**Land and Houses Bank Public Company Limited**

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**Land and Houses Bank Public Company Limited**

**Notes to financial statements**

**For the years ended 31 December 2022 and 2021**

# General information

**1.1 The Bank’s information**

Land and Houses Bank Public Company Limited (“the Bank”) was incorporated as a public limited company under Thai laws and has been operating a commercial bank business in Thailand. LH Financial Group Public Company Limited is the parent company, holding 99.99% of the issued and paid-up share capital of the Bank.

The Bank’s registered office is located at No. 1, on the G, 1st, 5th, 6th and 32nd floors of Q-House Lumpini Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok. As at 31 December 2022, the Bank had 1 head office and 73 branches in Thailand (31 December 2021, the Bank had 1 head office and 77 branches in Thailand).

**1.2 Coronavirus disease 2019 pandemic**

The Coronavirus disease 2019 pandemic is directly and indirectly impacting various businesses and industry sectors, which results in an economic slowdown and a fluctuation in the money market and the capital market. This situation has impacted on the Bank’s value of loans to customers, value of investments, operating results and cash flows at present, and is expected to do so in the future. However, the Bank’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

# Basis for preparation of financial statements

These financial statements for the year ended 31 December 2022 were prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547, Accounting Guidances announced by the Federation of Accounting Professions and accounting practices generally accepted in Thailand including the relevant regulations stipulated by the Bank of Thailand (BOT). The presentation of the financial statements has been made in compliance with the BOT’s notification No. Sor Nor Sor. 21/2561 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 31 October 2018.

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

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

# New and revised financial reporting standards

**3.1 Financial reporting standards that became effective in the current year**

During the year, the Bank has adopted the revised financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2022. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements.

However, the Bank has adopted the temporary reliefs in accordance with TFRS 9 Financial Instruments, TFRS 7 Disclosure of Financial Instruments, which apply to transactions directly affected by interest rate benchmark reform, including changes to contractual cash flows or hedging relationships arising from the replacement of the referenced interest rate benchmark with an alternative benchmark rate.

The adoption of these temporary reliefs does not have any significant impact on the Bank’s financial statements.

**3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2023**

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2023. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards

The management of the Bank believes that adoption of these amendments will not have any significant impact on the Bank’s financial statements.

**3.3 Accounting Guidance on the Guidelines Regarding the Provision of Financial Assistance to Debtors Affected by COVID-19**

The Federation of Accounting Professions announced the Accounting Guidance on guidelines regarding provision of financial assistance to debtors affected by the COVID-19. Its objectives are to provide temporary relief measures and an alternative for all entities providing assistance to debtors in accordance with the measures to assist debtors as specified in the circular of the Bank of Thailand No. BoT.RPD2.C. 802/2564 “Guidelines regarding provision of assistance to debtors affected by the COVID-19 (the sustainable debt resolution measures)” or any other measures additionally announced by the Bank of Thailand. Such entities include credit card businesses, businesses providing loans secured against vehicle registrations without collateral, personal loan businesses under the supervision of the Bank of Thailand and certain entities not under the supervision of the Bank of Thailand, such as leasing, hire-purchase, motorcycle hire-purchase and factoring businesses.

This Accounting Guidance is effective for entities that provide assistance to debtors impacted by the COVID-19 during the period as from 1 January 2022 to 31 December 2023 or until further change in made by the Bank of Thailand requiring entities to comply. The guidance applies to staging assessment and setting aside of provisions for qualified debtors, and cover all types of debts, namely large debtors, small- and-medium-sized debtors and retail debtors.

a)   In cases of debt restructuring for the purpose of reducing the debt burden of debtors that involve more than just extending the repayment schedules, the applicable procedures are as follows:

* Loans that are not yet non-performing (Non-NPL) are classified as loans with no significant increase in credit risk (Performing or Stage 1) without restructuring compliance monitoring, provided that the payment terms and conditions are clearly stated in the debt restructuring agreement and the debtors are assessed that they are able to comply with the debt restructuring agreement.
* Non-performing loans (NPL) are classified as performing loans or Stage 1 if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or installments, whichever is the longer period.
* Additional loans provided to a debtor for its use as additional working capital or liquidity enhancement to enable the debtor to continue its business operations during the debt restructuring are classified as performing loans or Stage 1 if the Bank considers that the debtor is able to comply with repayment conditions under the new debt restructuring agreement.
* Loans are classified as loans that there has been a significant increase in credit risk (Under-performing or Stage 2) when principal or interest payments are more than 30 days or 1 month past due.
* A new effective interest rate can be applied to determine the present value of loans that have been restructured if the debt restructuring causes the existing effective interest rate to be no longer reflect the estimated cash inflows from the loan.

b)   In cases of the debt restructuring involving only a repayment schedule extension, the applicable procedures are as follows:

* The staging assessment and provisioning are to be made in accordance with relevant financial reporting standards.
* The guidelines specified in the appendix of the circular of the Bank of Thailand No. BOT.RPD2.C. 802/2564 “Guidelines in relation to provision of assistance to debtors affected by the COVID-19 (the sustainable debt resolution measures)” relating to assessment of whether there has been a significant increase in credit risk are to be applied for preliminary assessment as to whether or not a debtor is to move to under-performing stage or Stage 2.

c)   Expected credit losses are determined based on the outstanding balance of the drawn down portion only. No expected credit loss is calculated for unused credit lines.

d)   For retail and SME loans, which are in process of debt restructuring but unable to complete the process by 31 December 2021 in accordance with guidelines specified in the circular of the Bank of Thailand No. BOT.RPD2.C. 594/2564 “Guidelines in relation to debt restructuring to assist debtors affected by the COVID-19”, such loans can continue to be remained at the same stage no longer than 31 March 2022 or until future changes are made by the Bank of Thailand requiring the entities to comply.

For debtors whose debt is restructured between 1 January 2021 and 31 December 2021, in accordance with the above clauses no. a) and b), the guidelines on staging assessment and provisioning under this accounting guidance apply from 1 January 2022 to 31 December 2023.

# Summary of significant accounting policies

**4.1** **Revenue recognition**

(a) Interest and discount

The Bank recognises interest income on amortised cost of loans to customers on an accrual basis, using the effective interest method, over the term of the contract.

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.

The effective interest rate is calculated based on the estimated contractual cash flows or on the expected life, with the cash flows including fees directly related to the loans to customers. The Bank recalculates the effective interest rate whenever there is a loan being drawn down in installments or a change in a floating interest rate.

The Bank records the difference between interest income calculated using the effective interest method and interest income calculated using the contract rate as interest income in the statement of comprehensive income, and records undue interest receivables in the statement of financial position.

When subsequent changes to the terms and conditions of contracts mean loans to customers meet the criteria for derecognition (Modification with derecognition), the Bank recognises interest income based on the new effective interest rate over the remaining term of the contract. In addition, the Bank reverses undue interest receivables in the statement of financial position, and reverses any interest income remaining in the statement of comprehensive income on the derecognition date.

In cases where a discount is included in promissory notes or loans, the interest or the discount is recognised as deferred revenue and amortised under the effective interest method over the term of the note or loan.

(b) Fees and service income

Fees and service are recognised as revenues on an accrual basis, taking into account the stage of completion.

(c) Gains (losses) on financial instruments measured at fair value through profit or loss

Gains (losses) on securities trading and derivatives are recognised as revenues or expenses on the transaction dates. Gains (losses) on changes in fair value are recognised in profit or loss.

(d) Gains (losses) on investments

Gains (losses) on investments are recognised as revenues or expenses on the transaction dates.

(e) Dividend income

Dividend is recognised as revenues when the right to receive the dividend is established.

**4.2 Expense recognition**

(a) Interest expenses

Interest expenses are recognised on an accrual basis, using the effective interest rate. Interest on notes payable included in the face value is recorded as deferred interest expenses, which will be amortised as expenses evenly throughout the term of the notes.

(b) Commission and direct expenses charged on hire purchase

Commission and direct expenses incurred at the inception of a hire purchase contract such as commission expenses, are gradually amortised, using the effective interest method, and presented net of interest income on hire purchase.

(c) Fees and service expenses and other expenses

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

**4.3 Cash and cash equivalents**

Cash and cash equivalents are the amounts included in the statements of financial position under the caption of “Cash”, which consists of cash on hand and cheques in transit.

**4.4 Securities purchased under reverse repurchase agreements/securities sold under repurchase agreements**

The Bank enters into agreements to purchase securities or to sell securities that include agreements to sell or purchase the securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to reverse repurchase agreements are presented as assets under the caption of “Interbank and money market items” in the statements of financial position, and the underlying securities are treated as collateral to such receivables, while securities sold subject to repurchase agreements are presented as liabilities under the caption of “Interbank and money market items” in the statements of financial position at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The differences between the purchase price and the sale considerations are recognised as interest income or expenses, as the case maybe, over the transaction periods.

**4.5 Derivatives**

The Bank has entered into derivative financial instruments in order to manage risk of the Bank and in response to customer needs. These consist of financial derivative contracts which were originated for trading purposes and derivative contracts which were originated for risk management purposes (Banking book) and the Bank has not elected to adopt hedge accounting. Derivatives are initially recognised at fair value on trade date and subsequently remeasured at fair value.

After initial recognition, gains or losses on changes in fair value are presented as gains (losses) on financial instruments measured at fair value through profit or loss.

The fair value of the contracts is 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.

**4.6 Financial instruments**

**Recognition of financial instruments**

The Bank recognises financial assets or financial liabilities, at initial recognition, when the Bank becomes a party to the contractual provisions of the financial instruments at fair value.

**Classification and measurement of financial assets and financial liabilities**

Financial assets – debt instruments

The Bank classifies its financial assets – debt instruments as to be subsequently measured at amortised cost or fair value in accordance with the Bank’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets as follows:

1. Financial assets measured at amortised cost

Only if both following conditions are met: the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value on trade date and subsequently measured using the effective interest method at amortised cost net of allowance for expected credit losses (if any).

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

1. Financial assets measured at fair value through other comprehensive income

Only if both following conditions are met: the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to 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. Gains or losses on changes in fair value are presented in shareholders’ equity through other comprehensive income. The cumulative change in fair value recognised in other comprehensive income is recycled to profit or loss upon derecognition of these financial assets. Gains or losses on foreign exchange, expected credit losses and interest income which are calculated using the effective interest method are recognised in profit or loss.

1. Financial assets measured at fair value through profit or loss

The financial assets are held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows, or the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and are subsequently measured at fair value. Gains or losses on changes in fair value and gains or losses on disposal are recognised as gains (losses) on financial instruments measured at fair value through profit or loss.

Financial assets - equity instruments

The Bank classifies investments in equity instruments that are not held for trading but held for strategic purpose or they are instruments with high market volatility as equity instruments designated at fair value through other comprehensive income, where an irrevocable election has been made by the management. The classification is determined on an instrument-by-instrument basis. Gains or losses on changes in fair value are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are never recycled to profit or loss, instead, they are directly transferred to retained earnings upon disposal of the investments. Dividends on these investments are recognised in profit or loss except when the dividends clearly represent a recovery of part of the cost of the investments, in which case, the gains are recognised in other comprehensive income.

In addition, investments in equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial liabilities

Except for derivative liabilities, at initial recognition, the Bank’s financial liabilities are recognised at fair value and classified as liabilities to be subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest method amortisation process.

**Modification of financial instruments not measured at fair value**

Financial assets

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

Financial liabilities

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

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

**Derecognition of financial instruments**

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Bank has transferred substantially all the risks and rewards of the asset, or the Bank has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

**Write-off**

Debts that are determined to be irrecoverable are written off (either partially or in full) in the year in which the decision is taken. This is generally the case when the Bank determines that the counterparties do 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 order to comply with the Bank’s procedures for recovery of amount due. In case of bad debt recovery, the recovered amount is recognised as revenue in the year it is recovered.

The Bank has risk related to these financial instruments and the risk management policies as described in Note 43 to the financial statements.

**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.

**4.7 Loans to customers**

Loans to customers are presented at the principal balances, excluding accrued interest receivables and undue interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Deferred revenue, unearned discount and fees related to loans to customers and modification gains or losses are added or deducted from the balances of loans to customers.

Hire purchase receivables are stated at the outstanding balances under the agreements less the balances of deferred revenue, which are presented net of deferred initial direct costs.

**4.8 Allowance for expected credit losses of financial assets**

The Bank recognises an allowance for expected credit losses on its financial assets that are debt instruments measured at fair value through other comprehensive income and measured at amortised cost such as interbank and money market items (assets), investments in debt instruments, and loans to customers, including undrawn credit limit and financial guarantee contracts, without requiring a credit-impaired event to have occurred prior to the recognition. The Bank sets allowance for expected credit losses using the General Approach on the loan amount, which consists of the outstanding loan balance, accrued interest receivables, undue interest receivables and other related items or equivalent to the asset in the statement of financial position as the base for calculation.

The Bank classifies its financial assets into three stages based on changes in credit risk to measure the value of allowance for expected credit losses, with the classification of a financial asset determined on the basis of the changes in credit quality since initial recognition as follows:

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

For financial assets where there has not been a significant increase in credit risk since initial recognition, the Bank determines allowance for expected credit losses at an amount equivalent to the expected credit losses for the next 12 months.

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

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

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

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets. The Bank determines allowance for expected credit losses at an amount equivalent to the expected credit losses over the expected lifetime of the financial assets.

At the end of the reporting period, the Bank assesses whether there has been a significant increase in the credit risk of the financial assets since initial recognition by comparing the risk of default as at the reporting date with that as at the initial recognition date.

In assessing whether there has been a significant increase in credit risk since initial recognition, the Bank uses internal criteria and risk ratings derived from external sources to assess the decrease in credit quality of the financial assets.

The Bank assesses whether there has been a significant increase in credit risk since initial recognition on an individual or an asset group basis. In making estimates of expected credit losses on an asset group basis, the basis of the Bank’s grouping of financial assets is the similarity of credit risk characteristics such as asset type, credit rating, remaining term to maturity, industry, status of the debtor and other relevant factors.

When the terms of a loan are modified because the debtor is having financial problem, it is considered to be a financial asset where there has been a significant increase in credit risk or that is credit-impaired, unless there is an evidence showing that the risk of inability to collect the contractual cash flows is significantly decreased and there are no other impairment indicators.

The Bank considers historical loss experience and adjusts it on the basis of current observable data, as well as forward-looking information that is supportable and reasonable, provided that it is shown to be statistically related, as well as exercising appropriate judgement. Macroeconomic data is used, and both the current situation and economic forecasts are evaluated. The use of forward-looking data increases the degree of judgement required in evaluating how relevant current macroeconomic changes affect expected credit losses. However, the Bank has a review procedure, and the methods, assumptions and forecasts of future economic situations are regularly appraised. In addition, the allowance for expected credit losses also includes the Management Overlay for the factors, which are not captured by the ECL model and for the group of customers whose credit quality may be deteriorated.

In the case of investments in debt instruments measured at fair value through other comprehensive income, the Bank recognises impairment charge in profit or loss as expected credit losses and the allowance for expected credit losses with the corresponding amount in other comprehensive income, whereas the carrying amount of the investments in debt instruments in the statement of financial position is still presented at fair value.

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

An increase or decrease in the allowance for expected credit losses is recognised as expected credit losses in profit or loss for each year.

**4.9 Financial assets with modifications of terms/Debt restructuring**

When a financial assets’ terms of repayment are renegotiated or modified, or debt is restructured, or an existing financial asset is replaced with a new financial asset because the debtor is having financial problem, the Bank assesses whether to derecognise the financial asset and measures the expected credit losses, as follows:

-    If the modification of terms does not result in derecognition of the financial assets, the Bank calculates the gross carrying amount of the new financial assets based on the present value of the new or modified cash flows, discounted using the original effective interest rate of the financial assets. The difference between the book value and the present value of expected future cash flow is recognised as modification gains or losses of terms in profit or loss and presented as a part of the expected credit losses.

-    If the modification of terms results in derecognition of the financial assets, the fair value of the new financial assets is the latest cash flows of the original financial assets on the date of derecognition. The difference between the book value and the fair value of the financial assets is recognised in profit or loss.

In addition, the Bank has redefined debt restructuring in cases where the restructuring is due to an increase in the credit risk of the debtor, in compliance with the circular of the Bank of Thailand No. BoT.RPD2.C.802/2564 “Guidelines regarding provision of assistance to debtors affected by the COVID-19 (the sustainable debt resolution measures)” dated 3 September 2021 as follows:

-   Debt restructuring for debtors who are performing loans (non-NPL), which are pre-emptive debt restructurings, made when signs of debt payment problems become evident. Therefore, the debtor is not yet classified as a non-performing debt (NPL).

-   Debt restructuring for debtors who are non-performing loans (NPL) is a troubled debt restructuring (TDR).

In addition, modifications of contract terms in line with changes in expected future cash flows, made in order to maintain good relationships with debtors with no increase in credit risk, such as reductions of interest rates related to market conditions, are not considered to be debt restructuring.

The Bank has instruction for debt restructuring of all debtors who affected by COVID-19 pandemic as appropriate with current situation by taking into consideration on the highest benefit of all debtors. However, the Bank are considered the debt restructuring process as align with debtor’s ability of repay and forecast future cash flow. In this regard, the Bank are segregated instruction for debt restructuring by adjusting the debt classification in order to comply with debt restructuring process as follows:

1. The debt restructuring is stipulated conditions for reducing debt repayment obligation, rather than extending repayment period only such as accrued interest reduction and reducing contract interest rate that will impact to the decrease in effective interest rate (EIR) or contractual average interest rate, receiving collateral assets for debt repayment, debt to equity conversion, extension debt repayment term from short-term to be long-term, increase an additional credit and etc.

