

**TMBThanachart Bank Public Company Limited
and its Subsidiaries**

Financial statements for the year ended

31 December 2022

and

Independent Auditor's Report

Independent Auditor's Report

To the shareholders of TMBThanachart Bank Public Company Limited

Opinion

I have audited the consolidated and the Bank's financial statements of TMBThanachart Bank Public Company Limited and its subsidiaries (the "Group"), and of TMBThanachart Bank Public Company Limited, (the "Bank"), respectively, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2022, the consolidated and the Bank's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2022 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the regulations of Bank of Thailand.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and the Bank only financial statements of the current year. These matters were addressed in the context of my audit of the consolidated and the Bank only financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

| Allowance for expected credit loss for loans to customers | |
|--|---|
| For disclosures related to credit risk, loans to customers and allowance for expected credit loss for loans to customers, refer to notes 4, 13 and 14 the financial statements. | |
| The key audit matter | How the matter was addressed in the audit |
| <p>As at 31 December 2022, loans to customers represented 75.35% and 75.43% of the total assets of consolidated and the Bank only financial statements, respectively, against which an allowance for expected credit loss (“ECL”) of Baht 57,390 million and Baht 55,796 million, respectively were provided.</p> <p>Management’s estimation of ECL on loans to customers measured at amortised cost is based on credit models which are dependent on significant management judgements and estimates including selection of model, the use of forward-looking macroeconomic forecast, establishing the criteria for determining whether credit risk has increased significantly since initial recognition, qualitative assessment of significant increase in credit risk and credit impaired, and consideration for post model adjustments. In particular, the ongoing economic situation and relief program provided to the customer resulting from COVID-19 adds further complexity to management’s estimation process especially for consideration of post model adjustments.</p> <p>Accordingly, it is considered a Key Audit Matter.</p> | <p>In planning my audit procedures, I performed a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors or customer segments, or other factors which could influence the judgments and estimates.</p> <p>I inspected of the Group and the Bank accounting policies and credit risk policy to determine whether this has been set up in accordance with the requirements of TFRS 9, the relevant Bank of Thailand notification and guidance.</p> <p>My audit procedures included testing the design and operating effectiveness of controls over credit review, model monitoring, forward-looking macro-economic factors and post model adjustments.</p> <p>I sampled loans as identified in my risk assessment to perform credit review procedures, including a detailed review of the individual credit profile and other relevant information, from which I formed my own independent assessment.</p> <p>Selected key technical decisions, assumptions and model methodologies were tested, where appropriate, including involvement of my own credit risk specialists to inspect model documentation, model validation report performed by expert engaged by the Group and the Bank’s management and back-testing results.</p> <p>I and my credit specialist assessed assumptions and methodology used by the management in the identification and estimation of post model adjustments.</p> <p>I assessed whether the financial statement disclosures are adequate and appropriately reflect the Bank and its subsidiaries’ exposures to credit risk.</p> |

| Valuation of financial instruments in the statements of financial position | |
|---|--|
| For disclosures related to financial instruments and fair values, refer to notes 5 to the financial statements. | |
| The key audit matter | How the matter was addressed in the audit |
| <p>As at 31 December 2022, financial assets measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 174,235 million and Baht 174,235 million, respectively. Financial liabilities measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 9,937 million and Baht 9,937 million, respectively.</p> <p>Of these amounts, as at 31 December 2022, financial assets and liabilities designated at level 2 and 3 fair value in the consolidated financial statements amounted to Baht 174,038 million and Baht 9,937 million respectively, and in the Bank's financial statements, they amounted to Baht 174,038 million and Baht 9,937 million respectively, for which the fair value is based upon inputs other than quoted prices in active markets or valuation techniques incorporating those inputs. The use of different valuation techniques and assumptions could produce different estimates of fair value.</p> <p>Accordingly, it is considered a Key Audit Matter.</p> | <p>In planning my audit procedures, I performed a risk assessment by considering the factors which could affect the fair value of financial instruments, both in terms of the inputs used for valuation and the appropriateness of valuation techniques applied.</p> <p>For financial instruments, I sampled to check for selected pricing inputs that were externally sourced and were correctly input into pricing models. I and my own valuation specialists assessed that the selected models and assumptions were appropriate and valued a selection of the Group's and the Bank's equity securities, debt securities, and derivative positions independently and compared their valuation to the Group's and the Bank's valuation on a sample basis.</p> <p>I assessed the adequacy of the disclosure in accordance with Thai Financial Reporting Standards.</p> |

