,610)	(2,809)
Ending balance	554,095	369,919	1,411,861	2,335,875

Bank of China (Thai) Public Company Limited
Notes to the Interim Financial Statements
For the six-month period ended 30 June 2023

	31 December 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

11 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)
<u>Less</u> Accumulated impairment	-	-	-	-	-	-
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)
Write-off, net	-	-	-	-	-	-
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 six-month period ended 30 June 2023						
Opening net book amount	55,855	8,526	7,525	6,422	18,060	96,388
Additions	88	10,125	4,183	-	8,412	22,808
Transfer in (out)	26,249	-	-	-	(26,249)	-
Disposal, net	-	(1)	(1)	-	-	(2)
Write-off, net	(14,185)	-	(132)	-	-	(14,317)
Depreciation charge	(6,840)	(3,532)	(1,531)	(804)	-	(12,707)
Impairment charge	14,895	-	-	-	-	14,895
Closing net book amount	76,062	15,118	10,044	5,618	223	107,065
As at 30 June 2023						
Cost	241,027	93,432	114,978	31,691	223	481,351
<u>Less</u> Accumulated depreciation	(164,965)	(78,314)	(104,934)	(26,073)	-	(374,286)
<u>Less</u> Accumulated impairment	-	-	-	-	-	-
Net book amount	76,062	15,118	10,044	5,618	223	107,065

Depreciation included in profit or loss for the six-month period ended 30 June 2023 and 2022 are summarised as follows:

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Depreciation for the periods	12,707	11,641

12 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.

12.1 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 six-month period ended 30 June 2023	
Opening net book amount	247,149
Additions	-
Lease modifications and reassessment	140,311
Depreciation charge	(32,743)
Closing net book amount	354,717

12.2 Lease liabilities

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Lease payments	375,066	250,417
Less Deferred interest expenses	(30,650)	(15,575)
Total	344,416	234,842

A maturity analysis of lease payments is disclosed in Note 35.3 to the interim financial statements under the liquidity risk.

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

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Depreciation of right-of-use assets	32,743	34,811
Interest expenses on lease liabilities	3,483	4,192
Losses (Gains) on lease modification	-	210

The Bank had total cash outflows for leases for the six-month period ended 30 June 2023 of Baht 34 million (30 June 2022: Baht 33.33 million).

13 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
Less 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
Less 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
Less Accumulated amortisation	(36,328)	(15,690)	-	(52,018)
Net book amount	428	9,629	2,384	12,441
For the six-month period ended 30 June 2023				
Opening net book amount	428	9,629	2,384	12,441
Additions	35	74	2,850	2,959
Amortisation charge	(228)	(990)	-	(1,218)
Transfer in (out)	-	-	-	-
Reclassification	-	-	-	-
Closing net book amount	235	8,713	5,234	14,182
As at 30 June 2023				
Cost	36,791	25,393	5,234	67,418
Less Accumulated amortisation	(36,556)	(16,680)	-	(53,236)
Net book amount	235	8,713	5,234	14,182

Amortisation included in profit or loss for the six-month periods ended 30 June 2023 and 2022 are summarised as follows:

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Amortisation for the periods	1,218	1,207

14 Other assets

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Accrued interest receivables from investments	37,646	45,281
Deposits	21,345	21,280
Prepaid expenses	19,943	15,356
Others	32,075	24,561
Total	111,009	106,478

15 Deposit

15.1 Classified by type of deposits

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Current accounts	602,568	795,377
Saving accounts	24,419,646	25,382,339
Fixed accounts	24,494,217	16,882,547
Total	49,516,431	43,060,263

15.2 Classified by currency and residency of deposits

	30 June 2023			31 December 2022		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Baht	23,574,207	31,921	23,606,128	22,883,940	30,702	22,914,642
US Dollar	20,593,174	223,155	20,816,329	16,016,783	341,838	16,358,621
Chinese Yuan	4,147,643	646,352	4,793,995	3,023,562	656,522	3,680,084
Other currencies	293,766	6,213	299,979	100,788	6,128	106,916
Total	48,608,790	907,641	49,516,431	42,025,073	1,035,190	43,060,263