* The debt restructuring for debtors who are performing loans (Non-NPL), the Bank will classify them as the debtors has not been a significant increase in credit risk (Stage 1) immediately if the Bank assess that the debtors are able to comply with the debt restructuring agreement without any requires the results of compliance monitoring.
* The debt restructuring for debtors who are non-performing loans (NPL), the Bank will classify them as the debtors has not been a significant increase in credit risk (Stage 1) if the debtors are able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or 3 installments, whichever is the longer period.

1. The debt restructuring by extending repayment period only are consist of extending repayment period, providing grace period for principle and/or interest and including extension debt repayment term from short-term to be long-term.

* The debt restructuring for debtors who are performing loans (Non-NPL), if the debtors are able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or 3 installments, whichever is the longer period, this reflects the status of debtors that do not indicate the significant increase in credit risk, As a results, the Bank will classify them as the debtors has not been a significant increase in credit risk (Stage 1).
* The debt restructuring for debtors who are non-performing loans (NPL), if the debtors are able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or 3 installments, whichever is the longer period, as a results, the debtors will be classified as financial assets where there has been a significant increase in credit risk (Stage 2). Following this, the Bank will continue to monitor repayment by these debtors for 9 months, and if they have no overdue balances of either principal or interest at the end of this period, making the Bank confident that they do not meet the criteria of a significant increase in credit risk, the Bank will reclassify them as financial assets where there has not been a significant increase in credit risk (Stage 1).

**4.10 Properties foreclosed**

Properties foreclosed are stated at the lower of cost or net realisable value. The cost is the carrying value of debt balance of the debtor on the date the Bank is entitled to such properties foreclosed to settle debt. Net realisable value is determined with reference to the latest appraisal value less estimated selling expenses.

Gains (losses) on disposal of properties foreclosed is recognised as revenue (expenses) in profit or loss upon disposal. Impairment loss is recognised as expenses in profit or loss.

**4.11 Premises and equipment and depreciation**

Land is stated at cost less allowance for impairment (if any). Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

|  |  |  |
| --- | --- | --- |
| Buildings | - | 20 years |
| Leasehold improvements | - | 3 and 5 years |
| Furniture and fixtures | - | 5 years |
| Office equipment | - | 5 years |
| Vehicles | - | 5 years |

Depreciation is included in determining income.

No depreciation is provided on land and assets in progress.

An item of land, buildings 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 is included in profit or loss when the asset is derecognised.

**4.12 Leases**

At inception of contract, the Bank assesses whether a contract is, or contains, a lease component 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 recognises and measures all leases with a term of more than 12 months, unless the underlying asset is low value. At the commencement date of the lease (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**

The Bank recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and accumulated impairment losses (if any), 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 their estimated useful lives as follows:

|  |  |
| --- | --- |
| Buildings | 1 - 6 years |
| Vehicles | 1 - 5 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.

**Lease liabilities**

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 are recognised as expenses on a straight-line basis over the lease term.

**4.13 Intangible assets and amortisation**

Intangible assets are measured at cost upon initial recognition and subsequently measured at cost less any accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite useful lives are amortised on the straight-line basis over their economic useful lives and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and method for such intangible assets are reviewed at least at the end of year. The amortisation expenses and impairment losses are charged to expenses in profit or loss.

Intangible assets with finite useful lives are computer softwares and deferred membership and license fee, which have estimated useful lives of 5 and 10 years, respectively. No amortisation is provided on computer softwares under development.

**4.14 Impairment of non-financial assets**

At the end of each reporting period, the Bank performs impairment reviews in respect of assets whenever events or changes in circumstances indicate that an asset may be impaired. The Bank recognises impairment loss in profit or loss when the recoverable amount of asset, which is the higher of the asset’s fair value less costs to sell or its value in use, is less than the carrying amount.

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, the calculations are based on the amount that they 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.

**4.15 Provisions**

Provisions are recognised when the Bank has a present obligation as a result of a past event, 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 amount of the obligation.

**4.16 Employee benefits**

(a) Short-term employment benefits

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

(b) Post-employment benefits

Defined contribution plan

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund’s assets are held in a separate trust fund and the Bank’s contributions are recognised as expenses when incurred.

Defined benefit plan

The Bank treats the severance payments they must make to employees upon retirement under labor law as a defined benefit plan.

The Bank’s obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the Projected Unit Credit Method.

Actuarial gains or losses arising from the defined benefit plan are recognised in other comprehensive income (loss) and directly charged to retained earnings.

**4.17 Foreign currencies**

The financial statements are presented in Baht, which are also the Bank’s functional currency.

Transactions in foreign currencies, which occurred during the year, are translated into Thai Baht at the reference rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitment outstanding on the financial reporting date have been translated into Baht at the BOT’s reference rates ruling at the end of the reporting periods.

Gains or losses on exchange are recognised as revenues or expenses which are presented as gains (losses) on financial instruments measured at fair value through profit or loss.

**4.18 Income tax**

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

**4.19 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid 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 its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except when there is no active market of an identical assets or liabilities or when a quoted market price is not available. The Bank measures fair value using a 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 or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of inputs to be used in fair value measurement as follows:

Level 1 Use of quoted market prices in an active market for such assets or liabilities

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

Level 3 Use of unobservable inputs such as estimations 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 periods that are measured at fair value on a recurring basis.

**4.20 Related party transactions**

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

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

# Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures, and actual results could differ from these estimates. Significant judgements and estimates are as follows:

**5.1 Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statements of financial position or disclosed in note to financial statements that are not actively traded, and for which quoted market prices are not readily available, the management exercises judgement, using valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these variables could affect the fair value reported in the statements of financial position and disclosed in the disclosure notes of the fair value hierarchy.

**5.2 Allowance for expected credit losses**

The Bank has developed a model for estimating expected credit losses of financial assets based on the Bank of Thailand’s guidelines.

Judgement is used in estimating the allowance for expected credit losses of debtors who are having problems making principal and/or interest payments, with management taking into consideration analysis of debtor status performed on an individual and a group basis, the probability of default, estimated losses arising from the default, historical collection experience, collateral value, statistical data, economic factors and risk ratings derived from external sources. These are used in determining assumptions and forward-looking scenarios, as well as probability weighted outcomes. The Bank also considers factors that would result in a significant increase in the credit risk of the financial assets compared with the risk as of the initial recognition date.

The management sets aside an additional allowance for expected credit losses to account for the uncertainties around future events that have not yet been reflected in the model (Management Overlay), based on the assessment and judgement of the management.

In addition, management judgement is also used in consideration of opting the Relief Measures in classification of the debtors, in assessment of a significant increase in credit risk, in determination of expected credit loss rates and in consideration of applying a weight on forward-looking information, all of which affect the valuation of loans to customers under the circumstances that the Bank temporarily opts to adopt this Accounting Guidance.

**5.3 Premises and equipment and depreciation**

In determining depreciation of buildings and equipment, the management is required to make estimate of the useful lives and residual value of buildings and equipment and to review estimated useful lives and residual value when circumstances change.

In addition, the management is required to review impairment for premises and equipment for on a periodical basis and records impairment loss when it is determined that their recoverable amounts are lower than their carrying values. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

**5.4 Leases**

**Determining the lease term with extension and termination options**

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 as a lessee**

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.

**5.5 Intangible assets**

The initial recognition and measurement of intangible assets, including subsequent impairment testing, require management to make estimates of cash flows to be generated by the assets or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

**5.6 Deferred tax assets**

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

**5.7 Provisions for employee benefits**

Provisions for employee benefits are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, staff turnover rate and mortality rate, based on their best knowledge of current events and arrangement.

**5.8 Litigation**

The Bank has contingent liabilities as a result of claim litigation. The management has used judgement to assess the outcome of the litigation cases, and in case where they believe that there will be no loss, no provisions are recognised at the end of reporting periods.

**5.9 Recognition and derecognition of assets and liabilities**

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

# The classification of financial assets and financial liabilities

|  |  |  |  | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2022 | | | | |
|  | Financial instruments measured at fair value through profit or loss | Financial instruments measured at fair value through other comprehensive income | Investments in equity instruments designated at fair value through other comprehensive income | Financial instruments measured at amortised cost | Total |
| Financial assets |  |  |  |  |  |
| Cash | - | - | - | 704,935 | 704,935 |
| Interbank and money market items - net | - | - | - | 35,933,706 | 35,933,706 |
| Derivative assets | 389,925 | - | - | - | 389,925 |
| Investment - net | - | 37,641,773 | 6,064,882 | 669,190 | 44,375,845 |
| Loans to customers and accrued interest receivables - net | - | - | - | 210,256,423 | 210,256,423 |
| Receivables on disposals of properties foreclosed through auctions | - | - | - | 430,024 | 430,024 |
| Collateral receivables under the Credit Support Annex agreements | - | - | - | 59,042 | 59,042 |
| Total financial assets | 389,925 | 37,641,773 | 6,064,882 | 248,053,320 | 292,149,900 |
| Financial liabilities |  |  |  |  |  |
| Deposits | - | - | - | 231,432,038 | 231,432,038 |
| Interbank and money market items | - | - | - | 23,616,785 | 23,616,785 |
| Liabilities payable on demand | - | - | - | 100,507 | 100,507 |
| Derivative liabilities | 187,900 | - | - | - | 187,900 |
| Debts issued and borrowings - net | - | - | - | 2,396,060 | 2,396,060 |
| Lease liabilities - net | - | - | - | 505,535 | 505,535 |
| Collateral payables under the Credit Support Annex agreements | - | - | - | 164,634 | 164,634 |
| Total financial liabilities | 187,900 | - | - | 258,215,559 | 258,403,459 |

|  |  |  |  | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2021 | | | | |
|  | Financial instruments measured at fair value through profit or loss | Financial instruments measured at fair value through other comprehensive income | Investments in equity instruments designated at fair value through other comprehensive income | Financial instruments measured at amortised cost | Total |
| Financial assets |  |  |  |  |  |
| Cash | - | - | - | 717,749 | 717,749 |
| Interbank and money market items - net | - | - | - | 35,267,727 | 35,267,727 |
| Derivative assets | 163,992 | - | - | - | 163,992 |
| Investment - net | - | 34,881,957 | 6,851,790 | - | 41,733,747 |
| Loans to customers and accrued interest receivables - net | - | - | - | 170,144,008 | 170,144,008 |
| Receivables on disposals of properties foreclosed through auctions | - | - | - | 58,288 | 58,288 |
| Collateral receivables under the Credit Support Annex agreements | - | - | - | 1,114 | 1,114 |
| Total financial assets | 163,992 | 34,881,957 | 6,851,790 | 206,188,886 | 248,086,625 |
| Financial liabilities |  |  |  |  |  |
| Deposits | - | - | - | 192,513,105 | 192,513,105 |
| Interbank and money market items | - | - | - | 19,046,318 | 19,046,318 |
| Liabilities payable on demand | - | - | - | 189,544 | 189,544 |
| Derivative liabilities | 33,520 | - | - | - | 33,520 |
| Debts issued and borrowings - net | - | - | - | 2,397,298 | 2,397,298 |
| Lease liabilities - net | - | - | - | 559,514 | 559,514 |
| Collateral payables under the Credit Support Annex agreements | - | - | - | 6,300 | 6,300 |
| Total financial liabilities | 33,520 | - | - | 214,712,079 | 214,745,599 |

# Interbank and money market items (assets)

|  | (Unit: Thousand Baht) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | At call | Term | Total | At call | Term | Total |
| **Domestic:** |  |  |  |  |  |  |
| Bank of Thailand | 3,101,103 | - | 3,101,103 | 1,372,099 | - | 1,372,099 |
| Commercial banks | 110,305 | 6,000,000 | 6,110,305 | 943,482 | 2,000,000 | 2,943,482 |
| Specialised financial institutions | - | 6,537,000 | 6,537,000 | - | 14,300,000 | 14,300,000 |
| Other financial institutions | 2,523,000 | 17,309,812 | 19,832,812 | 620,000 | 15,595,000 | 16,215,000 |
| Total | 5,734,408 | 29,846,812 | 35,581,220 | 2,935,581 | 31,895,000 | 34,830,581 |
| Add: Accrued interest receivables and undue interest receivables | 677 | 7,053 | 7,730 | - | 5,561 | 5,561 |
| Less: Allowance for expected credit losses | (5,360) | (6,586) | (11,946) | (1,103) | (4,027) | (5,130) |
| Total domestic items | 5,729,725 | 29,847,279 | 35,577,004 | 2,934,478 | 31,896,534 | 34,831,012 |
| **Foreign:** |  |  |  |  |  |  |
| US Dollar | 235,619 | - | 235,619 | 403,752 | - | 403,752 |
| Yen | 14,629 | - | 14,629 | 9,342 | - | 9,342 |
| Euro | 75,708 | - | 75,708 | 7,567 | - | 7,567 |
| Other currencies | 30,746 | - | 30,746 | 16,054 | - | 16,054 |
| Total foreign items | 356,702 | - | 356,702 | 436,715 | - | 436,715 |
| Interbank and money market items - net | 6,086,427 | 29,847,279 | 35,933,706 | 3,371,193 | 31,896,534 | 35,267,727 |

# Derivative assets/liabilities

The fair values of derivative assets and liabilities consist of derivatives held for trading and derivatives held for banking book measured at fair value.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Fair value | | Fair value | |
| Types of derivatives | Assets | Liabilities | Assets | Liabilities |
|  |  |  |  |  |
| Derivatives held for trading | 354,526 | 187,900 | 46,236 | 33,520 |
| Derivatives held for banking book \* | 35,399 | - | 117,756 | - |
| Total | 389,925 | 187,900 | 163,992 | 33,520 |

\* The Bank has entered into derivatives contracts for the purpose of risk management (Banking book) without selecting an option to adopt hedge accounting.

Derivatives held for trading

As at 31 December 2022 and 2021, the fair values and the notional amounts of derivatives held for trading, classified by type of risk, were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | Fair value | | Notional | Fair value | | Notional |
| Types of risk | Assets | Liabilities | amounts \* | Assets | Liabilities | amounts \* |
|  |  |  |  |  |  |  |
| Foreign exchange rate | 354,526 | 187,900 | 20,467,196 | 46,236 | 33,520 | 13,188,801 |
| Total | 354,526 | 187,900 | 20,467,196 | 46,236 | 33,520 | 13,188,801 |

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

Derivatives held for banking book

As at 31 December 2022 and 2021, the fair values and the notional amounts of derivatives held for banking book, classified by type of risk, were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | | | |
|  | 31 December 2022 | | | 31 December 2021 | | | |
|  | Fair value | | Notional | Fair value | | Notional | |
| Types of risk | Assets | Liabilities | amounts \* | Assets | Liabilities | amounts \* | |
| Foreign exchange rate and interest rate | 35,399 | - | 1,149,440 | 117,756 | - | 1,149,440 | |
| Total | 35,399 | - | 1,149,440 | 117,756 | - | 1,149,440 | |

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

# Investments

**9.1 Type of investments**

Investments as at 31 December 2022 and 2021 consist of:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 31 December 2022 | 31 December 2021 |
|  |  |  |
| Investments in debt instruments measured at amortised cost | 669,190 | - |
| Investments in debt instruments measured at fair value through other comprehensive income | 37,641,773 | 34,881,957 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,064,882 | 6,851,790 |
| Total investments - net | 44,375,845 | 41,733,747 |

9.1.1 Investments in debt instruments measured at amortised cost

|  |  |  |
| --- | --- | --- |
| (Unit: Thousand Baht) | | |
|  | 31 December 2022 | 31 December 2021 | |
|  | Amortised cost | Amortised cost | |
|  |  |  | |
| Private sector debt instruments | 669,300 | - | |
| Total | 669,300 | - | |
| Less: Allowance for expected credit losses | (110) | - | |
| Total investments in debt instruments measured at amortised cost | 669,190 | - | |

9.1.2 Investments in debt instruments measured at fair value through other comprehensive income

|  |  |  |
| --- | --- | --- |
| (Unit: Thousand Baht) | | |
|  | 31 December 2022 | 31 December 2021 | |
|  | Fair value | Fair value | |
|  |  |  | |
| Government and state enterprise instruments | 26,874,882 | 22,202,126 | |
| Private sector debt instruments | 7,735,950 | 9,761,201 | |
| Other debt instruments | 3,282,604 | 3,120,971 | |
| Total | 37,893,436 | 35,084,298 | |
| Less: Allowance for expected credit losses | (251,663) | (202,341) | |
| Total investments in debt instruments measured at fair value through other comprehensive income | 37,641,773 | 34,881,957 | |

9.1.3 Investments in equity instruments designated at fair value through other comprehensive income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | (Unit: Thousand Baht) | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Fair value | Dividend received | Fair value | Dividend received |
| Domestic marketable equity instruments - investment units | 6,057,979 | 422,550 | 6,844,887 | 436,645 |
| Domestic non-marketable equity instruments | 6,903 | 364 | 6,903 | 359 |
| Total investments in equity instruments designated at fair value through other comprehensive income | 6,064,882 | 422,914 | 6,851,790 | 437,004 |