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and the Bank only financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the consolidated and the Bank only financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the Bank only financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated and the Bank only Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and the Bank only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and the Bank only financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and the Bank only financial statements, including the disclosures, and whether the consolidated and the Bank only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and the Bank only financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Chokechai Ngamwutikul)
Certified Public Accountant
Registration No. 9728

KPMG Phoomchai Audit Ltd.
Bangkok
21 February 2023

TMBThanachart Bank Public Company Limited and its Subsidiaries

Statements of financial position

| Assets | Note | Consolidated | | Bank only | |
|---|-------|---------------------------|----------------------|----------------------|----------------------|
| | | 31 December | | 31 December | |
| | | 2022 | 2021 | 2022 | 2021 |
| | | <i>(in thousand Baht)</i> | | | |
| Cash | | 15,505,583 | 16,011,325 | 15,505,582 | 16,011,307 |
| Interbank and money market items, net | 8 | 187,563,316 | 158,872,946 | 187,545,416 | 158,862,707 |
| Financial assets measured at fair value through profit or loss | 9 | 1,533,033 | 1,420,900 | 1,533,024 | 1,420,891 |
| Derivative assets | 10 | 10,375,799 | 6,913,323 | 10,375,799 | 6,913,323 |
| Investments, net | 11 | 211,431,500 | 180,228,573 | 211,431,500 | 180,228,573 |
| Investments in subsidiaries and associates, net | 12 | 8,573,610 | 8,620,165 | 5,143,948 | 5,113,948 |
| Loans to customers and accrued interest receivables, net | 13,14 | 1,326,504,537 | 1,324,200,919 | 1,323,737,079 | 1,323,467,715 |
| Properties for sale, net | 15 | 12,152,366 | 8,626,358 | 10,613,877 | 8,626,358 |
| Premises and equipment, net | 16 | 19,788,332 | 21,625,316 | 19,718,903 | 21,561,367 |
| Goodwill and other intangible assets, net | 17 | 22,890,214 | 22,818,660 | 22,843,092 | 22,787,237 |
| Deferred tax assets | 18 | 829,779 | 8,986 | 1,398,594 | - |
| Other assets, net | | 9,130,807 | 8,822,089 | 8,663,928 | 8,684,367 |
| Total assets | | 1,826,278,876 | 1,758,169,560 | 1,818,510,742 | 1,753,677,793 |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Deposits | 19 | 1,399,246,571 | 1,339,195,173 | 1,400,077,734 | 1,343,728,377 |
| Interbank and money market items | 20 | 84,769,857 | 84,966,047 | 84,769,857 | 85,317,306 |
| Liabilities payable on demand | | 5,586,302 | 5,325,121 | 5,586,281 | 5,325,121 |
| Financial liabilities measured at fair value through profit or loss | 21 | 438,041 | 436,865 | 438,041 | 436,865 |
| Derivative liabilities | 10 | 9,499,240 | 6,595,107 | 9,499,240 | 6,595,107 |
| Debts issued and borrowings | 22 | 59,644,222 | 68,398,493 | 54,644,222 | 63,098,493 |
| Provisions for employee benefits | 23 | 3,872,429 | 3,783,621 | 3,744,549 | 3,739,815 |
| Provisions for other liabilities | 24 | 2,662,494 | 2,026,446 | 2,661,860 | 2,025,812 |
| Deferred tax liabilities | 18 | - | 922,138 | - | 246,901 |
| Deferred revenue | 25 | 17,950,211 | 19,164,458 | 17,951,986 | 19,165,460 |
| Other liabilities | 26 | 23,601,927 | 16,520,396 | 23,239,904 | 16,201,500 |
| Total liabilities | | 1,607,271,294 | 1,547,333,865 | 1,602,613,674 | 1,545,880,757 |