16 Interbank and money market items (liabilities)

	30 June 2023			31 December 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	2,835	-	2,835	2,995	700,000	702,995
Total domestic items	2,835	-	2,835	2,995	700,000	702,995
Foreign items						
Baht	254,074	-	254,074	289,278	-	289,278
US Dollars	-	450,917	450,917	-	2,119,712	2,119,712
Hong Kong Dollars	-	-	-	-	6,651	6,651
Australian Dollars	-	-	-	-	-	-
Euro	-	-	-	-	920,685	920,685
Total foreign items	254,074	450,917	704,991	289,278	3,047,048	3,336,326
Total domestic and foreign items	256,909	450,917	707,826	292,273	3,747,048	4,039,321

17 Debts issued and borrowings

As at 30 June 2023 and 31 December 2022, debts issued and borrowings classified by type of securities, maturity and interest rate are as follows:

Type	Maturity	Interest rate per annum (%)	Currency	30 June 2023			31 December 2022		
				Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Subordinated debentures	21 August 2027	3M LIBOR + 0.3	USD	-	2,491,251	2,491,251	-	2,419,368	2,419,368
Total				-	2,491,251	2,491,251	-	2,419,368	2,419,368

The subordinated debentures are name-registered, unsecured, subordinated debentures with no debenture holders' representative through Bank of China (Hong Kong) Limited amounting to USD 70 million. The debentures have a 10-year tenor and bear interest at a floating rate of 3-month LIBOR plus 0.3 percent per annum, payable quarterly. The Bank has the right to early redeem all subordinated debentures from the fifth anniversary of the issuance date. The Bank plans to repay the existing subordinated debentures and issue new subordinated debentures which bear floating interest based on other reference rate. The debentures have loss absorption features that will come into effect at the point of non-viability, in accordance with the BoT's guidelines with reference to Basel III framework. In addition, as at 30 June 2023 and 31 December 2022, the Bank was approved by BoT to count proceeds received from the issuance of the above subordinated debentures for an amount of Baht 1,861 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.

18 Provisions

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Allowance for expected credit losses on loan commitments and financial guarantee contracts	208,543	114,754
Provision for restoration and dismantling cost	77,727	77,727
Provision for long-term employee benefits	53,886	48,258
Others	2,305	2,304
Total	342,461	243,043

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

As at 30 June 2023 and 31 December 2022, allowance for expected credit losses of loan commitments and financial guarantee contracts by classification are as follows:

	30 June 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)	20,750,099	36,795
Financial assets where there has been a significant increase in credit risk (Under-Performing)	204	20
Financial assets that are credit-impaired (Non-Performing)	171,828	171,728
Total	20,922,131	208,543
	31 December 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)	17,872,562	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	18,029,155	114,754

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

	30 June 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	4,650	(4,800)	150	-
Changes due to revaluation of allowance for credit losses	(1,735)	10	97,428	95,703
New loan commitments/ guarantee contracts issued	7,785	-	-	7,785
Derecognised financial assets	(3,209)	(6,490)	-	(9,699)
Ending balance	36,795	20	171,728	208,543

	31 December 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

18.2 Provisions for long-term employee benefits

Changes in provisions for long-term employee benefits for the six-month period ended 30 June 2023 and for the year ended 31 December 2022 can be summarised as follows:

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Provisions for long-term employee benefits at the beginning of the period	48,258	40,201
Recognised in profit or loss:		
Current service cost	6,243	11,526
Interest cost	511	606
Total benefits recognised in profit or loss	6,754	12,132
Recognised in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumption changes	-	1,381
Financial assumption changes	-	(2,033)
Experience adjustments	-	(3,423)
Total benefits recognised in other comprehensive income	-	(4,075)
Benefits paid during the period/year	(1,126)	-
Provisions for long-term employee benefits at the end of the period/ year	53,886	48,258

As at 30 June 2023, the weighted average duration of the Bank's long-term employee benefit obligation is 7 years (31 December 2022: 7 years).