During the years ended 31 December 2022 and 2021, the Bank derecognised investments in equity instruments designated at fair value through other comprehensive income as a result of the sale of such investments. Accumulated gains or losses on derecognition were recognised in retained earnings as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
|  | For the year ended 31 December 2022 | | | |
|  | Fair value on derecognition date | Dividend received | Losses on derecognition net of income tax | Reason of derecognition |
| Derecognised investments in equity instruments | |  |  |  |
| Domestic marketable equity instruments | |  |  | Sale for liquidity |
| - Investment units | 65,812 | 775 | (39,492) | management |
| Total | 65,812 | 775 | (39,492) |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
|  | For the year ended 31 December 2021 | | | |
|  | Fair value on derecognition date | Dividend received | Losses on derecognition net of income tax | Reason of derecognition |
| Derecognised investments in equity instruments | |  |  |  |
| Domestic marketable equity instruments | |  |  |  |
| - Investment units | 371,753 | 364,299 | (303,062) | Fund dissolution |
| Total | 371,753 | 364,299 | (303,062) |  |

**9.2 Investments in which the Bank holds more than 10 percent of the equity of the investees**

As at 31 December 2022 and 2021, the investments in which the Bank holds more than 10 percent of the equity of the investees that were not treated as investments in subsidiaries and associates, were as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 31 December 2022 | 31 December 2021 |
|  |  |  |
| Infrastructure Fund (presented at fair value) | 168,700 | 190,750 |
|  | 168,700 | 190,750 |

**9.3 Investments in companies having problems relating to financial position and operating results**

|  |  | | | (Unit: Thousand Baht) | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | Number of companies | Cost | Fair value | Number of companies | Cost | Fair value |
| Companies whose auditors’ report indicating going concern issues | 1 | 25 | - | 1 | 25 | - |
|  | 1 | 25 | - | 1 | 25 | - |

# Loans to customers and accrued interest receivables

**10.1 Classified by loan types**

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 31 December 2022 | 31 December 2021 |
|  |  |  |
| Overdrafts | 4,135,215 | 3,493,111 |
| Loans | 161,510,317 | 132,192,303 |
| Bills | 52,845,686 | 41,375,087 |
| Hire purchase receivables | 300,599 | 59,992 |
| Total loans to customers | 218,791,817 | 177,120,493 |
| Less: Deferred revenue | (66,229) | (37,114) |
| Loans to customers net of deferred revenue | 218,725,588 | 177,083,379 |
| Add: Accrued interest receivables and undue interest receivables | 3,189,712 | 2,000,929 |
| Total loans to customers and accrued interest receivables | 221,915,300 | 179,084,308 |
| Less: Allowance for expected credit losses | (11,658,877) | (8,940,300) |
| Loans to customers and accrued interest receivables - net | 210,256,423 | 170,144,008 |

As at 31 December 2022, the Bank’s loans to customers include restructured loans, for which the Bank has elected to apply the Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 (Sustainable debt resolution) where this assistance is the 1st type of financial assistance amounting to Baht 15,888 million and the 2nd type of financial assistance amounting to Baht 19,437 million.

**10.2 Classified by currency and residency of debtors**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | (Unit: Thousand Baht) | |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | Domestic | Overseas | Total | Domestic | Overseas | Total |
|  |  |  |  |  |  |  |
| Baht | 215,057,012 | - | 215,057,012 | 173,445,903 | - | 173,445,903 |
| US Dollar | 3,620,001 | - | 3,620,001 | 3,521,102 | - | 3,521,102 |
| Other currencies | 48,575 | - | 48,575 | 116,374 | - | 116,374 |
| Total | 218,725,588 | - | 218,725,588 | 177,083,379 | - | 177,083,379 |

**10.3 Classified by loan classification**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Loans to customers  and accrued interest receivables | Allowance for  expected credit losses | Loans to customers  and accrued interest receivables | Allowance for  expected credit losses |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 205,340,493 | 3,959,523 | 168,856,006 | 2,831,820 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | 10,926,064 | 2,012,217 | 4,867,105 | 1,096,662 |
| Financial assets that are credit-impaired  (Non-performing) | 5,648,743 | 3,240,405 | 5,361,197 | 2,812,773 |
| Total | 221,915,300 | 9,212,145 | 179,084,308 | 6,741,255 |
| General provision |  | 2,446,732 |  | 2,199,045 |
| Total |  | 11,658,877 |  | 8,940,300 |

**10.4 Loans to customers that have repayment problems or defaulted payments**

As at 31 December 2022 and 2021, the Bank had loans to customers and accrued interest receivables due from companies and persons, which had repayment problems or defaulted payments, against which allowance for expected credit losses, were made as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | |
|  | Number of debtors | Debt balances | Allowance for  expected credit losses |
| Companies and persons that have repayment problems or defaulted payments | 1,625 | 16,574,807 | 5,252,622 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | 31 December 2021 | | |
|  | Number of debtors | Debt balances | Allowance for  expected credit losses |
| Companies and persons that have repayment problems or defaulted payments | 628 | 10,228,302 | 3,909,435 |

The Bank has inadequate information to disclose transactions in respect of companies whose auditors’ reports indicate that there is substantial doubt about their ability to continue their business as a going concern, and unlisted companies whose financial position and results of operations are the same as those of listed companies delisting criteria. However, the Bank has already considered the loan classification and set allowance for expected credit losses of those debtors.

**10.5 Troubled debt restructuring**

As at 31 December 2022 and 2021, the Bank had restructured debtors with outstanding debt balances as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | Total debts | | Restructured debts | |
|  | Number of debtors | Debt balances (principal and accrued interest receivables) | Number of debtors | Debt balances (principal and accrued interest receivables) |
|  |  |  |  |  |
| 31 December 2022 | 44,035 | 221,915,300 | 283 | 5,806,248 |
| 31 December 2021 | 11,148 | 179,084,308 | 271 | 6,027,360 |

As at 31 December 2022 and 2021, the Bank had no outstanding commitments to provide additional loan facilities after restructuring.

**10.6 Hire purchase receivables**

As at 31 December 2022 and 2021, the Bank had hire purchase receivables, on which the terms of the agreements were generally between 2 to 7 years, and they carried interest at fixed rates as stipulated in the agreements.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | 31 December 2022 | | | |
|  | Amounts due under the contracts | | | |
|  | Less than 1 year | 1 - 5 years | Over 5 years | Total |
| Aggregate initial investments under the hire purchase agreements | 81,824 | 218,775 | - | 300,599 |
| Less: Deferred revenue | (9,390) | (13,840) | - | (23,230) |
| Present value of minimum lease payments | 72,434 | 204,935 | - | 277,369 |
| Less: Allowance for expected credit losses |  |  |  | (26,794) |
| Hire purchase receivables - net |  |  |  | 250,575 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | 31 December 2021 | | | |
|  | Amounts due under the contracts | | | |
|  | Less than 1 year | 1 - 5 years | Over 5 years | Total |
| Aggregate initial investments under the hire purchase agreements | 33,363 | 26,629 | - | 59,992 |
| Less: Deferred revenue | (1,976) | (1,787) | - | (3,763) |
| Present value of minimum lease payments | 31,387 | 24,842 | - | 56,229 |
| Less: Allowance for expected credit losses |  |  |  | (8,169) |
| Hire purchase receivables - net |  |  |  | 48,060 |

# Allowance for expected credit losses

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | For the year ended 31 December 2022 | | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | Financial assets  that are  credit-impaired  (Non-performing) | General provision | Total |
| **Interbank and money market items (assets)** | |  |  |  |  |
| Balances - beginning of the year | 5,130 | - | - | - | 5,130 |
| Changes due to revaluation of loss allowance | (26,644) | - | - | - | (26,644) |
| New financial assets purchased  or acquired | 68,896 | - | - | - | 68,896 |
| Financial assets derecognised | (35,436) | - | - | - | (35,436) |
| Balances - end of the year | 11,946 | - | - | - | 11,946 |
|  | | |  |  |  |
| **Investments in debt instruments measured at amortised cost** | |  |  |  |  |
| Balances - beginning of the year | - | - | - | - | - |
| New financial assets purchased or acquired | 115 | - | - | - | 115 |
| Financial assets derecognised | (5) | - | - | - | (5) |
| Balances - end of the year | 110 | - | - | - | 110 |
|  |  |  |  |  |  |
| **Investments in debt instruments measured at fair value through other comprehensive income** | |  |  |  |  |
| Balances - beginning of the year | 2,341 | 200,000 | - | - | 202,341 |
| Changes due to revaluation of loss allowance | (742) | 50,000 | - | - | 49,258 |
| New financial assets purchased or acquired | 123 | - | - | - | 123 |
| Financial assets derecognised | (59) | - | - | - | (59) |
| Balances - end of the year | 1,663 | 250,000 | - | - | 251,663 |
|  |  |  |  |  |  |
| **Loans to customers and accrued interest receivables** | |  |  |  |  |
| Balances - beginning of the year | 2,831,820 | 1,096,662 | 2,812,773 | 2,199,045 | 8,940,300 |
| Changes due to transfers of loan classification | (896,635) | 633,295 | 263,340 | - | - |
| Changes due to revaluation of loss allowance | 1,069,846 | 370,791 | 236,724 | 247,687 | 1,925,048 |
| New financial assets purchased  or acquired | 3,050,881 | 883,797 | 201,099 | - | 4,135,777 |
| Financial assets derecognised | (2,096,389) | (972,328) | (273,531) | - | (3,342,248) |
| Balances - end of the year | 3,959,523 | 2,012,217 | 3,240,405 | 2,446,732 | 11,658,877 |
|  |  |  |  |  |  |

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | For the year ended 31 December 2022 | | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | Financial assets  that are  credit-impaired  (Non-performing) | General provision | Total |
| **Other assets** |  |  |  |  |  |
| Balances - beginning of the year | 1,077 | 266 | 41,788 | - | 43,131 |
| Changes due to transfers of loan classification | 243 | 495 | (738) | - | - |
| Changes due to revaluation of loss allowance | (263) | (307) | 12,033 | - | 11,463 |
| New financial assets purchased  or acquired | 749 | 250 | 12,637 | - | 13,636 |
| Financial assets derecognised | (888) | (465) | (19,050) | - | (20,403) |
| Balances - end of the year | 918 | 239 | 46,670 | - | 47,827 |

As at 31 December 2022, the general provision of Baht 2,447 million consisted of (a) the Management Overlay provision amounting to Baht 1,317 million, arising from the first-time adoption of Thai Financial Reporting Standards No. 9 on 1 January 2020, which was reserved for the factors not captured by the ECL model and for the group of debtors whose credit quality may be further deteriorated as informed in the Bank’s letter to the BOT dated 15 May 2020, and (b) a general provision amounting to Baht 1,130 million, which was reserved for the group of debtors that the Bank has provided assistance under the relief measures to affected debtors as described in Note 10.1 to the financial statements.

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | For the year ended 31 December 2021 | | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | Financial assets  that are  credit-impaired  (Non-performing) | General provision | Total |
| **Interbank and money market items (assets)** | |  |  |  |  |
| Balances - beginning of the year | 5,571 | - | - | - | 5,571 |
| Changes due to revaluation of loss allowance | (17,033) | - | - | - | (17,033) |
| New financial assets purchased  or acquired | 40,317 | - | - | - | 40,317 |
| Financial assets derecognised | (23,725) | - | - | - | (23,725) |
| Balances - end of the year | 5,130 | - | - | - | 5,130 |
|  | | |  |  |  |
| **Investments in debt instruments measured at fair value through other comprehensive income** | |  |  |  |  |
| Balances - beginning of the year | 2,276 | 200,000 | - | - | 202,276 |
| Changes due to revaluation of loss allowance | (37) | - | - | - | (37) |
| New financial assets purchased or acquired | 177 | - | - | - | 177 |
| Financial assets derecognised | (75) | - | - | - | (75) |
| Balances - end of the year | 2,341 | 200,000 | - | - | 202,341 |
|  |  |  |  |  |  |
| **Loans to customers and accrued interest receivables** | |  |  |  |  |
| Balances - beginning of the year | 944,581 | 869,397 | 2,762,044 | 1,427,945 | 6,003,967 |
| Changes due to transfers of loan classification | 297,422 | (372,733) | 75,311 | - | - |
| Changes due to revaluation of loss allowance | 1,342,547 | 753,472 | 346,005 | 771,100 | 3,213,124 |
| New financial assets purchased  or acquired | 1,345,065 | 352,201 | 1,018,814 | - | 2,716,080 |
| Financial assets derecognised | (1,097,795) | (505,675) | (1,389,401) | - | (2,992,871) |
| Balances - end of the year | 2,831,820 | 1,096,662 | 2,812,773 | 2,199,045 | 8,940,300 |
|  |  |  |  |  |  |
| **Other assets** |  |  |  |  |  |
| Balances - beginning of the year | 746 | 318 | 36,076 | - | 37,140 |
| Changes due to transfers of loan classification | 162 | 112 | (274) | - | - |
| Changes due to revaluation of loss allowance | 348 | (21) | 3,699 | - | 4,026 |
| New financial assets purchased  or acquired | 917 | 192 | 19,504 | - | 20,613 |
| Financial assets derecognised | (1,096) | (335) | (17,217) | - | (18,648) |
| Balances - end of the year | 1,077 | 266 | 41,788 | - | 43,131 |

During the years ended 31 December 2022 and 2021, the Bank had significant changes in the book value of financial assets to the changes in allowances for expected credit losses as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
| For the year ended 31 December 2022 | | | | |
|  |  | Increase (decrease) in allowance for expected credit losses | | |
| Financial instruments | Description of significant change in book value | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | Financial assets that are credit-impaired  (Non-performing) |
|  |  |  |  |  |
| Loans to customers | Corporate loans increased by Baht 29,383 million | 1,057,079 | 866,754 | 384,283 |
| Loans to customers | Retail loans increased by Baht 13,448 million | 70,624 | 48,801 | 43,349 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
| For the year ended 31 December 2021 | | | | |
|  |  | Increase (decrease) in allowance for expected credit losses | | |
| Financial instruments | Description of significant change in book value | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | Financial assets that are credit-impaired  (Non-performing) |
|  |  |  |  |  |
| Loans to customers | Corporate loans increased by Baht 11,720 million | 1,804,267 | 238,902 | 914 |
| Loans to customers | Retail loans increased by Baht 5,522 million | 82,972 | (11,637) | 49,815 |

# Properties foreclosed

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | For the year ended 31 December 2022 | | | | |
|  | 31 December  2021 | Increase | Disposal/  decrease | Appraiser change | 31 December  2022 |
| **Properties foreclosed - Immovable assets** | |  |  |  |  |
| Appraised by external appraisers: |  |  |  |  |  |
| Cost | 772,450 | 6,895 | (6,573) | 6,133 | 778,905 |
| Allowance for impairment | - | - | - | - | - |
| Net book value | 772,450 | 6,895 | (6,573) | 6,133 | 778,905 |
| Appraised by internal appraisers: |  |  |  |  |  |
| Cost | - | 12,797 | (47) | (6,133) | 6,617 |
| Allowance for impairment | - | - | - | - | - |
| Net book value | - | 12,797 | (47) | (6,133) | 6,617 |
| Properties foreclosed - Immovable assets | 772,450 | 19,692 | (6,620) | - | 785,522 |
| **Properties foreclosed - Movable assets** |  |  |  |  |  |
| Appraised by external appraisers: |  |  |  |  |  |
| Cost | 3,560 | - | - | - | 3,560 |
| Allowance for impairment | (2,660) | - | - | - | (2,660) |
| Net book value | 900 | - | - | - | 900 |
| Properties foreclosed - Movable assets | 900 | - | - | - | 900 |
| **Total properties foreclosed** | 773,350 | 19,692 | (6,620) | - | 786,422 |

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | For the year ended 31 December 2021 | | | | |
|  | 31 December  2020 | Increase | Disposal/  decrease | Appraiser change | 31 December  2021 |
| **Properties foreclosed – Immovable assets** | |  |  |  |  |
| Appraised by external appraisers: |  |  |  |  |  |
| Cost | 607,817 | 132,142 | (10,550) | 43,041 | 772,450 |
| Allowance for impairment | - | - | - | - | - |
| Net book value | 607,817 | 132,142 | (10,550) | 43,041 | 772,450 |
| Appraised by internal appraisers: |  |  |  |  |  |
| Cost | 42,848 | 193 | - | (43,041) | - |
| Allowance for impairment | - | - | - | - | - |
| Net book value | 42,848 | 193 | - | (43,041) | - |
| Properties foreclosed – Immovable assets | 650,665 | 132,335 | (10,550) | - | 772,450 |
| **Properties foreclosed – Movable assets** |  |  |  |  |  | |
| Appraised by external appraisers: |  |  |  |  |  |
| Cost | 3,560 | - | - | - | 3,560 |
| Allowance for impairment | (1,698) | (962) | - | - | (2,660) |
| Net book value | 1,862 | (962) | - | - | 900 |
| Properties foreclosed – Movable assets | 1,862 | (962) | - | - | 900 |
| **Total properties foreclosed** | 652,527 | 131,373 | (10,550) | - | 773,350 |

As at 31 December 2022 and 2021, the Bank’s properties foreclosed totalling Baht 500 million were obligated under the agreements to sell to the former debtors as the first refusal rights within the specified periods.