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

TMBThanachart Bank Public Company Limited and its Subsidiaries
 Statements of financial position

| Liabilities and equity | Note | Consolidated | | Bank only | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | 31 December | | 31 December | |
| | | 2022 | 2021 | 2022 | 2021 |
| | | (in thousand Baht) | | | |
| Equity | | | | | |
| Share capital | | | | | |
| Authorised share capital | | | | | |
| 97,830,583,125 ordinary shares of Baht 0.95 each | | | | | |
| (31 December 2021: 96,864,354,380 ordinary shares | | | | | |
| of Baht 0.95 each) | 29 | 92,939,054 | 92,021,137 | 92,939,054 | 92,021,137 |
| Issued and paid-up share capital | | | | | |
| 96,776,073,897 ordinary shares of Baht 0.95 each | | | | | |
| (31 December 2021: 96,622,874,580 ordinary shares | | | | | |
| of Baht 0.95 each) | 29 | 91,937,270 | 91,791,731 | 91,937,270 | 91,791,731 |
| Premium on share capital | | 43,360,227 | 43,344,840 | 43,360,227 | 43,344,840 |
| Other reserves | | 4,455,714 | 5,172,257 | 5,413,835 | 6,117,180 |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Legal reserve | 30 | 10,091,000 | 10,091,000 | 10,091,000 | 10,091,000 |
| Unappropriated | | 69,162,228 | 60,434,727 | 65,094,736 | 56,452,285 |
| Equity attributable to equity holders of the Bank | | 219,006,439 | 210,834,555 | 215,897,068 | 207,797,036 |
| Non-controlling interest | | 1,143 | 1,140 | - | - |
| Total equity | | 219,007,582 | 210,835,695 | 215,897,068 | 207,797,036 |
| Total liabilities and equity | | 1,826,278,876 | 1,758,169,560 | 1,818,510,742 | 1,753,677,793 |

 Mr. Piti Tantakasem
 Chief Executive Officer

 Mr. Ekniti Nitithanprapas
 Chairman of the Board

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

TMBThanachart Bank Public Company Limited and its Subsidiaries
 Statements of profit or loss and other comprehensive income

| | Note | Consolidated | | Bank only | |
|---|------|--------------------------------|-------------------|--------------------------------|-------------------|
| | | For the year ended 31 December | | For the year ended 31 December | |
| | | 2022 | 2021 | 2022 | 2021 |
| | | <i>(in thousand Baht)</i> | | | |
| Interest income | 38 | 65,626,627 | 64,239,369 | 65,551,297 | 46,560,095 |
| Interest expenses | 39 | 14,009,703 | 13,239,602 | 13,965,721 | 11,483,531 |
| Net interest income | | 51,616,924 | 50,999,767 | 51,585,576 | 35,076,564 |
| Fees and service income | 40 | 14,025,343 | 15,189,834 | 13,405,279 | 13,052,907 |
| Fees and service expenses | 40 | 3,634,371 | 3,941,349 | 3,846,852 | 2,970,725 |
| Net fees and service income | | 10,390,972 | 11,248,485 | 9,558,427 | 10,082,182 |
| Gain on financial instruments measured at fair value through profit or loss | 41 | 1,692,722 | 1,480,359 | 1,692,722 | 1,259,016 |
| Gain (loss) on investments, net | 42 | 6,721 | 181,993 | (3,631) | 190,517 |
| Share of profit from investment using equity method | | 261,352 | 345,521 | - | - |
| Other operating income | | 1,883,800 | 1,280,592 | 2,423,231 | 5,457,505 |
| Total operating income | | 65,852,491 | 65,536,717 | 65,256,325 | 52,065,784 |
| Other operating expenses | | | | | |
| Employee expenses | | 16,006,486 | 16,480,286 | 15,486,081 | 14,584,162 |
| Directors' remuneration | | 59,698 | 73,596 | 59,698 | 63,599 |
| Premises and equipment expenses | | 4,864,135 | 5,622,117 | 4,821,917 | 4,504,468 |
| Taxes and duties | | 1,510,348 | 1,573,466 | 1,504,126 | 1,318,442 |
| Others | | 7,511,440 | 7,469,508 | 7,446,680 | 5,860,705 |
| Total other operating expenses | | 29,952,107 | 31,218,973 | 29,318,502 | 26,331,376 |
| Expected credit loss | 43 | 18,353,241 | 21,514,212 | 18,478,224 | 17,010,786 |
| Profit from operations before income tax | | 17,547,143 | 12,803,532 | 17,459,599 | 8,723,622 |
| Income tax | 18 | 3,351,947 | 2,326,860 | 3,353,827 | 954,849 |
| Profit for the year | | 14,195,196 | 10,476,672 | 14,105,772 | 7,768,773 |
| Other comprehensive income | | | | | |
| <i>Items that will be reclassified subsequently to profit or loss</i> | | | | | |
| Loss on investments in debt instruments at fair value through other comprehensive income | | (586,912) | (1,038,368) | (570,410) | (1,060,666) |
| Gain (loss) on cash flow hedges | | (37,519) | (17,416) | (37,519) | 156,721 |
| Gain (loss) arising from translating the financial statements of foreign operations | | 58,187 | (20,292) | 58,187 | (20,292) |
| Income tax relating to items that will be reclassified subsequently to profit or loss | 18 | 113,249 | 215,215 | 109,949 | 184,847 |
| | | (452,995) | (860,861) | (439,793) | (739,390) |