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

	30 June 2023 Percentage per annum	31 December 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	2.17	2.17

Sensitivity analysis for principal assumptions that affects provisions for long-term employee benefits as at 30 June 2023 and 31 December 2022 are summarised as follows:

	30 June 2023		31 December 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	4,135	(3,721)	3,516	(3,172)
Average staff turnover rate	(3,482)	1,982	(3,206)	1,816
Discount rate	(3,202)	3,613	(2,954)	3,332

Expected maturity analysis of undiscounted retirement benefits:

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Maturity analysis of benefits expected to be paid		
Benefits expected to be paid within 1 year	8,124	1,169
Benefits expected to be paid between 1 and 2 years	7,481	8,124
Benefits expected to be paid between 2 and 5 years	33,000	17,635
Benefits expected to be paid in more than 5 years	529,975	552,810

19 Other liabilities

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Accrued expenses	154,760	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	88,155	68,003
Others	99,660	52,953
Total other liabilities	556,377	529,376

20 Other components of equity

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Revaluation surplus (deficit) on investments		
Revaluation surplus on investments		
Debt instruments	24,853	31,271
Revaluation deficit on investments		
Debt instruments	(66,707)	(49,611)
Total revaluation surplus on investment measured fair value through other comprehensive income	(41,854)	(18,340)
<u>Less</u> Income tax effects	8,371	4,980
Revaluation deficit on investments measured through other comprehensive income - net of income tax	(33,483)	(13,360)

21 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.

22 Capital funds

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

As at 30 June 2023 and 31 December 2022, Capital funds of the Bank calculated in accordance with the BoT's guidelines with reference to Basel III framework consist of the following:

	30 June 2023 Thousand Baht	31 December 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	(33,483)	(13,360)
<u>Less</u> Deduction items from Common Equity Tier I	<u>(669,160)</u>	<u>(657,982)</u>
Total Tier I capital	10,434,540	10,066,234
Tier II capital		
Subordinated debentures	1,860,583	1,860,583
Total Tier II capital	1,860,583	1,860,583
Total capital funds	12,295,123	11,926,817

	30 June 2023		31 December 2022	
	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	18.07	7.00	18.99
Tier I capital funds to risk-weighted assets	8.50	18.07	8.50	18.99
Total capital funds to risk-weighted assets	11.00	21.29	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 30 June 2023 on its website (www.bankofchina.com/th) by October 2023.

23 Interest income

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Interbank and money market items	194,281	39,959
Investments in debt instruments	67,739	65,226
Loans to customers	931,731	656,448
Total interest income	1,193,751	761,633

24 Interest expenses

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Deposits	271,386	95,957
Interbank and money market items	88,129	58,703
Contributions to the Deposit Protection Agency	55,543	33,116
Debts issued and borrowings	63,200	10,886
Others	3,483	4,193
Total interest expense	481,741	202,855

25 Net fees and service income

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Fees and service income		
- Acceptances, avals and guarantees	38,861	48,053
- Others	74,394	73,823
Total fees and service income	113,255	121,876
Fees and service expenses	(16,820)	(10,048)
Net fees and service income	96,435	111,828

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

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Foreign currencies and derivatives on foreign exchange	418,845	173,277
Total	418,845	173,277

27 Expected credit losses

Expected credit losses for financial assets for the years ended 30 June 2023 and 2022 are as follows:

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Interbank and money market items	1,882	104
Debt instruments measured at fair value through other comprehensive income	(1,872)	94
Loans to customers and accrued interest receivables	281,253	202,504
Total	281,263	202,702
Loan commitments and financial guarantee contracts	92,922	(4,197)
Total expected credit losses	374,185	198,505

28 Income tax

Income tax expenses of the Bank for the six-month periods ended 30 June 2023 and 2022 are as follows:

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Current income tax		
Income tax for the periods	89,176	114,267
Adjustments in respect of corporate income tax of previous years	412	(134)
Deferred tax		
Deferred tax on temporary differences and reversal of temporary differences	(6,308)	(70,977)
Income tax expenses reported in the statement of comprehensive income	83,280	43,156

The amount of income tax relating to each component of other comprehensive income for the six-month periods ended 30 June 2023 and 2022 are as follows:

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Revaluation surplus on investments	3,391	24,965
Income tax recorded directly to other comprehensive income	3,391	24,965

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the six-month periods ended 30 June 2023 and 2022 are as follows:

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Accounting profits before tax	415,748	215,953
Applicable tax rates	20%	20%
Accounting profits before tax multiplied by applicable tax rate	83,150	43,191
Adjustments in respect of corporate income tax of previous years	412	(134)
Tax effect of non-taxable income and non-deductible expenses	(282)	99
Income tax expenses reported in the statement of comprehensive income	83,280	43,156

The weighted average income tax rate for the period ended 30 June 2023 was 20.03% (2022: 19.98%).