# Premises and equipment

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | (Unit: Thousand Baht) | |
|  | Land | Buildings | Leasehold improvements | Furniture and fixtures | Office equipment | Vehicles | Assets in progress | Total |
| **Cost** |  |  |  |  |  |  |  |  |
| 1 January 2021 | 40,589 | 10,211 | 402,317 | 144,079 | 641,819 | 15,690 | 98 | 1,254,803 |
| Addition | - | - | 15,847 | 5,900 | 72,218 | 3,709 | 15,342 | 113,016 |
| Write-off/disposal | - | - | (79,066) | (18,579) | (70,402) | (10,254) | (98) | (178,399) |
| Transfer in (out) | - | - | 15,342 | - | - | - | (15,342) | - |
| 31 December 2021 | 40,589 | 10,211 | 354,440 | 131,400 | 643,635 | 9,145 | - | 1,189,420 |
| Addition | - | - | 13,902 | 11,423 | 68,225 | - | 21,599 | 115,149 |
| Write-off/disposal | - | - | (14,722) | (20,225) | (56,481) | - |  | (91,428) |
| Transfer in (out) | - | - | 19,022 | - | - | - | (19,022) | - |
| 31 December 2022 | 40,589 | 10,211 | 372,642 | 122,598 | 655,379 | 9,145 | 2,577 | 1,213,141 |
| **Accumulated depreciation** |  |  |  |  |  |  |  |  |
| 1 January 2021 | - | 4,029 | 367,699 | 131,870 | 491,320 | 9,660 | - | 1,004,578 |
| Accumulated depreciation on write-off/disposal | - | - | (78,343) | (18,039) | (70,164) | (7,704) | - | (174,250) |
| Depreciation charged for the year | - | 511 | 15,244 | 5,645 | 53,145 | 1,801 | - | 76,346 |
| 31 December 2021 | - | 4,540 | 304,600 | 119,476 | 474,301 | 3,757 | - | 906,674 |
| Accumulated depreciation on write-off/disposal | - | - | (14,380) | (19,546) | (56,184) | - | - | (90,110) |
| Depreciation charged for the year | - | 510 | 17,969 | 4,887 | 63,016 | 1,484 | - | 87,866 |
| 31 December 2022 | - | 5,050 | 308,189 | 104,817 | 481,133 | 5,241 | - | 904,430 |
| **Net book value** |  |  |  |  |  |  |  |  |
| 31 December 2021 | 40,589 | 5,671 | 49,840 | 11,924 | 169,334 | 5,388 | - | 282,746 |
| 31 December 2022 | 40,589 | 5,161 | 64,453 | 17,781 | 174,246 | 3,904 | 2,577 | 308,711 |
| **Depreciation for the years** | | | | | | | | |
| 2021 |  |  |  |  |  |  |  | 76,346 |
| 2022 |  |  |  |  |  |  |  | 87,866 |

As at 31 December 2022 and 2021, the Bank had certain items of leasehold improvements, equipment and vehicles, which were fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets totalled Baht 700 million and Baht 727 million, respectively.

# Intangible assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit: Thousand Baht) | |
|  | Computer softwares | Deferred membership and license fee | Computer softwares under development | Total |
| **Cost** |  |  |  |  |
| 1 January 2021 | 1,055,950 | 39,428 | 9,739 | 1,105,117 |
| Addition | 30,974 | - | 18,496 | 49,470 |
| Write-off | (1,669) | - | - | (1,669) |
| Transfer in (out) | 6,957 | - | (6,957) | - |
| 31 December 2021 | 1,092,212 | 39,428 | 21,278 | 1,152,918 |
| Addition | 50,180 | - | 49,729 | 99,909 |
| Write-off | (1,014) | - | - | (1,014) |
| Transfer in (out) | 39,150 | - | (39,150) | - |
| 31 December 2022 | 1,180,528 | 39,428 | 31,857 | 1,251,813 |
| **Accumulated amortisation** |  |  |  |  |
| 1 January 2021 | 734,885 | 31,493 | - | 766,378 |
| Accumulated amortisation on write-off | (1,662) | - | - | (1,662) |
| Amortisation charged for the year | 111,259 | 2,008 | - | 113,267 |
| 31 December 2021 | 844,482 | 33,501 | - | 877,983 |
| Accumulated amortisation on write-off | (1,014) | - | - | (1,014) |
| Amortisation charged for the year | 111,810 | 1,268 | - | 113,078 |
| 31 December 2022 | 955,278 | 34,769 | - | 990,047 |
| **Net book value** |  |  |  |  |
| 31 December 2021 | 247,730 | 5,927 | 21,278 | 274,935 |
| 31 December 2022 | 225,250 | 4,659 | 31,857 | 261,766 |
| **Amortisation for the years** |  |  |  |  |
| 2021 |  |  |  | 113,267 |
| 2022 |  |  |  | 113,078 |
| **Remaining amortisation periods (years)** | 0-5 | 2,3,6,7 | - |  |

As at 31 December 2022 and 2021, the Bank had certain items of intangible assets, which were fully amortised but are still in use. The original costs before deducting accumulated amortisation of those assets totalled Baht 608 million and Baht 576 million, respectively.

# Deferred tax assets/liabilities and income tax

**15.1 Deferred tax assets/liabilities**

The components of deferred tax assets/liabilities included deferred income tax arose from the following transactions:

|  | (Unit: Thousand Baht) | | | |
| --- | --- | --- | --- | --- |
|  | 31 December | | Changes in deferred income tax for the years ended  31 December | |
|  | 2022 | 2021 | 2022 | 2021 |
| Deferred tax assets (liabilities) arose from: |  |  |  |  |
| Investments | 698,062 | 480,587 | 217,475 | 229,061 |
| Loans to customers and accrued interest receivables | 498,701 | 449,348 | 49,353 | 154,197 |
| Properties foreclosed | 532 | 532 | - | 192 |
| Right-of-use assets | 8,048 | 7,845 | 203 | 1,905 |
| Other assets | 9,565 | 8,626 | 939 | 1,198 |
| Provisions | 62,364 | 53,890 | 8,474 | 11,633 |
| Others | 20,262 | 12,492 | 7,770 | 7,225 |
| Deferred tax assets | 1,297,534 | 1,013,320 |  |  |
| Total |  |  | 284,214 | 405,411 |
| Changes in deferred income tax: |  |  |  |  |
| Recognised in profit or loss |  |  | 68,555 | 175,860 |
| Recognised in other comprehensive income (loss) | |  | 215,659 | 229,551 |
| Total |  |  | 284,214 | 405,411 |

**15.2 Income tax**

Income tax expenses reported in profit or loss for the years ended 31 December 2022 and 2021 were as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Current income tax:** |  |  |
| Corporate income tax for the years | (292,433) | (300,462) |
| **Deferred income tax:** |  |  |
| Deferred income tax from temporary differences and reversal of temporary differences | 68,555 | 175,860 |
| Income tax expenses reported in profit or loss | (223,878) | (124,602) |

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2022 and 2021 multiplied by the applicable tax rate were as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
|  |  |  |
| Accounting profits before income tax expenses | 1,317,227 | 815,440 |
| Applicable tax rate | 20% | 20% |
| Income tax calculated based on accounting profits | (263,445) | (163,088) |
| Tax effects of: |  |  |
| Tax-exempted revenues | 40,080 | 41,892 |
| Additional expense deductions allowed | 1,049 | 3,124 |
| Non-deductible expenses | (1,183) | (5,965) |
| Others | (379) | (565) |
| Income tax expenses reported in profit or loss | (223,878) | (124,602) |

The weighted average income tax rates for the years ended 31 December 2022 and 2021 was 17.00% and 15.28%, respectively.

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2022 and 2021 were summarised below:

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Thousand Baht) |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| Deferred income tax relating to: |  |  |
| Losses on revaluation of investment in debt securities measured at fair value through other comprehensive income | 109,681 | 199,695 |
| Losses on revaluation of investment in equity instruments designated at fair value through other comprehensive income | 107,802 | 29,353 |
| Actuarial (gains) losses | (1,824) | 503 |
| Income tax reported in other comprehensive income (loss) | 215,659 | 229,551 |

# Other assets

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Thousand Baht) |
|  | 31 December 2022 | 31 December 2021 |
|  |  |  |
| Suspense accounts - debtors | 256,227 | 200,943 |
| Deposits and guarantees | 82,966 | 91,741 |
| Prepaid expenses | 80,332 | 42,165 |
| Collateral receivables under the Credit Support Annex agreements | 59,042 | 1,114 |
| Token money | 30,810 | 30,810 |
| Accrued income | 19,446 | 23,212 |
| Others | 6,021 | 3,216 |
| Total | 534,844 | 393,201 |
| Less: Allowance for expected credit losses | (47,827) | (43,131) |
| Other assets - net | 487,017 | 350,070 |

# Quality of assets

As at 31 December 2022 and 2021, the Bank had assets categorised in compliance with the BOT’s regulations as follows:

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2022 | | | | |
|  | Interbank and money market items and accrued interest receivables | Investments | Loans to customers and accrued interest receivables | Other assets | Total |
| Classification of assets |  |  |  |  |  |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 35,945,652 | 35,280,132 | 205,340,493 | 2,724 | 276,569,001 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | - | 3,282,604 | 10,926,064 | 2,671 | 14,211,339 |
| Financial assets that are credit-impaired (Non-performing) | - | - | 5,648,743 | 46,670 | 5,695,413 |
| Total | 35,945,652 | 38,562,736 | 221,915,300 | 52,065 | 296,475,753 |

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2021 | | | | |
|  | Interbank and money market items and accrued interest receivables | Investments | Loans to customers and accrued interest receivables | Other assets | Total |
| Classification of assets |  |  |  |  |  |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 35,272,857 | 31,963,327 | 168,856,006 | 3,224 | 236,095,414 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | - | 3,120,971 | 4,867,105 | 521 | 7,988,597 |
| Financial assets that are credit-impaired (Non-performing) | - | - | 5,361,197 | 41,788 | 5,402,985 |
| Total | 35,272,857 | 35,084,298 | 179,084,308 | 45,533 | 249,486,996 |

# Deposits

**18.1 Classified by type of deposits**

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Thousand Baht) |
|  | 31 December 2022 | 31 December 2021 |
|  |  |  |
| Demand deposits | 2,676,737 | 5,628,435 |
| Savings deposits | 83,296,352 | 91,933,340 |
| Time deposits | 104,437,245 | 59,552,549 |
| Fixed deposit receipts | 41,021,704 | 35,398,781 |
| Total deposits | 231,432,038 | 192,513,105 |

**18.2 Classified by currency and residency of depositors**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | Domestic | Overseas | Total | Domestic | Overseas | Total |
|  |  |  |  |  |  |  |
| Baht | 230,677,338 | 52 | 230,677,390 | 191,749,414 | 52 | 191,749,466 |
| US Dollar | 463,370 | 291,141 | 754,511 | 516,064 | 242,457 | 758,521 |
| Other currencies | 137 | - | 137 | 5,118 | - | 5,118 |
| Total | 231,140,845 | 291,193 | 231,432,038 | 192,270,596 | 242,509 | 192,513,105 |

# Interbank and money market items (liabilities)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | At call | Term | Total | At call | Term | Total |
| **Domestic:** |  |  |  |  |  |  |
| Bank of Thailand | - | 798,500 | 798,500 | - | 1,975,440 | 1,975,440 |
| Commercial banks | 3,098 | 17,176,384 | 17,179,482 | 8,062 | 5,294,846 | 5,302,908 |
| Specialised financial institutions | - | 209,184 | 209,184 | - | 5,859,992 | 5,859,992 |
| Other financial institutions | 1,216,785 | 2,138,537 | 3,355,322 | 1,132,930 | 4,113,308 | 5,246,238 |
| Total domestic items | 1,219,883 | 20,322,605 | 21,542,488 | 1,140,992 | 17,243,586 | 18,384,578 |
| **Foreign:** |  |  |  |  |  |  |
| US Dollar | 553 | 2,073,744 | 2,074,297 | 10,052 | 651,688 | 661,740 |
| Total foreign items | 553 | 2,073,744 | 2,074,297 | 10,052 | 651,688 | 661,740 |
| Total interbank and money market items | 1,220,436 | 22,396,349 | 23,616,785 | 1,151,044 | 17,895,274 | 19,046,318 |

# Debts issued and borrowings

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | | (Unit: Thousand Baht) | | | | |
|  | 31 December 2022 | | | | | 31 December 2021 | | | | |
|  | Interest rate per annum | Matured in year | Domestic | Overseas | Total | Interest rate per annum | Matured in year | Domestic | Overseas | Total |
| Subordinated debentures (1) | 3.75% | 2031 | 2,400,000 | - | 2,400,000 | 3.75% | 2031 | 2,400,000 | - | 2,400,000 |
| Borrowings from Department of Alternative Energy Development and Efficiency |  |  | - | - | - | 0% | 2022 | 1,658 | - | 1,658 |
| Total |  |  | 2,400,000 | - | 2,400,000 |  |  | 2,401,658 | - | 2,401,658 |
| Less: Deferred expenses | | | (3,940) | - | (3,940) |  |  | (4,360) | - | (4,360) |
| Debts issued and borrowings - net | | | 2,396,060 | - | 2,396,060 |  |  | 2,397,298 | - | 2,397,298 |

(1) Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BOT’s notification.

**20.1 Subordinated debentures**

On 21 May 2021, the Bank issued 2.4 million units with a par value of Baht 1,000 each, totalling Baht 2,400 million of the subordinated debentures No.1/2564, to be counted as Tier 2 Capital. The subordinated debentures have a term of 10-year period, which mature in 2031 and carry interest at a fixed rate of 3.75% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the subordinated debentures after 5 years from the issuing date or under certain conditions.

# Leases

The Bank has entered into the lease agreements for rental of buildings and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 1 to 5 years.

**21.1 Right-of-use assets**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | (Unit: Thousand Baht) | |
|  | Buildings | Vehicles | Total |
| **Cost** |  |  |  |
| 1 January 2021 | 928,013 | 53,882 | 981,895 |
| Addition | 113,588 | 9,146 | 122,734 |
| Contract termination | (177,742) | (12,854) | (190,596) |
| 31 December 2021 | 863,859 | 50,174 | 914,033 |
| Addition | 153,664 | 15,176 | 168,840 |
| Contract termination | (81,310) | (8,816) | (90,126) |
| 31 December 2022 | 936,213 | 56,534 | 992,747 |
| **Accumulated depreciation** |  |  |  |
| 1 January 2021 | 231,831 | 17,998 | 249,829 |
| Accumulated depreciation on contract termination | (128,062) | (11,986) | (140,048) |
| Depreciation charged for the year | 233,466 | 16,752 | 250,218 |
| 31 December 2021 | 337,235 | 22,764 | 359,999 |
| Accumulated depreciation on contract termination | (76,241) | (8,549) | (84,790) |
| Depreciation charged for the year | 207,613 | 12,886 | 220,499 |
| 31 December 2022 | 468,607 | 27,101 | 495,708 |
| **Net book value** |  |  |  |
| 31 December 2021 | 526,624 | 27,410 | 554,034 |
| 31 December 2022 | 467,606 | 29,433 | 497,039 |

**21.2 Lease liabilities**

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Thousand Baht) |
|  | 31 December 2022 | 31 December 2021 |
|  |  |  |
| Lease Liabilities | 527,154 | 584,547 |
| Less: Deferred interest | (21,619) | (25,033) |
| Total lease liabilities | 505,535 | 559,514 |

The maturity analysis of lease payments is disclosed in Note 43.3 to the financial statements under the liquidity risk.

**21.3 Expenses relating to leases that are recognised in profit or loss**

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
|  |  |  |
| Depreciation of right-of-use assets | 220,499 | 250,218 |
| Interest expenses lease liabilities | 12,465 | 14,966 |
| Expenses relating to leases of low-value assets/ short-term leases/variable lease payments that do not depend on an index or a rate | 25,491 | 24,362 |
| Total | 258,455 | 289,546 |

**21.4 Others**

The Bank had total cash outflows for leases during the years ended 31 December 2022 and 2021 of Baht 254 million and Baht 267 million, respectively including the cash outflow related to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate.