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

TMBThanachart Bank Public Company Limited and its Subsidiaries
 Statements of profit or loss and other comprehensive income

| | Note | Consolidated | | Bank only | |
|---|------|--------------------------------|--------------------------|--------------------------------|-------------------------|
| | | For the year ended 31 December | | For the year ended 31 December | |
| | | 2022 | 2021 | 2022 | 2021 |
| <i>(in thousand Baht)</i> | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Change in revaluation surplus on assets | | (119,455) | (51,146) | (119,455) | (51,146) |
| Gain (loss) on investments in equity instruments designated at fair value through other comprehensive income | | (16,530) | 587,808 | (16,530) | 491,861 |
| Actuarial gain on post-employment benefit plan | 23 | 14,370 | 197,454 | 19,828 | 195,756 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 18 | 24,323 | (146,823) | 23,232 | (127,294) |
| | | <u>(97,292)</u> | <u>587,293</u> | <u>(92,925)</u> | <u>509,177</u> |
| Total other comprehensive income for the year, net of income tax | | <u>(550,287)</u> | <u>(273,568)</u> | <u>(532,718)</u> | <u>(230,213)</u> |
| Total comprehensive income for the year | | <u><u>13,644,909</u></u> | <u><u>10,203,104</u></u> | <u><u>13,573,054</u></u> | <u><u>7,538,560</u></u> |
| Profit attributable to: | | | | | |
| Equity holders of the Bank | | 14,195,190 | 10,474,045 | 14,105,772 | 7,768,773 |
| Non-controlling interest | | 6 | 2,627 | - | - |
| Profit for the year | | <u><u>14,195,196</u></u> | <u><u>10,476,672</u></u> | <u><u>14,105,772</u></u> | <u><u>7,768,773</u></u> |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Bank | | 13,644,906 | 10,200,487 | 13,573,054 | 7,538,560 |
| Non-controlling interest | | 3 | 2,617 | - | - |
| Total comprehensive income for the year | | <u><u>13,644,909</u></u> | <u><u>10,203,104</u></u> | <u><u>13,573,054</u></u> | <u><u>7,538,560</u></u> |
| Earnings per share | | | | | |
| | 44 | | | | |
| Basic earnings per share (in Baht) | | <u>0.1469</u> | <u>0.1086</u> | <u>0.1459</u> | <u>0.0805</u> |
| Diluted earnings per share (in Baht) | | <u>0.1462</u> | <u>0.1083</u> | <u>0.1453</u> | <u>0.0803</u> |