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht	Change in deferred tax assets/liabilities for the six-month periods ended	
			30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Deferred tax assets (liabilities) arose from				
Revaluation surplus on investments	9,243	4,979	4,264	24,965
Allowance for expected credit losses	41,864	24,214	17,650	(673)
Provisions	34,732	48,520	(13,788)	(9,991)
Stop accrued interest	816	816	-	-
Deferred fees income	9,277	7,944	1,333	(3,554)
Unused tax loss	-	-	-	-
Others	93,053	92,813	240	85,195
Deferred tax assets	188,985	179,286	9,699	95,942
Changes in deferred income tax				
Recognised in profit or loss			6,308	70,977
Recognised in other comprehensive income (loss)			3,391	24,965
Total			9,699	95,942

29 Contingent liabilities

29.1 Commitments

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Guarantees of loans	840,494	872,674
Letters of credit	81,412	141,225
Liabilities under unmatured import bills	473,703	377,247
Other commitments		
- Undrawn overdraft amount	88,287	48,389
- Other guarantees	18,102,218	15,825,159
- Others	1,336,017	764,461
Total	20,922,131	18,029,155

29.2 Service commitments

The Bank has entered into other service commitments. The terms of the agreements are approximately 1 year. As at 30 June 2023, the Bank has future minimum payments required under these non-cancellable contract sending on 31 March 2024 amounting to approximately Baht 1.1 million. (31 December 2022: Baht 0.3 million).

29.3 Contingent liabilities/Litigation cases

As at 30 June 2023, the Bank has contingent liabilities amounting to approximately Baht 123 million (31 December 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 interim financial statements will be incurred as a result of the mentioned lawsuit and therefore no liabilities are currently recorded.

30 Related party transactions

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

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

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

	For the six-month periods ended		Terms and pricing policy
	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht	
Parent company			
Interest income	83,870	25,696	At market price
Interest expenses	99,056	35,870	At market price
Premises and equipment expenses	2,051	2,032	At the rate agreed under the service contract
Fee income	14,939	2,073	At the rate agreed under the service contract
Fee expenses	196	149	At the rate agreed under the service contract
Other expenses	304	331	At the rate agreed under the service contract
Companies in the Bank of China Group			
Interest income	13,194	298	At market price
Interest expenses	49,401	33,514	At market price
Premises and equipment expenses	652	3,710	At the rate agreed under the service contract
Fee income	1,724	8,280	At the rate agreed under the service contract
Fee expenses	-	506	At the rate agreed under the service contract
Other expenses	-	67	At the rate agreed under the service contract
Related parties			
Interest expenses	262	229	At market price

Bank of China (Thai) Public Company Limited
Notes to the Interim Financial Statements
For the six-month period ended 30 June 2023

As at 30 June 2023 and 31 December 2022, the outstanding balances of the accounts between the Bank and related companies are as follows:

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Outstanding balance		
Parent company		
Interbank and money market items (assets)	6,042,174	4,677,974
Derivative assets	70,128	74,223
Accrued interest receivables	38,553	11,286
Interbank and money market items (liabilities)	-	927,336
Derivative liabilities	44,199	2,913
Debts issued and borrowings	2,491,251	2,419,368
Accrued interest payables	15,720	14,195
Accrued expenses	5,095	3,940
Commitment from foreign exchange contracts	5,550,286	1,170,974
Commitment from interest rate swap contracts	1,281,215	1,399,777
Companies in the Bank of China Group		
Interbank and money market items (assets)	137,180	2,107,439
Accrued interest receivables	-	4,704
Accrued fee income	245	1,542
Interbank and money market items (liabilities)	704,991	2,408,990
Accrued interest payables	11,649	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	11,268	16,000
Other liabilities	-	6,521
Related parties		
Investments	5	5
Deposits	219,365	170,032
Accrued interest payables	143	90

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

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Loans to customers	15	303
Deposits	8,174	16,382

Directors and management's benefits

During the six-month periods ended 30 June 2023 and 2022, the Bank had short-term benefit expenses paid to their directors and key management as follows:

	30 June 2023 Thousand Baht	30 June 2022 Thousand Baht
Short-term benefits*	27,374	38,043
Total	27,374	38,043

* Short-term benefits include directors' remuneration amounting to Baht 2.5 million (30 June 2022: Baht 2.5 million).

31 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 periods.