# Provisions

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 31 December 2022 | 31 December 2021 |
| Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts | 92,350 | 53,237 |
| Provisions for employee benefits | 225,439 | 208,114 |
| Provisions for decommissioning cost | 37,370 | 39,369 |
| Other provisions | 13,685 | 20,325 |
| Total | 368,844 | 321,045 |

**22.1 Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts**

As at 31 December 2022 and 2021, allowance for expected credit losses of undrawn credit limit and financial guarantee contracts classified by loan classification were as follows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Undrawn credit limit and financial guarantee contracts | Allowance for expected credit losses | Undrawn credit limit and financial guarantee contracts | Allowance for expected credit losses |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 31,530,991 | 83,184 | 35,594,118 | 50,018 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | 284,804 | 6,705 | 63,242 | 1,134 |
| Financial assets that are credit-impaired (Non-performing) | 28,783 | 2,461 | 22,510 | 2,085 |
| Total | 31,844,578 | 92,350 | 35,679,870 | 53,237 |

Movements of allowance for expected credit losses of undrawn credit limit and financial guarantee contracts were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the year ended 31 December 2022 | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under- performing) | Financial assets that are credit-impaired (Non-performing) | Total |
|  |  |  |  |  |
| Balances - beginning of the year | 50,018 | 1,134 | 2,085 | 53,237 |
| Changes due to transfers of loan classification | (689) | 196 | 493 | - |
| Changes due to revaluation of loss allowance | (21,906) | 6,091 | 46 | (15,769) |
| New loan commitments/guarantee contracts issued | 73,116 | 2 | 15 | 73,133 |
| Financial assets derecognised | (17,355) | (718) | (178) | (18,251) |
| Balances - end of the year | 83,184 | 6,705 | 2,461 | 92,350 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the year ended 31 December 2021 | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under- performing) | Financial assets that are credit-impaired (Non-performing) | Total |
|  |  |  |  |  |
| Balances - beginning of the year | 18,568 | 55 | 8,198 | 26,821 |
| Changes due to transfers of loan classification | 4,536 | (348) | (4,188) | - |
| Changes due to revaluation of loss allowance | 7,478 | 1,428 | 6,613 | 15,519 |
| New loan commitments/guarantee contracts issued | 32,013 | - | - | 32,013 |
| Financial assets derecognised | (12,577) | (1) | (8,538) | (21,116) |
| Balances - end of the year | 50,018 | 1,134 | 2,085 | 53,237 |

**22.2 Provisions for employee benefits**

The Bank had post-employment benefits and termination benefits as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | | **(Unit: Thousand Baht**) | |
|  | 31 December 2022 | | 31 December 2021 |
|  |  | |  |
| Post-employment benefits | 225,439 | | 200,114 |
| Termination benefits | - | | 8,000 |
| Total | 225,439 | | 208,114 |

Movements of provisions for employee benefits were as follows:

|  |  |  |
| --- | --- | --- |
|  | **(Unit: Thousand Baht**) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
|  |  |  |
| Provisions for employee benefits at the beginning of the years | 200,114 | 185,233 |
| Current service costs | 34,450 | 31,313 |
| Interest costs | 5,354 | 2,553 |
| Employees transferred among the Group | 8,281 | - |
| Actuarial (gains) losses arose from: |  |  |
| Demographic assumption changes | 733 | - |
| Financial assumption changes | (19,933) | (4,366) |
| Experience adjustments | 10,079 | 6,881 |
| Benefits paid during the years | (13,639) | (21,500) |
| Provisions for employee benefits at the end of the years | 225,439 | 200,114 |

Employee benefit expenses recognised in profit or loss are as follows:

|  |  |  |
| --- | --- | --- |
|  | **(Unit: Thousand Baht**) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
|  |  |  |
| Current service costs | 34,450 | 31,313 |
| Interest costs | 5,354 | 2,553 |
| Total employee benefit expenses | 39,804 | 33,866 |

As at 31 December 2022 and 2021, the Bank expected to pay approximately Baht 18.7 million and Baht 6.4 million, respectively on employee benefits payable within the next 1-year period.

As at 31 December 2022 and 2021, the Bank’s weighted average durations of employee benefit payments were estimated at 9 years and 10 years, respectively.

The principal assumptions used in actuarial valuation as at the revaluation dates were summarised below.

|  |  |  |
| --- | --- | --- |
|  | 31 December 2022 | 31 December 2021 |
|  | (% per annum) | (% per annum) |
|  |  |  |
| Future salary incremental rates | 5.00 | 5.00 |
| Turnover rates | 0 - 40 | 0 - 40 |
| Discount rates | 2.53 | 1.36 |

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2022 and 2021 were summarised below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **(Unit: Thousand Baht)** | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Increase (decrease) in provisions for employee benefits | | Increase (decrease) in provisions for employee benefits | |
| Significant assumptions | + 0.5% | - 0.5% | + 0.5% | - 0.5% |
|  |  |  |  |  |
| Future salary incremental rates | 9,929 | (9,376) | 11,711 | (10,996) |
| Discount rates | (9,550) | 10,227 | (10,325) | 11,093 |

# Advances received from electronic transactions

The BOT’s notification No. Sor Nor Chor 2/2562, dated 20 December 2019, regarding the “Regulations on Service Business Relating to Electronic Fund Transfer” requires the Bank to disclose advances received from electronic fund transfer transactions. These advances are to be presented under other liabilities. As at 31 December 2022 and 2021, the Bank had advances received from electronic fund transfer transactions amounting to Baht 4.000 million and Baht 0.005 million, respectively.

In addition, the Bank has deposits of Baht 10 million to support electronic transactions, which are presented under interbank and money market items (assets) in the statements of financial position as at 31 December 2022 and 2021.

# Other liabilities

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 31 December 2022 | 31 December 2021 |
|  |  |  |
| Collateral payables under the Credit Support Annex agreements | 164,634 | 6,300 |
| Suspense accounts - creditors | 58,563 | 92,417 |
| Accounts payable on acquisition of equipment  and intangible assets | 16,036 | 20,143 |
| Accounts payable on advertising and promotional | 13,876 | 2,613 |
| Deposits received | 6,273 | 6,234 |
| Accrued expenses on premises and equipment | 4,662 | 4,126 |
| Account payable - Revenue Department | - | 1,382 |
| Others | 9,328 | 4,935 |
| Total other liabilities | 273,372 | 138,150 |

# Share capital/share premium

Reconciliation of issued and paid-up share capital and share premium during the years ended 31 December 2022 and 2021 as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | For the year ended 31 December 2022 | | |
|  | Share capital | | Share premium |
|  | Number of shares | Thousand Baht | Thousand Baht |
| Issued and paid-up share capital |  |  |  |
| Ordinary share capital at beginning of the year | 2,000,000,000 | 20,000,000 | 10,598,915 |
| Ordinary share capital at end of the year | 2,000,000,000 | 20,000,000 | 10,598,915 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | For the year ended 31 December 2021 | | |
|  | Share capital | | Share premium |
|  | Number of shares | Thousand Baht | Thousand Baht |
| Issued and paid-up share capital |  |  |  |
| Ordinary share capital at beginning of the year | 2,000,000,000 | 20,000,000 | 10,598,915 |
| Ordinary share capital at end of the year | 2,000,000,000 | 20,000,000 | 10,598,915 |

# Statutory reserve

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

# Dividend paid

During the year ended 31 December 2021, the Bank paid dividend (During the year ended 31 December 2022: None) as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Dividend | Approved by | Dividend paid | Dividend paid  per share |
|  |  | (Thousand Baht) | (Baht per share) |
| From its operating results for the year ended 31 December 2020 | The Annual General Meeting of the Bank’s shareholders held on 22 March 2021 | 700,000 | 0.35 |
| From its operating results for the  six-month period ended 30 June 2021 | The Board of Directors meeting of the Bank’s on  27 September 2021 | 340,000 | 0.17 |
| Total dividend paid during the year 2021 | | 1,040,000 | 0.52 |

# Other components of shareholders’ equity

As at 31 December 2022 and 2021, revaluation surplus (deficit) on investments measured at fair value through other comprehensive income consisted of:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 31 December 2022 | 31 December 2021 |
| **Revaluation surplus on the reclassified investments** |  |  |
| Debt instruments | 305,568 | 511,708 |
| Total | 305,568 | 511,708 |
| **Revaluation surplus on investments** |  |  |
| Debt instruments | 67,700 | 127,585 |
| Equity instruments | - | 5,501 |
| Total | 67,700 | 133,086 |
| **Revaluation deficit on investments** |  |  |
| Debt instruments | (890,976) | (608,596) |
| Equity instruments | (2,342,107) | (1,857,963) |
| Total | (3,233,083) | (2,466,559) |
| Revaluation deficit on investments measured at fair value through other comprehensive income | (2,859,815) | (1,821,765) |
| Add: Income tax | 571,963 | 364,353 |
| **Revaluation deficit on investments measured at fair value through other comprehensive income - net of income tax** | (2,287,852) | (1,457,412) |

# Capital fund and liquid assets

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

As at 31 December 2022 and 2021, capital fund of the Bank calculated under Basel III consisted of the following:

|  |  |  |
| --- | --- | --- |
| (Unit: Thousand Baht) | | |
|  | 31 December 2022 | 31 December 2021 |
| Common Equity Tier 1 capital fund |  |  |
| Issued and fully paid-up share capital | 20,000,000 | 20,000,000 |
| Share premium | 10,598,915 | 10,598,915 |
| Statutory reserve | 979,000 | 924,300 |
| Net profit after appropriation | 5,472,493 | 5,333,851 |
| Revaluation deficit on investments measured at fair value through other comprehensive income | (2,489,183) | (1,653,952) |
| Deduction items on Common Equity Tier 1 capital fund | (1,599,970) | (1,288,255) |
| Total Common Equity Tier 1 capital fund | 32,961,255 | 33,914,859 |
| Total Tier 1 capital fund | 32,961,255 | 33,914,859 |
| Tier 2 capital fund |  |  |
| Subordinated debentures | 2,400,000 | 2,400,000 |
| General provision | 2,446,732 | 2,199,045 |
| Total Tier 2 capital fund | 4,846,732 | 4,599,045 |
| Total capital fund | 37,807,987 | 38,513,904 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Percentage) | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | The Bank | Minimum and additional rates required by law | The Bank | Minimum and additional rates required by law |
| The ratio of Common Equity Tier 1 capital fund to risk assets | 13.498 | 7.000 | 16.165 | 7.000 |
| The ratio of Tier 1 capital fund to risk assets | 13.498 | 8.500 | 16.165 | 8.500 |
| The ratio of total capital fund to risk assets | 15.483 | 11.000 | 18.357 | 11.000 |

The Bank disclosed its capital adequacy and capital risk exposure information as of 31 December 2021 through the Bank’s website at www.lhbank.co.th on 25 April 2022 and will disclose its capital adequacy and capital risk exposure information as of 31 December 2022 by April 2023.

The Bank disclosed its Liquidity Coverage Ratio as of 31 December 2021 through the Bank’s website at www.lhbank.co.th on 25 April 2022 and will disclose its Liquidity Coverage Ratio as of 31 December 2022 by April 2023.

# Interest income

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
|  |  |  |
| Interbank and money market items | 460,753 | 482,363 |
| Investments in debt instruments | 775,072 | 907,813 |
| Loans to customers | 7,493,907 | 6,358,114 |
| Hire purchase | 5,380 | 2,592 |
| Others | 896 | 256 |
| Total interest income | 8,736,008 | 7,751,138 |

# Interest expenses

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
|  |  |  |
| Deposits | 1,696,384 | 1,532,218 |
| Interbank and money market items | 165,323 | 36,660 |
| Contributions to the Deposit Protection Agency and the Bank of Thailand | 486,190 | 461,404 |
| Debts issued |  |  |
| * Subordinated debentures | 90,421 | 137,753 |
| * Unsubordinated and unsecured debentures | - | 2,731 |
| Others | 13,535 | 15,765 |
| Total interest expenses | 2,451,853 | 2,186,531 |

Moreover, the Bank of Thailand announced a reduction in the contribution rate to the Financial Institutions Development Fund (FIDF) from 0.46 percent to 0.23 percent per year, which is effective from 1 January 2020 to 31 December 2022.

# Fees and service income

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Fees and service income** |  |  |
| Acceptances, avals and guarantees | 62,672 | 54,203 |
| Commission income | 216,104 | 261,234 |
| Others | 81,896 | 74,145 |
| Total fees and service income | 360,672 | 389,582 |
| **Fees and service expenses** |  |  |
| Fees and charges | 78,278 | 64,381 |
| Others | 7,037 | 7,727 |
| Total fees and service expenses | 85,315 | 72,108 |
| Net fees and service income | 275,357 | 317,474 |

# Net losses on financial instruments measured at fair value through profit or loss

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Losses on trading and foreign exchange transactions:** |  |  |
| Foreign exchange and derivatives contracts relating to foreign exchange | (12,849) | (8,837) |
| Total net losses on financial instruments measured at fair value through profit or loss | (12,849) | (8,837) |

# Gains on investments

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Gains on derecognition:** |  |  |
| Investments in debt instruments measured at fair value through other comprehensive income | - | 155,651 |
| Total gains on investments | - | 155,651 |

# Directors’ remuneration

Directors’ remuneration represents the benefits, exclusive of salaries and related benefits payable to executive directors, paid to the directors of the Bank in accordance with Section 90 of the Public Company Limited Act.

# Expected credit losses

Expected credit losses and modification gains or losses of financial assets for the years ended 31 December 2022 and 2021 were as follows:

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Thousand Baht) |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Expected credit losses (reversal)** |  |  |
| Interbank and money market items | 6,816 | (441) |
| Investments in debt instruments measured at amortised cost | 110 | - |
| Investments in debt instruments measured at fair value through other comprehensive income | 49,322 | 65 |
| Loans to customers and accrued interest receivables |  |  |
| - Expected credit losses | 2,718,577 | 2,936,333 |
| - Modification (gains) losses | (261,103) | 318,924 |
| Other assets | 4,696 | 5,991 |
| Undrawn credit limit and financial guarantee contracts | 31,965 | 22,963 |
| Total expected credit losses | 2,550,383 | 3,283,835 |

# Earnings per share

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

# Provident fund

The Bank and its employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees at the rate of 3 - 15% of basic salaries, and the Bank contributes at rates ranging from 3 - 7%, depending on the number of years of service of each employee. The fund will be paid to employees upon termination in accordance with the rules of the funds. During the years ended 31 December 2022 and 2021, the Bank contributed Baht 45.9 million and Baht 41.0 million, respectively to the provident fund.

# Commitments and contingent liabilities

**39.1 Contingent liabilities**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | Baht | Foreign currency | Total | Baht | Foreign currency | Total |
|  |  |  |  |  |  |  |
| Avals to bills | 137,201 | - | 137,201 | 28,188 | - | 28,188 |
| Liabilities under unmatured import bills | - | 165,084 | 165,084 | - | 165,339 | 165,339 |
| Letters of credit | 33,569 | 627,479 | 661,048 | 9,901 | 404,547 | 414,448 |
| Other commitments |  |  |  |  |  |  |
| - Undrawn bank overdrafts | 4,680,677 | - | 4,680,677 | 4,931,974 | - | 4,931,974 |
| - Others guarantees | 9,212,488 | 864 | 9,213,352 | 6,070,256 | 18,672 | 6,088,928 |
| - Others | 23,944,955 | - | 23,944,955 | 29,178,178 | - | 29,178,178 |
| Total | 38,008,890 | 793,427 | 38,802,317 | 40,218,497 | 588,558 | 40,807,055 |

**39.2 Commitments under long-term agreements**

(a) As at 31 December 2022 and 2021, the Bank has entered into various service agreements which the remaining terms of the agreements were between 1 - 3 years and 1 - 5 years, respectively. The Bank is obligated to pay further Baht 111 million and Baht 129 million, respectively.

(b) The Bank has entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2022 and 2021, the Bank is obligated to pay further Baht 39 million and Baht 57 million, respectively.

(c) As at 31 December 2022 and 2021, the Bank has entered into a 5-year service and support agreement with the parent company, under which the service fees are calculated based on a core service fee and administrative costs as stipulated in the agreement.

**39.3 Litigation**

As at 31 December 2022 and 2021, the Bank has been sued in many litigation cases being claimed for compensations totalling Baht 273 million and Baht 349 million, respectively. Final judgements have not yet been reached in respect of these cases.

# Related party transactions

The Bank had significant business transactions with its related parties, including transactions with directors, executives or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the Bank or directors or such executives hold in aggregate of more than 10 percent of the paid-up share capital of those entities.

Relationship with its related parties can be summarised as follows:

1. The Bank’s parent company is LH Financial Group Public Company Limited.
2. The subsidiaries of the Bank’s parent company are as follows:
   1. Land and Houses Securities Public Company Limited
   2. Land and Houses Fund Management Company Limited
   3. Land and Houses Advisory Company Limited (the subsidiary of the company as stated in No. 2.1 above)
3. Any persons or companies who hold more than 10 percent of shares in the Bank’s parent company (“the major shareholders of the Bank’s parent company”) are as follows:
   1. CTBC Bank Company Limited
   2. Land and Houses Public Company Limited
   3. Quality Houses Public Company Limited
4. Related companies include companies related by way of the following:
   1. The subsidiaries of the major shareholders of the Bank’s parent company (shareholders as stated in No. 3 above)
   2. The associates of the major shareholders of the Bank’s parent company (shareholders as stated in No. 3 above)
   3. The companies that are related to the Bank’s directors
   4. The companies that are related to the major shareholders of the Bank’s parent company (shareholders as stated in No. 3 above)
   5. The companies that are controlled by the Bank’s related persons
5. Directors and executives who are the Bank’s directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent
6. Related persons who are the directors and executives of the parent company, the directors of the major shareholders of the parent company (shareholders as stated in No. 3 above) and persons with close relationship with related persons and directors and executives

**40.1 Transactions during the years**

During the years, the Bank had significant business transactions with its related parties. Such transactions, which were summarised below, arose in the ordinary course of business or were concluded on commercial terms and bases agreed upon between the Bank and its related parties.

|  |  | (Unit: Thousand Baht) |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Interest income** |  |  |
| Parent company | 70,316 | 7,224 |
| Subsidiaries of the Bank’s parent company | 53,646 | 50,522 |
| Related companies | 182,334 | 105,726 |
| Directors and executives | 77 | 102 |
| Related persons | 471 | 815 |
|  | 306,844 | 164,389 |
| **Fees and service income** |  |  |
| Parent company | 132 | 242 |
| Subsidiaries of the Bank’s parent company | 39,926 | 144,805 |
|  | 40,058 | 145,047 |
| **Dividend income** |  |  |
| Related companies | 6,347 | 1,829 |
|  | 6,347 | 1,829 |
| **Other operating income** |  |  |
| Subsidiaries of the Bank’s parent company | 951 | 3,479 |
| Related persons | - | 888 |
|  | 951 | 4,367 |
| **Dividend paid** |  |  |
| Parent company | - | 1,040,000 |
|  | - | 1,040,000 |
| **Interest expenses** |  |  |
| Parent company | 28 | 1,686 |
| Subsidiaries of the Bank’s parent company | 2,950 | 3,480 |
| The major shareholders of the Bank’s parent company | 32,207 | 26,706 |
| Related companies | 11,402 | 14,144 |
| Directors and executives | 963 | 1,320 |
| Related persons | 8,197 | 13,659 |
|  | 55,747 | 60,995 |

|  |  | (Unit: Thousand Baht) |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Fees and service expenses** |  |  |
| Related companies | 163 | 237 |
|  | 163 | 237 |
| **Other operating expenses** |  |  |
| Parent company | 318,138 | 317,875 |
| The major shareholders of the Bank’s parent company | 32,666 | 32,295 |
| Related companies | 101,109 | 98,499 |
|  | 451,913 | 448,669 |

**40.2 The outstanding balances**

As at 31 December 2022 and 2021, the outstanding balances of significant transactions between the Bank and its related parties can be summarised as follows:

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | 31 December 2022 | 31 December 2021 |
| **Interbank and money market items (assets)** |  |  |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 2,929,852 | 1,249,744 |
|  | 2,929,852 | 1,249,744 |
| **Investments - cost** |  |  |
| Related companies/persons |  |  |
| Related companies | 357,706 | 357,706 |
|  | 357,706 | 357,706 |
| **Loans to customers** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 4,908,699 | 118,000 |
| Related companies/persons |  |  |
| Related companies | 5,005,569 | 3,507,708 |
| Directors and executives | 4,963 | 7,510 |
| Related persons | 23,755 | 5,582 |
|  | 9,942,986 | 3,638,800 |
| **Accrued interest receivables on loans to customers** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 309 | 5 |
| Related companies/persons |  |  |
| Related companies | 85,895 | 81,806 |
| Directors and executives | 1 | 2 |
| Related persons | 112 | 1 |
|  | 86,317 | 81,814 |

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | 31 December 2022 | 31 December 2021 |
| **Other assets** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 300 | 300 |
| Subsidiaries of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 186 | 850 |
| Land and Houses Fund Management Company Limited | 2,717 | 6,318 |
| The major shareholder of the Bank’s parent company |  |  |
| Quality Houses Public Company Limited | 7,585 | 6,793 |
| Related companies/persons |  |  |
| Related companies | 26,007 | 26,636 |
| Directors and executives | 3 | - |
|  | 36,798 | 40,897 |
| **Deposits** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 19,851 | 9,666 |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Advisory Company Limited | 3,837 | 4,105 |
| The major shareholders of the Bank’s parent company |  |  |
| Land and Houses Public Company Limited | 1,099,044 | 7,087,805 |
| Quality Houses Public Company Limited | 401,254 | 1,025,797 |
| Related companies/persons |  |  |
| Related companies | 3,152,521 | 7,389,011 |
| Directors and executives | 131,337 | 118,973 |
| Related persons | 1,855,123 | 1,697,213 |
|  | 6,662,967 | 17,332,570 |
| **Interbank and money market items (liabilities)** |  |  |
| Subsidiaries of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 13,855 | 43,029 |
| Land and Houses Fund Management Company Limited | 179,049 | 132,580 |
| The major shareholder of the Bank’s parent company |  |  |
| CTBC Bank Company Limited | 2,074,297 | 661,740 |
|  | 2,267,201 | 837,349 |
| **Debts issued and borrowings** |  |  |
| Related companies/persons |  |  |
| Related persons | 7,000 | 7,000 |
|  | 7,000 | 7,000 |

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | 31 December 2022 | 31 December 2021 |
| **Accrued interest payables** |  |  |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Advisory Company Limited | 3 | 4 |
| Land and Houses Fund Management Company Limited | 117 | - |
| The major shareholders of the Bank’s parent company |  |  |
| CTBC Bank Company Limited | 21,580 | 456 |
| Land and Houses Public Company Limited | - | 4,503 |
| Related companies/persons |  |  |
| Related companies | 1,234 | 1,361 |
| Directors and executives | 341 | 159 |
| Related persons | 860 | 711 |
|  | 24,135 | 7,194 |
| **Lease liabilities** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 4,114 | 4,114 |
| The major shareholder of the Bank’s parent company |  |  |
| Quality Houses Public Company Limited | 17,088 | 32,656 |
| Related companies/persons |  |  |
| Related companies | 281,850 | 331,078 |
|  | 303,052 | 367,848 |
| **Other liabilities** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 25,297 | 31,474 |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Fund Management Company Limited | 3 | 3 |
| The major shareholder of the Bank’s parent company |  |  |
| Quality Houses Public Company Limited | 469 | 351 |
| Related companies/persons |  |  |
| Related companies | 806 | 1,229 |
| Directors and executives | 34 | 14 |
| Related persons | 2 | - |
|  | 26,611 | 33,071 |
| **Contingent liabilities - bank guarantees** |  |  |
| Related companies/persons |  |  |
| Related company | 21,186 | 21,186 |
|  | 21,186 | 21,186 |

The significant outstanding balances during the years ended 31 December 2022 and 2021 were presented at the average balance at the end of each month as follows:

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
| **Parent company** |  |  |
| Loans to customers | 3,970,225 | 414,250 |
| Deposits | 9,377 | 11,001 |
| Debts issued and borrowings | - | 35,042 |
| **Subsidiaries of the Bank’s parent company** |  |  |
| Interbank and money market items (assets) | 2,422,083 | 2,385,417 |
| Deposits | 3,945 | 4,198 |
| Interbank and money market items (liabilities) | 157,993 | 114,282 |
| **The major shareholders of the Bank’s parent company** |  |  |
| Deposits | 2,695,406 | 7,892,403 |
| Interbank and money market items (liabilities) | 704,484 | 887,166 |
| **Related companies/persons** |  |  |
| Loans to customers | 4,997,629 | 3,543,261 |
| Deposits | 7,593,992 | 10,792,042 |
| Debts issued and borrowings | 7,000 | 19,000 |

**40.3 Directors’ and executives’ compensation**

During the years ended 31 December 2022 and 2021, compensations incurred on directors and executives of the Bank, which were recognised in profit or loss, were classified as follows.

|  | (Unit: Million Baht) | |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2022 | 2021 |
|  |  |  |
| Short-term employee benefits | 148 | 139 |
| Post-employment benefits | 17 | 12 |
| Termination benefits | - | 17 |
| Total | 165 | 168 |

Directors and executives of the Bank are directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent.

# Interest in unconsolidated structured entity arising in the normal course of business

The Bank has transactions with unconsolidated structured entities, through various activities such as involvement in the establishment process, fund management, acting as the trustee, as well as providing source of funds. These structured entities are normally in the form of mutual funds and some investment funds, which were summarised as follows:

|  |  | | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Carrying  value | Maximum exposure  to loss | Carrying  value | Maximum exposure  to loss |
| Assets |  |  |  |  |
| Investments | 6,057,979 | 6,057,979 | 6,844,887 | 6,844,887 |
| Loans to customers and accrued interest receivables | 6,908,704 | 6,908,704 | 7,181,392 | 7,181,392 |
| Liabilities |  |  |  |  |
| Deposits | 130,175 | 130,175 | 121,596 | 121,596 |
| Interest payables | 33 | 33 | 31 | 31 |

Maximum exposure to loss of loans to customers and accrued interest receivables, deposits and interest payables is presented at carrying value, and maximum exposure to loss of investments is presented at fair value.

# Operating segments

The Bank has two principal operating segments: lending segment and other segments, and they operate their businesses in Thailand. For management purposes of the banking business, the Executive Board of Directors of the Bank has been identified as the chief operating decision maker, and the operating segment is divided into the lending segment: housing and retail, and commercial loans.

The Executive Board of Directors monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. The Bank measures segment performance based on operating profit or loss and total assets, and on a basis consistent with that used to measure operating profit or loss in the financial statements. In addition, recording for inter-segment (if any) is reported on a basis in consistent with external customers.

Operating segment information of the Bank was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit: Thousand Baht) | |
|  | For the year ended 31 December 2022 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 1,499,470 | 6,459,810 | 776,728 | 8,736,008 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 6,992,946 |
| Other operating expenses |  |  |  | (3,125,336) |
| Expected credit losses |  |  |  | (2,550,383) |
| Income tax |  |  |  | (223,878) |
| Profit for the year |  |  |  | 1,093,349 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit: Thousand Baht) | |
|  | For the year ended 31 December 2021 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 1,204,519 | 5,638,209 | 908,410 | 7,751,138 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 6,858,262 |
| Other operating expenses |  |  |  | (2,758,987) |
| Expected credit losses |  |  |  | (3,283,835) |
| Income tax |  |  |  | (124,602) |
| Profit for the year |  |  |  | 690,838 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | As at 31 December 2022 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Loans to customers/interbank and money market items | 41,981,398 | 209,114,002 | - | 251,095,400 |
| Total assets |  |  |  | 295,846,149 |
| Total liabilities |  |  |  | 260,516,396 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | As at 31 December 2021 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Loans to customers/interbank and money market items | 29,011,365 | 180,587,014 | - | 209,598,379 |
| Total assets |  |  |  | 251,478,662 |
| Total liabilities |  |  |  | 216,379,623 |

The Bank operates in Thailand only. As a result, all of the revenues, profits and assets as reflected in these financial statements pertain to the aforementioned geographical reportable. Moreover, during the years ended 31 December 2022 and 2021, the Bank had no major customer with revenue of 10 percent or more of total revenues.

# Risk management

The Bank’s risk management policies are principally focused on maintaining various risks within acceptable levels with adequate and effective internal control in accordance with risk management policies and also, comply with regulation of Bank of Thailand and any other regulator. The policies, which are annually reviewed so that they reflect any changes in the environment in which the Bank operates and in the risks arising from internal and external factors, are as follows:

**43.1 Credit risk**

Credit risk is the risk that debtors or counterparties may not be able to comply with repayment condition on their agreement, as well as the likelihood of the credit rating of debtors being downgraded, which may affect the revenues and capital funds of the Bank due to external risk factors i.e. changes in the economy, changes in law and regulation and internal risk factors i.e. lack of monitoring control, lack of tracking the debtor to comply with condition on their agreement, ineffective credit assessment process. The transactions that related to credit risk are consist of the borrowing transaction and any equivalent borrowing transaction, transaction that related to the counterparties are obligated to deliver collateral asset or repayment debt to the Bank, transaction that related to investment in debt instrument.

Credit risk is recognised as highly significant to financial institutions, especially the risk associated with credit transactions, which are the core transactions of the Bank, both in terms of loans, investments and commitments and in terms of credit-like transactions. The Bank’s maximum exposure to credit loss is the carrying value of loans to customers, including commitments related to guarantees, avals or other similar items.

The Bank manages credit risk by setting guidelines for granting credit in order to control, prevent and mitigate the risks associated with credit transactions. Decisions on granting credit have to take into account a range of criteria such as the target market, type of business, type of loan and activity, the credit limits set for each debtor in order to mitigate credit concentration risk, the collateral obtained in order to reduce credit risk and persons or corporates that are not supported by the Bank. In addition, the Bank’s key risk management processes are as follows:

(a) Risk identification

The Bank considers factors that are relevant to a borrower and the borrower/ counterparty’s business, and external factors that may adversely impact the revenues and the operations of the borrower/counterparty. It also monitors changes in credit quality and historical payment trends, which help provide a picture of asset quality and credit risk. In addition, the Bank conducts reviews of borrower risk levels and their alignment with the identified risk factors.

(b) Risk measurement

The Bank has developed tools to moderate and identify the risk level of the debtors for assessing the credit risk effectively. These are Credit Rating Model, which is used to assign credit ratings to corporate banking customers and Credit Scoring model, which is used to assign credit scoring to retail banking customers. Both tools were developed by the Credit Risk Management and Capital Department in order to reduce the use of judgement by credit approvers during the credit approval process.

(c) Risk monitoring and reporting

The Bank has developed a process of monitoring counterparties’ credit risk, so that it is aware of the current size and level of risk associated with its borrowers. Financial reviews and customer visits are required to be carried out at least annually, and the value and liquidity of collateral is appraised. The status of borrowers and their compliance with conditions are also reported to executives on a regular basis.

(d) Risk control and mitigation

The Bank sets credit concentration limits at both the industry level and individual client level, in order to ensure the Bank’s risk exposure to a particular industry or client is not excessive. If a limit is reached, the responsible department is to investigate the reason for the abnormality, in order to maintain risk exposure within acceptable parameters. The Bank also has internal controls and audit procedures in place to ensure that its risk management is in accordance with the frameworks and processes laid down by the Bank.

Furthermore, the Bank conducts stress testing that covers credit risk at least annually, in order to forecast potential losses on individual accounts or counterparties and on different types of credit in its portfolio, and consider whether the resulting deterioration in credit quality within its portfolio would affect its capital adequacy and its allowance for expected credit losses, so the Bank will be able to take timely action to mitigate the risk.

**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 value before both the effect of mitigation through use of master netting and collateral arrangements.

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

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

As at 31 December 2022 and 2021, the maximum exposure to credit risk are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | 31 December 2021 |
|  |  |  | |
| Interbank and money market items (assets) | 35,945,652 | 35,272,857 | |
| Investments in debt instruments measured at amortised cost | 669,300 | - | |
| Investments in debt instruments measured at fair value through other comprehensive income | 37,893,436 | 35,084,298 | |
| Loans to customers and accrued interest receivables | 221,915,300 | 179,084,308 | |
| Accrued interest receivables not related to loans  to customers | 116,802 | 144,696 | |
| Receivables on disposals of properties foreclosed through auctions | 430,024 | 58,288 | |
| Other assets - collateral receivables under the Credit Support Annex agreements | 59,042 | 1,114 | |
| Total financial assets | 297,029,556 | 249,645,561 | |
| Undrawn credit limit | 28,625,632 | 34,110,152 | |
| Financial guarantee contracts | 3,218,946 | 1,569,718 | |
| Total | 31,844,578 | 35,679,870 | |
| Total maximum exposure to credit risk | 328,874,134 | 285,325,431 | |

**Credit quality analysis**

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting that the return may not be as expected. The Bank has adopted a policy to mitigate this risk, whereby credit analysis is performed based on customer information and the status of customers is followed up consistently.

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

Explanations of the 12-month expected credit losses, lifetime expected credit losses - not credit impaired, and lifetime expected credit losses - credit impaired are included in Notes 4 and 5 to the financial statements.

|  | (Unit: Thousand Baht) | | | |
| --- | --- | --- | --- | --- |
|  | 31 December 2022 | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | Financial assets that are credit- impaired (Non-performing) | Total |
| **Interbank and money market items (assets)** |  |  |  |  |
| Investment grade\* | 21,636,120 | - | - | 21,636,120 |
| No overdue | 14,309,532 | - | - | 14,309,532 |
| Total | 35,945,652 | - | - | 35,945,652 |
| Less: Allowance for expected credit losses | (11,946) | - | - | (11,946) |
| Net carrying value | 35,933,706 | - | - | 35,933,706 |
|  |  |  |  |  |
| **Investments in debt instruments measured at amortised cost** | |  |  |  |
| Investment grade\* | 666,000 | - | - | 666,000 |
| Non-investment grade\* | 3,300 | - | - | 3,300 |
| Total | 669,300 | - | - | 669,300 |
| Less: Allowance for expected credit losses | (110) | - | - | (110) |
| Net carrying value | 669,190 | - | - | 669,190 |
|  |  |  |  |  |
| **Investments in debt instruments measured at fair value through other comprehensive income** | |  |  |  |
| Investment grade\* | 34,606,184 | 3,282,604 | - | 37,888,788 |
| Non-investment grade\* | 4,648 | - | - | 4,648 |
| Total | 34,610,832 | 3,282,604 | - | 37,893,436 |
| Less: Allowance for expected credit losses | (1,663) | (250,000) | - | (251,663) |
| Net carrying value | 34,609,169 | 3,032,604 | - | 37,641,773 |
|  |  |  |  |  |
| *\* Rating of external credit risk rating agency* |  |  |  |  |
|  |  |  |  |  |
| **Loans to customers and accrued interest receivables - net** | |  |  |  |
| 0 - 30 days overdue | 205,340,493 | 10,311,912 | 1,841,049 | 217,493,454 |
| 31 - 90 days overdue | - | 614,152 | 179,813 | 793,965 |
| Over 90 days overdue | - | - | 3,627,881 | 3,627,881 |
| Total | 205,340,493 | 10,926,064 | 5,648,743 | 221,915,300 |
| Less: Allowance for expected credit losses | (3,959,523) | (2,012,217) | (3,240,405) | (9,212,145) |
| Net carrying value | 201,380,970 | 8,913,847 | 2,408,338 | 212,703,155 |
|  |  |  |  |  |
| **Receivables on disposals of properties foreclosed** **through auctions** |  |  |  |  |
| No maturity | 430,024 | - | - | 430,024 |
| Total | 430,024 | - | - | 430,024 |
| Less: Allowance for expected credit losses | - | - | - | - |
| Net carrying value | 430,024 | - | - | 430,024 |
|  |  |  |  |  |
| **Other assets - collateral receivables under the Credit Support Annex agreements** |  |  |  |  |
| No overdue | 59,042 | - | - | 59,042 |
| Total | 59,042 | - | - | 59,042 |
| Less: Allowance for expected credit losses | - | - | - | - |
| Net carrying value | 59,042 | - | - | 59,042 |
|  |  |  |  |  |
| **Other assets - other** |  |  |  |  |
| 0 - 30 days overdue | 2,724 | 2,529 | 632 | 5,885 |
| 31 - 90 days overdue | - | 142 | 95 | 237 |
| Over 90 days overdue | - | - | 45,943 | 45,943 |
| Total | 2,724 | 2,671 | 46,670 | 52,065 |
| Less: Allowance for expected credit losses | (918) | (239) | (46,670) | (47,827) |
| Net carrying value | 1,806 | 2,432 | - | 4,238 |
|  |  |  |  |  |
| **Undrawn credit limit** |  |  |  |  |
| 0 - 30 days overdue | 28,312,500 | 260,780 | 13,351 | 28,586,631 |
| 31 - 90 days overdue | - | 23,928 | 13 | 23,941 |
| Over 90 days overdue | - | - | 15,060 | 15,060 |
| Total | 28,312,500 | 284,708 | 28,424 | 28,625,632 |
| Less: Allowance for expected credit losses | (71,727) | (6,704) | (2,458) | (80,889) |
| Net carrying value | 28,240,773 | 278,004 | 25,966 | 28,544,743 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **Financial guarantee contracts** |  |  |  |  |
| 0 - 30 days overdue | 3,218,491 | 96 | - | 3,218,587 |
| Over 90 days overdue | - | - | 359 | 359 |
| Total | 3,218,491 | 96 | 359 | 3,218,946 |
| Less: Allowance for expected credit losses | (11,457) | (1) | (3) | (11,461) |
| Net carrying value | 3,207,034 | 95 | 356 | 3,207,485 |