	30 June 2023	30 June 2022
Profits for the periods (Thousand Baht)	332,468	172,797
Basic earnings per share (Baht per share)	0.33	0.17
Weighted average number of shares (shares)	1,000,000,000	1,000,000,000

32 Financial position and results of operations classified by business activity

Financial position of the Bank classified by geographic locations as at 30 June 2023 and 31 December 2022 and the operating results of the Bank for the six-month periods ended 30 June 2023 and 2022 classified by geographic locations are only from domestic operation. The Bank does not operate in foreign locations.

33 Fair value of financial instruments

As at 30 June 2023 and 31 December 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:

	30 June 2023				Total Thousand Baht
	Carrying value 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	410,194	-	410,194	-	410,194
Investments in debt instruments measured at fair value through other comprehensive income	4,677,115	-	4,677,115	-	4,677,115
Investments in equity instruments designated at fair value through other comprehensive income	5	-	5	-	5
Financial liabilities					
Derivative liabilities	151,998	-	151,998	-	151,998
Financial assets and liabilities not measured at fair value					
Financial assets					
Cash	133,620	133,620	-	-	133,620
Interbank and money market items - net (assets)	19,896,654	2,078,063	17,818,591	-	19,896,654
Investments in debt instruments measured at amortised cost	2,018,098	-	2,032,362	-	2,032,362
Loan to customers and accrued interest receivables - net	37,565,051	-	37,565,051	-	37,565,051
Financial liabilities					
Deposits	49,516,431	25,022,214	24,494,217	-	49,516,431
Interbank and money market items (liabilities)	707,826	256,909	450,917	-	707,826
Liabilities payable on demand	112,786	-	112,786	-	112,786
Debts issued and borrowings	2,491,251	-	2,495,612	-	2,495,612
Lease liabilities	344,416	-	344,416	-	344,416

Bank of China (Thai) Public Company Limited
Notes to the Interim Financial Statements
For the six-month period ended 30 June 2023

	31 December 2022				
	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	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
Lease liabilities	234,842	-	234,842	-	234,842

During the current period/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.

34 Offsetting of financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2023 and 31 December 2022.

30 June 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	38,536	-	38,536	20,354	44,383	-
Total financial assets	38,536	-	38,536	20,354	44,383	-
Financial liabilities						
Derivatives liabilities	53,890	-	53,890	35,708	28,900	6,808
Total financial liabilities	53,890	-	53,890	35,708	28,900	6,808
31 December 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	-

35 Risk management

35.1 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 30 June 2023 and 31 December 2022, concentrations of credit risk relative to the loans and receivables net of deferred revenue summarised by type of industry are as follows:

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Agriculture and mining	3,778,186	4,339,149
Manufacturing and commercial	15,860,264	16,752,984
Property development and construction	3,467,312	3,468,238
Infrastructure and service	7,187,338	7,335,308
Housing loans	1,800,710	1,955,729
Others	7,595,179	9,261,833
Total	39,688,989	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 30 June 2023 and 31 December 2022, the maximum exposure to credit risk are as follows:

	30 June 2023 Thousand Baht	31 December 2022 Thousand Baht
Interbank and money market items (assets)	19,946,717	12,653,874
Investments in debt instruments	6,747,462	7,023,240
Loans to customers and accrued interest receivables	39,949,055	43,368,503
Other accrued interest receivables	37,646	45,281
Total financial assets	66,680,880	63,090,898
Loan commitments	1,424,304	812,850
Financial guarantee contracts and others.	19,497,827	17,216,305
Total	20,922,131	18,029,155
Total credit risk exposure	87,603,011	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.

Bank of China (Thai) Public Company Limited
Notes to the Interim Financial Statements
For the six-month period ended 30 June 2023

Explanations of the 12-month expected credit losses, lifetime expected credit losses - not credit impaired, and lifetime expected credit losses - credit impaired are included in Note 2.10 to the interim financial statements.