|  | (Unit: Thousand Baht) | | | |
| --- | --- | --- | --- | --- |
|  | 31 December 2021 | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | Financial assets that are credit- impaired (Non-performing) | Total |
| **Interbank and money market items (assets)** |  |  |  |  |
| Investment grade\* | 20,602,689 | - | - | 20,602,689 |
| No overdue | 14,670,168 | - | - | 14,670,168 |
| Total | 35,272,857 | - | - | 35,272,857 |
| Less: Allowance for expected credit losses | (5,130) | - | - | (5,130) |
| Net carrying value | 35,267,727 | - | - | 35,267,727 |
|  |  |  |  |  |
| **Investments in debt instruments measured at fair value through other comprehensive income** | |  |  |  |
| Investment grade\* | 31,963,327 | 3,120,971 | - | 35,084,298 |
| Total | 31,963,327 | 3,120,971 | - | 35,084,298 |
| Less: Allowance for expected credit losses | (2,341) | (200,000) | - | (202,341) |
| Net carrying value | 31,960,986 | 2,920,971 | - | 34,881,957 |
|  |  |  |  |  |
| **Loans to customers and accrued interest receivables - net** | |  |  |  |
| 0 - 30 days overdue | 168,856,006 | 4,681,749 | 1,881,353 | 175,419,108 |
| 31 - 90 days overdue | - | 185,356 | 40,879 | 226,235 |
| Over 90 days overdue | - | - | 3,438,965 | 3,438,965 |
| Total | 168,856,006 | 4,867,105 | 5,361,197 | 179,084,308 |
| Less: Allowance for expected credit losses | (2,831,820) | (1,096,662) | (2,812,773) | (6,741,255) |
| Net carrying value | 166,024,186 | 3,770,443 | 2,548,424 | 172,343,053 |
| *\* Rating of external credit risk rating agency* |  |  |  |  |
|  |  |  |  |  |
| **Receivables on disposals of properties foreclosed through auctions** |  |  |  |  |
| No maturity | 58,288 | - | - | 58,288 |
| Total | 58,288 | - | - | 58,288 |
| Less: Allowance for expected credit losses | - | - | - | - |
| Net carrying value | 58,288 | - | - | 58,288 |
|  |  |  |  |  |
| **Other assets - collateral receivables under the Credit Support Annex agreements** |  |  |  |  |
| No overdue | 1,114 | - | - | 1,114 |
| Total | 1,114 | - | - | 1,114 |
| Less: Allowance for expected credit losses | - | - | - | - |
| Net carrying value | 1,114 | - | - | 1,114 |
|  |  |  |  |  |
| **Other assets - other** |  |  |  |  |
| 0 - 30 days overdue | 3,224 | 389 | 369 | 3,982 |
| 31 - 90 days overdue | - | 132 | 87 | 219 |
| Over 90 days overdue | - | - | 41,332 | 41,332 |
| Total | 3,224 | 521 | 41,788 | 45,533 |
| Less: Allowance for expected credit losses | (1,077) | (266) | (41,788) | (43,131) |
| Net carrying value | 2,147 | 255 | - | 2,402 |
|  |  |  |  |  |
| **Undrawn credit limit** |  |  |  |  |
| 0 - 30 days overdue | 34,024,759 | 63,242 | 3,270 | 34,091,271 |
| Over 90 days overdue | - | - | 18,881 | 18,881 |
| Total | 34,024,759 | 63,242 | 22,151 | 34,110,152 |
| Less: Allowance for expected credit losses | (45,768) | (1,134) | (2,082) | (48,984) |
| Net carrying value | 33,978,991 | 62,108 | 20,069 | 34,061,168 |
|  |  |  |  |  |
| **Financial guarantee contracts** |  |  |  |  |
| 0 - 30 days overdue | 1,569,359 | - | - | 1,569,359 |
| Over 90 days overdue | - | - | 359 | 359 |
| Total | 1,569,359 | - | 359 | 1,569,718 |
| Less: Allowance for expected credit losses | (4,250) | - | (3) | (4,253) |
| Net carrying value | 1,565,109 | - | 356 | 1,565,465 |

**Collateral and any operations to increase creditability**

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

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) |
|  | Exposure to risk with collateral | |  |
|  | 31 December 2022 | 31 December 2021 | Type of collateral |
|  |  |  |  |
| Interbank and money market items | - | 15,500,614 | Bonds |
| Loans to customers and accrued interest receivables | 122,334,183 | 96,718,214 | Lands and buildings, machinery and equipment, deposits |

**43.2 Market risk**

Market risk is the risk that changes in interest rate, foreign exchange rates and securities prices in money markets/equity markets may negatively affect the revenues and capital funds of the Bank. The Bank’s market risk consists of interest rate risk, foreign exchange risk and equity position risk.

(a) Interest rate risk

Interest rate risk is the risk that volatility in market interest rates will result in changes in the value of financial instruments, or fluctuations in income or the value of financial assets and liabilities. Interest rate risk is a consequence of the structure and the nature of asset, liability and equity items, and mismatches between the maturities and the repricing terms of assets and liabilities.

Most of the Bank’s assets consist of deposits at financial institutions, loans to customers and investments in debt instruments measured at fair value through other comprehensive income, and its liabilities mainly consist of deposits from individuals. These key items may be affected by interest rate fluctuations, and whenever such fluctuations occur the Bank is exposed to the risk that its income, expenses and/or economic value (equity value) may be affected. The Bank therefore needs to manage interest rate risk in its banking books in order to mitigate the impact.

Interest rate risk in the banking books is a risk that income or capital of the Bank may be negatively affected as fluctuations in interest rates impact rate-sensitive assets, liabilities and commitments. The main causes are maturity mismatches and repricing risks for assets and liabilities presented in the Bank’s statement of financial position.

The nature of the Bank’s exposures to interest rate risk in the banking books are as follows:

(1) Repricing Risk

This arises due to mismatches between the maturities or interest rate reset dates of assets and liabilities.

(2) Basis Risk

This arises because of mismatches between changes in the reference interest rates used for assets and liabilities.

(3) Option Risk

The Bank is exposed to risk as a result of options embedded in its financial contracts, whether as debtor or creditor, which grant the Bank’s counterparties a right to change the original payment or redemption plans when market interest rates change. The option holders will often exercise these if the original payment plan puts them in an unfavorable position, whereby interest costs, returns or net interest income, as well as the structure of assets and liabilities in the statement of financial position, would change for the worse.

The Bank has developed interest rate risk measurement and assessment tools to evaluate the impact of interest rate risk in the banking books. The Bank sets risk ceilings in order to keep risk levels within stipulated parameters and reports risk levels to the Asset and Liability Committee on a monthly basis.

Moreover, the Bank performs stress tests by simulating an interest rate crisis, using simulations provided by the BOT and/or appropriate simulations it has established itself.

As at 31 December 2022 and 2021, financial assets and liabilities, classified by types of interest rate, were as follows:

|  |  |  |  | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2022 | | | | |
| Transactions | Floating interest rates | Fixed interest rates | Non-interest bearing | Non-performing loans | Total |
| **Financial assets** |  |  |  |  |  |
| Cash | - | - | 704,935 | - | 704,935 |
| Interbank and money market items | 1,456,705 | 31,269,812 | 3,211,405 | - | 35,937,922 |
| Derivative assets | - | - | 389,925 | - | 389,925 |
| Investments | 1,210,417 | 37,352,319 | 6,064,882 | - | 44,627,618 |
| Loans to customers (1) | 139,756,336 | 73,787,030 | - | 5,248,451 | 218,791,817 |
| Receivables on disposals of properties foreclosed through auctions | - | - | 430,024 | - | 430,024 |
| Collateral receivables under the Credit Support Annex agreements | - | 59,042 | - | - | 59,042 |
| **Financial liabilities** |  |  |  |  |  |
| Deposits | 86,985,501 | 143,879,941 | 566,596 | - | 231,432,038 |
| Interbank and money market items | 1,187,145 | 22,430,965 | 33,291 | - | 23,651,401 |
| Liabilities payable on demand | - | - | 100,507 | - | 100,507 |
| Derivative liabilities | - | - | 187,900 | - | 187,900 |
| Debts issued and borrowings | - | 2,400,000 | - | - | 2,400,000 |
| Lease liabilities | - | 527,154 | - | - | 527,154 |
| Collateral payables under the  Credit Support Annex agreements | - | 164,634 | - | - | 164,634 |

(1) In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates.

|  |  |  |  | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2021 | | | | |
| Transactions | Floating interest rates | Fixed interest rates | Non-interest bearing | Non-performing loans | Total |
| **Financial assets** |  |  |  |  |  |
| Cash | - | - | 717,749 | - | 717,749 |
| Interbank and money market items | 1,686,717 | 31,265,000 | 2,315,579 | - | 35,267,296 |
| Derivative assets | - | - | 163,992 | - | 163,992 |
| Investments | 1,081,943 | 34,002,355 | 6,851,790 | - | 41,936,088 |
| Loans to customers (1) | 116,681,009 | 55,329,121 | - | 5,110,363 | 177,120,493 |
| Receivables on disposals of properties foreclosed through auctions | - | - | 58,288 | - | 58,288 |
| Collateral receivables under the Credit Support Annex agreements | - | 1,114 |  | - | 1,114 |
| **Financial liabilities** |  |  |  |  |  |
| Deposits | 95,583,455 | 96,561,839 | 367,811 | - | 192,513,105 |
| Interbank and money market items | 1,099,982 | 17,901,428 | 51,062 | - | 19,052,472 |
| Liabilities payable on demand | - | - | 189,544 | - | 189,544 |
| Derivative liabilities | - | - | 33,520 | - | 33,520 |
| Debts issued and borrowings | - | 2,400,000 | 1,658 | - | 2,401,658 |
| Lease liabilities | - | 584,547 | - | - | 584,547 |
| Collateral payables under the  Credit Support Annex agreements | - | 6,300 | - | - | 6,300 |

(1) In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates.

Financial instruments which bear interest rate at fixed rates are classified below by the period from 31 December 2022 and 2021 to the repricing date or maturity date (whichever is sooner).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | | |
|  | 31 December 2022 | | | | | |
|  | Repricing or maturity date | | | | |  | |
|  |  | 0 - 3 | 3 - 12 | 1 - 5 | Over |  | |
| Transactions | At call | months | months | years | 5 years | Total | |
| **Financial assets** |  |  |  |  |  |  | |
| Interbank and money market items | 2,523,000 | 28,446,812 | 300,000 | - | - | 31,269,812 | |
| Investments | - | 7,948 | 4,730,504 | 25,144,404 | 7,469,463 | 37,352,319 | |
| Loans to customers | 6,889,566 | 25,713,488 | 15,296,832 | 25,753,964 | 133,180 | 73,787,030 | |
| Collateral receivables under the Credit Support Annex agreements | 59,042 | - | - | - | - | 59,042 | |
| **Financial liabilities** |  |  |  |  |  |  | |
| Deposits | 637,919 | 72,641,834 | 50,836,221 | 19,763,967 | - | 143,879,941 | |
| Interbank and money market items | - | 13,570,341 | 8,041,642 | 818,982 | - | 22,430,965 | |
| Debts issued and borrowings | - | - | - | - | 2,400,000 | 2,400,000 | |
| Lease liabilities | - | 54,213 | 133,354 | 339,581 | 6 | 527,154 | |
| Collateral payables under the  Credit Support Annex agreements | 164,634 | - | - | - | - | 164,634 | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | | |
|  | 31 December 2021 | | | | | |
|  | Repricing or maturity date | | | | |  | |
|  |  | 0 - 3 | 3 - 12 | 1 - 5 | Over |  | |
| Transactions | At call | months | months | years | 5 years | Total | |
| **Financial assets** |  |  |  |  |  |  | |
| Interbank and money market items | 620,000 | 30,345,000 | 300,000 | - | - | 31,265,000 | |
| Investments | - | 3,007,471 | 3,486,782 | 19,408,177 | 8,099,925 | 34,002,355 | |
| Loans to customers | 727,938 | 23,081,189 | 16,097,688 | 14,195,706 | 1,226,600 | 55,329,121 | |
| Collateral receivables under the Credit Support Annex agreements | 1,114 | - | - | - | - | 1,114 | |
| **Financial liabilities** |  |  |  |  |  |  | |
| Deposits | 4,138,650 | 39,699,298 | 47,057,870 | 5,666,021 | - | 96,561,839 | |
| Interbank and money market items | - | 10,806,329 | 6,200,691 | 894,408 | - | 17,901,428 | |
| Debts issued and borrowings | - | - | - | - | 2,400,000 | 2,400,000 | |
| Lease liabilities | - | 54,824 | 152,683 | 377,040 | - | 584,547 | |
| Collateral payables under the  Credit Support Annex agreements | 6,300 | - | - | - | - | 6,300 | |

In addition, the average balances of the financial assets and liabilities of the Bank generating revenues/incurring expenses, calculated based on the average balances outstanding during the years, and the average interest rate for the years ended 31 December 2022 and 2021 were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | | |
|  | For the years ended 31 December | | | | | |
|  | 2022 | | | 2021 | | |
|  |  |  | Average |  |  | Average |
|  |  | Interest | rate |  | Interest | rate |
|  | Average | income/ | (% per | Average | income/ | (% per |
|  | balances | expenses | annum) | balances | expenses | annum) |
| **Performing financial assets** |  |  |  |  |  |  |
| Interbank and money market items | 25,098,163 | 461,649 | 1.84 | 30,495,698 | 482,619 | 1.58 |
| Investments in debt instruments | 37,733,718 | 775,072 | 2.05 | 36,679,226 | 907,813 | 2.48 |
| Loans to customers | 193,894,018 | 7,499,287 | 3.87 | 168,356,687 | 6,360,706 | 3.78 |
| **Performing financial liabilities** |  |  |  |  |  |  |
| Deposits | 201,471,101 | 2,169,854 | 1.08 | 188,210,117 | 1,977,274 | 1.05 |
| Interbank and money market items | 21,523,242 | 191,577 | 0.89 | 13,179,766 | 68,453 | 0.52 |
| Debts issued and borrowings | 2,400,495 | 90,422 | 3.77 | 3,173,016 | 140,804 | 4.44 |

Interest rate sensitivity analysis

Analysis of sensitivity to changes in interest rates shows the impact of potential changes in interest rates on profit or loss and shareholders’ equity of the Bank when other variables are set to constant values.

The sensitivity of profit or loss 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 shareholders’ equity is calculated by measuring the fair value as at 31 December 2022 and 2021 of financial assets and financial liabilities measured at fair value through other comprehensive income, including the effect of hedging cash flow risk by assuming a 1 percent change in the interest rate. The methods used in sensitivity analysis are unchanged from the previous year.

The effect of change in interest rates on profit or loss and shareholders’ equity as of 31 December 2022 and 2021 can be summarised as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Effect on | | Effect on | |
|  | Profit or loss | Shareholders’ equity | Profit or loss | Shareholders’ equity |
|  |  |  |  |  |
| Increased by 1 percent | 466,965 | 466,965 | 209,127 | 209,127 |
| Decreased by 1 percent | (564,624) | (564,624) | (312,145) | (312,145) |

Note: The estimation of the effect of increase (decrease) in interest rates on profit or loss within the next 1 year.

(b) Foreign exchange risk

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

The Bank engages in foreign currency trading, provision of trade finance services to support customers engaged in foreign trade, buying and selling foreign currency exchange services including fund transfers. As a result of these transactions, the Bank has foreign currency positions and has, therefore, established a risk management framework to mitigate the foreign exchange risk, and also set maximum risk ceilings for foreign exchange risk, using statistical tools, namely the Value-at-Risk (VaR Model), and other tools, such as net open position and year to date loss limits, in order to closely monitor operations in order to maintain foreign exchange risk at acceptable levels.

As at 31 December 2022 and 2021, foreign currency positions equivalent to Thai Baht of the Bank, were as follows:

|  | (Unit: Thousand Baht) | | | |
| --- | --- | --- | --- | --- |
|  | 31 December 2022 | | | |
|  | USD | EUR | JPY | Others |
| **Foreign currency in the statements of financial position** |  |  |  |  |
| Interbank and money market items | 235,619 | 75,708 | 14,629 | 30,746 |
| Investments | 1,210,417 | - | - | - |
| Loans to customers and accrued  interest receivables | 3,624,726 | 23,661 | 13,951 | 10,998 |
| Total assets | 5,070,762 | 99,369 | 28,580 | 41,744 |
| Deposits | 754,511 | - | 137 | - |
| Interbank and money market items | 2,074,297 | - | - | - |
| Accrued interest payables | 22,166 | - | - | - |
| Other liabilities | 21,358 | 13 | - | 555 |
| Total liabilities | 2,872,332 | 13 | 137 | 555 |
| Items recognised in the statements of financial position - net | 2,198,430 | 99,356 | 28,443 | 41,189 |
|  |  |  |  |  |
| **Foreign currency not recognised in the statements of financial position - net** |  |  |  |  |
| (Forward contracts, cross currency and interest rate swap contracts) | (1,868,354) | (97,686) | (62,156) | (21,299) |

|  | (Unit: Thousand Baht) | | | |
| --- | --- | --- | --- | --- |
|  | 31 December 2021 | | | |
|  | USD | EUR | JPY | Others |
| **Foreign currency in the statements of financial position** |  |  |  |  |
| Interbank and money market items | 403,752 | 7,567 | 9,342 | 16,054 |
| Investments | 1,081,943 | - | - | - |
| Loans to customers and accrued  interest receivables | 3,522,928 | 22,080 | 6,273 | 88,074 |
| Other assets | 1 | 3 | - | - |
| Total assets | 5,008,624 | 29,650 | 15,615 | 104,128 |
| Deposits | 758,521 | - | 4,360 | 758 |
| Interbank and money market items | 661,740 | - | - | - |
| Accrued interest payables | 1,005 | - | - | - |
| Other liabilities | 20,979 | - | - | - |
| Total liabilities | 1,442,245 | - | 4,360 | 758 |
| Items recognised in the statements of financial position - net | 3,566,379 | 29,650 | 11,255 | 103,370 |
|  |  |  |  |  |
| **Foreign currency not recognised in the statements of financial position - net** |  |  |  |  |
| (Forward contracts, cross currency and interest rate swap contracts) | (3,381,053) | (9,474) | (42,091) | (91,300) |

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 profit or loss 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 change in exchange rate on profit or loss and shareholders’ equity as of 31 December 2022 and 2021 can be summarised as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Effect on | | Effect on | |
|  | Profit or loss | Shareholders’ equity | Profit or loss | Shareholders’ equity |
|  |  |  |  |  |
| Increased by 5 percent | 46,445 | 46,445 | 46,616 | 46,616 |
| Decreased by 5 percent | (46,523) | (46,523) | (45,935) | (45,935) |

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

(c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity instruments or stocks may result in changes in the value of investments, and fluctuations in revenue and the value of financial assets.

The Bank closely manages equity position risk, with a policy to invest in equity instruments with a lower risk than those in equity markets. Moreover, the Bank monitors risks related to investments in equity instruments to ensure that the risk is still lower than that of the market.

Equity security price sensitivity analysis

The following table demonstrates the sensitivity of a reasonably possible change in equity security price on the Bank’s profit or loss and shareholders’ equity as at 31 December 2022 and 2021 when other variables are set to constant values.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | 31 December 2022 | | 31 December 2021 | |
|  | Effect on | | Effect on | |
|  | Profit or loss | Shareholders’ equity | Profit or loss | Shareholders’ equity |
|  |  |  |  |  |
| Increased by 10 percent | - | 301,271 | - | 339,492 |
| Decreased by 10 percent | - | (301,271) | - | (339,492) |

Note: The estimation of increase (decrease) is a percentage change of SET Index.

(d) Commodity price risk

This is the risk that income or capital may be adversely affected by changes in commodity prices. The Bank has no policy to hold such positions.

(e) Interest rate benchmark reform

In preparation for interest rate benchmark reform, the Bank has coordinated internally, considering the implications for related systems, operating procedures, valuation models, risk management, and accounting and tax practices. Additionally, the Bank is in the process of communicating and negotiating with all relevant clients on updating contract terms.

As of 31 December 2022, the Bank has only financial instruments that have rates referring to USD LIBOR and THBFIX. These reference rates will be retired at the end of June 2023.

Interest rate benchmark reform will affect measurement of fair value, risk management tools, and changes in contractual cash flows. The management of the Bank is currently evaluating the impact of the interest rate benchmark reform on the financial statements.

**43.3 Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the Bank incurring a financial loss.

The Bank manages its liquidity risk by preparing net liquidity status reports or liquidity gap reports. The Bank’s analysis has two components, namely a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, which analyse the net liquidity status at each point in time and consider the cash flow adequacy over the next year. Moreover, the Bank assesses liquidity risk based on accumulated outstanding net liquidity by maturity, adjusted to reflect depositor behavior, in order to maintain liquidity risk at the appropriate levels stipulated by the Bank.

The Bank conducts studies of the effect on liquidity of various factors, such as early deposit withdrawal and deposit rollover, by creating simulations incorporating normal scenarios and stress scenarios and these include the effects on liquidity management of the Bank. The Market Risk Management Department is responsible for carrying out the studies and reporting the results to the Asset and Liability Committee, for assessment of liquidity requirements under each scenario and to provide a framework for establishing contingency plans for liquidity crisis.

In addition, the Bank monitors its liquidity risk based on regulations relating to the maintenance of liquid assets to handle a severe liquidity crisis situation (Liquidity Coverage Ratio: LCR), which is based on the assumption that total cash inflows and outflows reflect the differing withdrawal behaviors of various counterparties and both on and off-balance sheet items, which are affected by different cash flow indicators. The assumptions also reflect the business group structure, which may require the group’s commercial banks to provide liquidity assistance in the event of a severe and continuous cash outflow crisis. The Bank sets risk limits in order to monitor liquidity risk levels and maintain them within appropriate levels, and enable the Bank to maintain appropriate amounts of liquid assets and efficiently cope with fluctuations in cash inflows and outflows.

The periods to maturity, counting from the financial position dates, of financial instruments outstanding as at 31 December 2022 and 2021 were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | | | | |
|  |  | Less than | 1 - 5 | Over | No |  |
| Transactions | At call | 1 year | years | 5 years | maturity | Total |
| **Financial assets** |  |  |  |  |  |  |
| Cash | 704,935 | - | - | - | - | 704,935 |
| Interbank and money market items | 6,091,110 | 29,846,812 | - | - | - | 35,937,922 |
| Derivative assets | - | 354,526 | 35,399 | - | - | 389,925 |
| Investments | - | 4,738,452 | 26,354,821 | 7,469,463 | 6,064,882 | 44,627,618 |
| Loans to customers (1) | 13,236,070 | 80,011,348 | 75,409,208 | 50,135,191 | - | 218,791,817 |
| Receivables on disposals of properties foreclosed through auctions | - | - | - | - | 430,024 | 430,024 |
| Collateral receivables under the Credit Support Annex agreements | 59,042 | - | - | - | - | 59,042 |
| **Financial liabilities** |  |  |  |  |  |  |
| Deposits | 85,973,089 | 124,986,418 | 20,467,266 | 5,265 | - | 231,432,038 |
| Interbank and money market items | 1,220,436 | 21,611,983 | 818,982 | - | - | 23,651,401 |
| Liabilities payable on demand | 100,507 | - | - | - | - | 100,507 |
| Derivative liabilities | - | 187,900 | - | - | - | 187,900 |
| Debts issued and borrowings | - | - | - | 2,400,000 | - | 2,400,000 |
| Lease liabilities | - | 187,567 | 339,581 | 6 | - | 527,154 |
| Collateral payables under the  Credit Support Annex agreements | 164,634 | - | - | - | - | 164,634 |

(1) Loans to customers due at call included default loans and non-performing loans.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | (Unit: Thousand Baht) | | |
|  | 31 December 2021 | | | | | |
|  |  | Less than | 1 - 5 | Over | No |  |
| Transactions | At call | 1 year | years | 5 years | maturity | Total |
| **Financial assets** |  |  |  |  |  |  |
| Cash | 717,749 | - | - | - | - | 717,749 |
| Interbank and money market items | 3,372,296 | 31,895,000 | - | - | - | 35,267,296 |
| Derivative assets | - | 46,236 | 117,756 | - | - | 163,992 |
| Investments | - | 6,494,253 | 20,490,120 | 8,099,925 | 6,851,790 | 41,936,088 |
| Loans to customers (1) | 9,140,280 | 66,109,975 | 54,931,202 | 46,939,036 | - | 177,120,493 |
| Receivables on disposals of properties foreclosed through auctions | - | - | - | - | 58,288 | 58,288 |
| Collateral receivables under the Credit Support Annex agreements | 1,114 | - | - | - | - | 1,114 |
| **Financial liabilities** |  |  |  |  |  |  |
| Deposits | 97,561,775 | 88,262,882 | 6,683,183 | 5,265 | - | 192,513,105 |
| Interbank and money market items | 1,151,044 | 17,007,020 | 894,408 | - | - | 19,052,472 |
| Liabilities payable on demand | 189,544 | - | - | - | - | 189,544 |
| Derivative liabilities | - | 33,520 | - | - | - | 33,520 |
| Debts issued and borrowings | - | 1,658 | - | 2,400,000 | - | 2,401,658 |
| Lease liabilities | - | 207,507 | 377,040 | - | - | 584,547 |
| Collateral payables under the  Credit Support Annex agreements | 6,300 | - | - | - | - | 6,300 |

(1) Loans to customers due at call included default loans and non-performing loans.

In addition, as at 31 December 2022 and 2021, the Bank had the following commitments as summarised by the periods to maturity, counting from the financial report dates, of the contracts:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | | 31 December 2021 | | |
|  | Not over | Over |  | Not over | Over |  |
|  | 1 year | 1 year | Total | 1 year | 1 year | Total |
|  |  |  |  |  |  |  |
| Avals to bills | 137,201 | - | 137,201 | 28,188 | - | 28,188 |
| Liabilities under unmatured import bills | 165,084 | - | 165,084 | 165,339 | - | 165,339 |
| Letters of credit | 661,048 | - | 661,048 | 414,448 | - | 414,448 |
| Undrawn bank overdrafts | 4,680,677 | - | 4,680,677 | 4,931,974 | - | 4,931,974 |
| Guarantee - others | 7,203,902(1) | 2,009,450 | 9,213,352 | 4,675,284(1) | 1,413,644 | 6,088,928 |
| Other commitments | - | 23,944,955 | 23,944,955 | - | 29,178,178 | 29,178,178 |

1. As at 31 December 2022 and 2021, these amounts included contracts with no maturity date amounting to Baht 4,462 million and Baht 2,778 million, respectively.

# Fair value of financial instruments

**44.1 Financial assets and liabilities measured at fair value**

As at 31 December 2022 and 2021, the Bank had financial assets and liabilities that were measured at fair value using different levels of inputs as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | |
|  | 31 December 2022 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets |  |  |  |  |  |
| Derivative assets | 389,925 | - | 389,925 | - | 389,925 |
| Investments in debt instruments measured at fair value through other comprehensive income | 37,641,773 | - | 37,637,168 | 4,605 | 37,641,773 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,064,882 | 6,057,979 | - | 6,903 | 6,064,882 |
| Financial liabilities |  |  |  |  |  |
| Derivative liabilities | 187,900 | - | 187,900 | - | 187,900 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | |
|  | 31 December 2021 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets |  |  |  |  |  |
| Derivative assets | 163,992 | - | 163,992 | - | 163,992 |
| Investments in debt instruments measured at fair value through other comprehensive income | 34,881,957 | - | 34,881,957 | - | 34,881,957 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,851,790 | 6,844,887 | - | 6,903 | 6,851,790 |
| Financial liabilities |  |  |  |  |  |
| Derivative liabilities | 33,520 | - | 33,520 | - | 33,520 |

During the current year, the methods and assumptions used by the Bank in estimating the fair value of financial instruments have not been changed and no transfers are made between the fair value hierarchy.

**44.2 Financial assets and liabilities for which fair values are disclosed**

As at 31 December 2022 and 2021, the Bank had financial assets and liabilities that were measured at cost, and for which fair values were disclosed using different levels of inputs as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | (Unit: Thousand Baht) | | |
|  | 31 December 2022 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | |  |  |  |  |
| Cash | 704,935 | 704,935 | - | - | 704,935 |
| Interbank and money market items - net | 35,933,706 | 3,568,110 | 1,099,533 | 31,261,963 | 35,929,606 |
| Investments in debt instruments measured  at amortised cost | 669,190 | - | 665,921 | 3,269 | 669,190 |
| Loans to customers - net | 210,256,423 | - | 142,675,324 | 66,251,043 | 208,926,367 |
| Receivables on disposals of properties foreclosed through auctions | 430,024 | - | - | 430,024 | 430,024 |
| Collateral receivables under the  Credit Support Annex agreements | 59,042 | 59,042 | - | - | 59,042 |
| Financial liabilities |  |  |  |  |  |
| Deposits | 231,432,038 | 87,552,097 | 144,074,849 | - | 231,626,946 |
| Interbank and money market items | 23,616,785 | 1,220,436 | 22,403,339 | - | 23,623,775 |
| Liabilities payable on demand | 100,507 | 100,507 | - | - | 100,507 |
| Debts issued and borrowings | 2,400,000 | - | 2,141,324 | - | 2,141,324 |
| Lease liabilities | 527,154 | - | 504,106 | - | 504,106 |
| Collateral payables under the  Credit Support Annex agreements | 164,634 | 164,634 | - | - | 164,634 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | (Unit: Thousand Baht) | | |
|  | 31 December 2021 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | |  |  |  |  |
| Cash | 717,749 | 717,749 | - | - | 717,749 |
| Interbank and money market items - net | 35,267,727 | 2,752,296 | 1,249,545 | 31,297,164 | 35,299,005 |
| Loans to customers - net | 170,144,008 | - | 120,528,877 | 49,318,862 | 169,847,739 |
| Receivables on disposals of properties foreclosed through auctions | 58,288 | - | - | 58,288 | 58,288 |
| Collateral receivables under  the Credit Support Annex agreements | 1,114 | 1,114 | - | - | 1,114 |
| Financial liabilities |  |  |  |  |  |
| Deposits | 192,513,105 | 95,951,266 | 96,537,337 | - | 192,488,603 |
| Interbank and money market items | 19,046,318 | 1,151,044 | 17,902,046 | - | 19,053,090 |
| Liabilities payable on demand | 189,544 | 189,544 | - | - | 189,544 |
| Debts issued and borrowings | 2,401,658 | 1,658 | 2,292,168 | - | 2,293,826 |
| Lease liabilities | 584,547 | - | 561,063 | - | 561,063 |
| Collateral payables under  the Credit Support Annex agreements | 6,300 | 6,300 | - | - | 6,300 |

The Bank estimates fair values for financial instruments as follows:

1. For financial assets and liabilities which have short-term maturities, including cash, collateral receivables under the Credit Support Annex agreements, liabilities payable on demand and collateral payables under the Credit Support Annex agreements, the carrying value in the statement of financial position approximates their fair value.
2. The fair value of investments in debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association.
3. The fair value of investments in non-marketable equity instruments is calculated using discounted future cash flows techniques and/or determined by comparing with information of similar companies.
4. The fair value of loans to customers and interbank and money market items (assets) that bear floating interest rates is assumed to approximate their carrying values, net of allowance for expected credit losses. The fair value of loans to customers and interbank and money market items (assets) that bear fixed interest rates is the present value of the expected future cash flows, discounted by the interest rates the Bank offers on similar loans.
5. The fair value of deposits and interbank and money market items (liabilities) that are payable on demand or bear floating interest rates is assumed to approximate their carrying value. The fair value of deposits and interbank and money market items (liabilities) that bear fixed interest rates is determined by discounting the expected future cash flows at the Bank’s announced interest rates for instruments having similar characteristics.
6. The fair value of derivatives is based on quoted market prices. When there is no observable market price, the fair value is measured using a valuation technique that uses observable inputs such as interest rates and foreign exchange rates, obtained from reliable sources and adjusted to reflect counterparty’s credit risk.
7. The fair value of debts issued and borrowings that are both subordinated and unsubordinated debentures is determined using yield rates quoted by Thai Bond Market Association. The fair value of debts issued and borrowings that bear fixed interest rates is determined by discounting the expected future cash flows by market interest rates on borrowings with similar conditions.
8. The fair value of lease liabilities is determined by discounting the expected future cash flows by the Bank’s incremental borrowing rate with similar conditions.

# Event after the reporting period

On 23 February 2023, the Board of Directors’ Meeting No.2/2566 of the Bank passed resolutions to propose to the Annual General Meeting of the Bank’s shareholders for approval the Medium-Term Note Program (MTN) with up to Baht 50,000 million of debentures issued under the scheme.

# Approval of financial statements

These financial statements were authorised for issue by the Bank’s Board of Directors on 23 February 2023.