	30 June 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 - net (assets)				
Investment grade*	19,899,194	-	-	19,899,194
Non-investment grade*	-	-	-	-
Total	19,899,194	-	-	19,899,194
Less Allowance for expected credit losses	(2,540)	-	-	(2,540)
Net carrying amount	19,896,654	-	-	19,896,654
Investments in debt instruments				
Investment grade*	6,695,987	-	-	6,695,987
Non-investment grade*	-	-	-	-
Total	6,695,987	-	-	6,695,987
Less Allowance for expected credit losses	(5,133)	-	-	(5,133)
Net carrying amount	6,690,854	-	-	6,690,854
Loans to customers and accrued interest receivables - net				
0 - 30 days overdue	36,392,838	1,141,037	-	37,533,875
31 - 90 days overdue	-	410,784	-	410,784
Over 90 days overdue	-	-	1,956,267	1,956,267
Total	36,392,838	1,551,821	1,956,267	39,900,926
Less Allowance for expected credit losses	(554,095)	(369,919)	(1,411,861)	(2,335,875)
Net carrying amount	35,838,743	1,181,902	544,406	37,565,051
Loan commitments				
Loan commitments	1,424,100	204	-	1,424,304
Less Allowance for expected credit losses	(10,491)	(20)	-	(10,511)
Net carrying amount	1,413,609	184	-	1,413,793
Financial guarantee contracts				
Financial guarantee contracts	19,325,999	-	171,828	19,497,827
Less Allowance for expected credit losses	(26,304)	-	(171,728)	(198,032)
Net carrying amount	19,299,695	-	100	19,299,795

* Rating of external credit risk rating agency

Bank of China (Thai) Public Company Limited
Notes to the Interim Financial Statements
For the six-month period ended 30 June 2023

	31 December 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 - net (assets)				
Investment grade*	12,593,651	-	-	12,593,651
Non-investment grade*	-	-	-	-
Total	12,593,651	-	-	12,593,651
<u>Less</u> 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
<u>Less</u> 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
<u>Less</u> 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
<u>Less</u> 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
<u>Less</u> 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:

	30 June 2023	31 December 2022
Type of collateral	Thousand Baht	Thousand Baht
Lands, buildings, vehicle, and deposits	24,799,287	23,465,310

35.2 Market risk

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

Interest rate risk

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

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

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

	30 June 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	-	-	133,620	-	133,620
Interbank and money market items	727,839	17,825,327	1,350,224	-	19,903,390
Derivative assets	-	-	410,194	-	410,194
Investments	-	6,695,987	5	-	6,695,992
Loans to customers	26,666,801	11,094,529	-	1,927,659	39,688,989
Total financial assets	27,394,640	35,615,843	1,894,043	1,927,659	66,832,185
Financial liabilities					
Deposits	24,095,487	24,494,217	926,727	-	49,516,431
Interbank and money market items	2,272	450,917	254,637	-	707,826
Liabilities payable on demand	-	-	112,787	-	112,787
Derivative liabilities	-	-	151,998	-	151,998
Debts issued and borrowings	2,491,251	-	-	-	2,491,251
Lease liabilities	-	344,416	-	-	344,416
Total financial liabilities	26,589,010	25,289,550	1,446,149	-	53,324,709

Bank of China (Thai) Public Company Limited
Notes to the Interim Financial Statements
For the six-month period ended 30 June 2023

	31 December 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:

	30 June 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	14,103,994	3,035,358	685,975	-	17,825,327	2.99
Investments	543,808	767,808	5,279,879	104,492	6,695,987	2.12
Loans to customers	4,597,450	3,440,613	3,056,466	-	11,094,529	3.10
Total financial assets	19,245,252	7,243,779	9,022,320	104,492	35,615,843	
Financial liabilities						
Deposits	10,531,265	13,920,842	42,110	-	24,494,217	2.58
Interbank and money market items	-	450,917	-	-	450,917	1.13
Lease liabilities	14,870	44,530	227,086	57,930	344,416	2.57 - 4.52*
Total financial liabilities	10,546,135	14,416,289	269,196	57,930	25,289,550	

* Interest rate per annum

	31 December 2022					
	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	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 30 June 2023 and 31 December 2022 can be summarised as follows:

30 June 2023		
Sensitivity of		
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 1%	47,642	(79,550)
Decreased by 1%	(47,642)	79,550

31 December 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 30 June 2023 and 31 December 2022 can be summarised as follows:

30 June 2023					
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets					
Cash	97,996	24,547	11,077	-	133,620
Interbank and money market items	12,748,365	6,663,019	191,365	293,905	19,896,654
Investments	5,017,151	-	1,678,067	-	6,695,218
Loans to customers	22,430,859	13,090,208	1,039,104	1,004,880	37,565,051
Other accrued interest receivables	8,566	-	29,080	-	37,646
Total financial assets	40,302,937	19,777,774	2,948,693	1,298,785	64,328,189
Financial liabilities					
Deposits	23,606,128	20,816,329	4,793,995	299,979	49,516,431
Interbank and money market items	254,636	450,917	2,273	-	707,826
Liabilities payable on demand	43,194	32,216	33,232	4,145	112,787
Debts issued and borrowings	-	2,491,251	-	-	2,491,251
Lease liabilities	344,416	-	-	-	344,416
Accrued interest payable	46,221	127,077	17,133	-	190,431
Total financial liabilities	24,294,595	23,917,790	4,846,633	304,124	53,363,142
Commitments					
Guarantees of loans	-	-	-	840,494	840,494
Letters of credit	-	81,412	-	-	81,412
Liabilities under unmatured import bills	-	120,615	353,088	-	473,703
Other commitments					
- Undrawn overdraft amount	88,287	-	-	-	88,287
- Other guarantees	15,511,955	2,408,190	77,484	104,589	18,102,218
- Others	1,336,017	-	-	-	1,336,017

Bank of China (Thai) Public Company Limited
Notes to the Interim Financial Statements
For the six-month period ended 30 June 2023

	31 December 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:

	30 June 2023				
	Baht Thousand Baht	US Dollar Thousand Baht	Chinese Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
Foreign exchange contracts					
- Bought	2,616,560	9,512,469	2,247,195	471,943	14,848,167
- Sold	7,465,462	5,379,478	292,108	1,439,867	14,576,915
Interest rate swap contracts	-	2,562,430	-	-	2,562,430

	31 December 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 30 June 2023 and 31 December 2022 can be summarised as follows:

	30 June 2023	
	Sensitivity of	
	Profit or loss Thousand Baht	Equity Thousand Baht
Increased by 10%	5,984	5,984
Decreased by 10%	(5,984)	(5,984)

	31 December 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.

35.3 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 Interim Financial Statements
For the six-month period ended 30 June 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:

	30 June 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	133,620	-	-	-	-	133,620
Interbank and money market items	2,078,131	17,178,418	642,645	-	-	19,899,194
Derivative assets	-	410,194	-	-	-	410,194
Investments	-	1,311,616	5,279,879	104,492	5	6,695,992
Loans to customers*	-	23,067,063	12,810,393	3,956,568	66,902	39,900,926
Other accrued interest receivables	-	37,646	-	-	-	37,646
Total financial assets	2,211,751	42,004,937	18,732,917	4,061,060	66,907	67,077,572
Financial liabilities						
Deposits	25,022,214	24,452,107	42,110	-	-	49,516,431
Interbank and money market items	256,909	450,917	-	-	-	707,826
Liabilities payable on demand	112,787	-	-	-	-	112,787
Derivative liabilities	-	151,998	-	-	-	151,998
Debts issued and borrowings	-	-	2,491,251	-	-	2,491,251
Lease liabilities	-	68,934	246,947	59,185	-	375,066
Accrued interest payable	1,677	188,750	4	-	-	190,431
Total financial liabilities	25,393,587	25,312,706	2,780,312	59,185	-	53,545,790
Commitments						
Guarantees of loans	-	430	24,540	815,524	-	840,494
Letters of credit	-	67,322	-	-	14,090	81,412
Liabilities under unmatured import bills	-	473,703	-	-	-	473,703
Other commitments						
- Undrawn overdraft amount	-	88,287	-	-	-	88,287
- Other guarantees	145,049	3,429,925	4,669,831	455,718	9,401,695	18,102,218
- Others	3,152	1,060,294	267,409	5,147	15	1,336,017

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

	31 December 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
Commitments						
Guarantees of loans	-	198	26,813	845,663	-	872,674
Letters of credit	-	120,462	-	-	20,763	141,225
Liabilities under unmatured import bills	-	377,247	-	-	-	377,247
Other commitments						
- Undrawn overdraft amount	-	48,389	-	-	-	48,389
- Other guarantees	-	2,795,164	3,879,702	452,526	8,697,767	15,825,159
- Others	7,325	486,463	265,632	5,041	-	764,461

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

In accordance with the Notification of the BoT No. Sor Nor Sor. 2/2561 regarding liquidity coverage ratio disclosure standards, the Bank will disclose liquidity coverage ratio information as at 30 June 2023 on its website (www.bankofchina.com/th) by October 2023.