Mr. Piti Tantakasem
 Chief Executive Officer

Mr. Ekniti Nitithanprapas
 Chairman of the Board

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

TMBThanachart Bank Public Company Limited and its Subsidiaries

Statements of changes in equity

| Note | Consolidated | | | | | | | | | | | | Total equity |
|--|----------------------------------|--------------------------|--------------------------------------|------------------------------------|---|---|---|---------------------|-------------------|--------------------|---|--------------------------|--------------------|
| | Other reserves | | | | | | Retained earnings | | | | | | |
| | Issued and paid-up share capital | Premium on share capital | Other reserve - share-based payments | Revaluation surplus on assets, net | Revaluation surplus (deficit) on investments, net | Cash flow hedge reserve (effective portion) | Translation adjustment arising from translating the financial statements of foreign operations, net | Total other reserve | Legal reserve | Unappropriated | Equity attributable to equity holders of the Bank | Non-controlling interest | |
| <i>(in thousand Baht)</i> | | | | | | | | | | | | | |
| Year ended 31 December 2021 | | | | | | | | | | | | | |
| Balance as at 1 January 2021 | 91,588,946 | 43,321,601 | 69,563 | 5,369,508 | 434,305 | (45,269) | (30,316) | 5,797,791 | 10,091,000 | 53,913,289 | 204,712,627 | 37,098 | 204,749,725 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | |
| Contributions by and distribution to owners of the bank | | | | | | | | | | | | | |
| Reserve in relation to share-based payments | - | - | 260,900 | - | - | - | - | 260,900 | - | - | 260,900 | - | 260,900 |
| Issued ordinary shares to employees | 202,785 | 24,377 | (227,162) | - | - | - | - | (227,162) | - | - | - | - | - |
| Expenses in relation to issuance of ordinary shares | - | (1,138) | - | - | - | - | - | - | - | - | (1,138) | - | (1,138) |
| Dividend paid | 32 | - | - | - | - | - | - | - | - | (4,338,321) | (4,338,321) | - | (4,338,321) |
| Total contributions by and distribution to owners of the bank | 202,785 | 23,239 | 33,738 | - | - | - | - | 33,738 | - | (4,338,321) | (4,078,559) | - | (4,078,559) |
| Change in ownership interests in subsidiary | | | | | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | - | - | - | - | - | - | - | - | - | - | - | (38,575) | (38,575) |
| Total change in ownership interests in subsidiary | - | - | - | - | - | - | - | - | - | - | - | (38,575) | (38,575) |
| Comprehensive income for the year | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 10,474,045 | 10,474,045 | 2,627 | 10,476,672 |
| Other comprehensive income | - | - | - | (40,916) | (360,471) | (13,899) | (16,234) | (431,520) | - | 157,962 | (273,558) | (10) | (273,568) |
| Total comprehensive income for the year | - | - | - | (40,916) | (360,471) | (13,899) | (16,234) | (431,520) | - | 10,632,007 | 10,200,487 | 2,617 | 10,203,104 |
| Transfer to retained earnings | - | - | - | (147,405) | (80,347) | - | - | (227,752) | - | 227,752 | - | - | - |
| Balance as at 31 December 2021 | 91,791,731 | 43,344,840 | 103,301 | 5,181,187 | (6,513) | (59,168) | (46,550) | 5,172,257 | 10,091,000 | 60,434,727 | 210,834,555 | 1,140 | 210,835,695 |
| Year ended 31 December 2022 | | | | | | | | | | | | | |
| Balance as at 1 January 2022 | 91,791,731 | 43,344,840 | 103,301 | 5,181,187 | (6,513) | (59,168) | (46,550) | 5,172,257 | 10,091,000 | 60,434,727 | 210,834,555 | 1,140 | 210,835,695 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | |
| Contributions by and distribution to owners of the bank | | | | | | | | | | | | | |
| Reserve in relation to share-based payments | 28 | - | - | 122,089 | - | - | - | 122,089 | - | - | 122,089 | - | 122,089 |
| Issued ordinary shares to employees | 28,29 | 137,248 | 17,429 | (154,677) | - | - | - | (154,677) | - | - | - | - | - |
| Issued ordinary shares under the TTB-W1 Warrants Program | 29 | 8,291 | - | - | - | - | - | - | - | - | 8,291 | - | 8,291 |
| Expenses in relation to issuance of ordinary shares | 28 | - | (2,042) | - | - | - | - | - | - | - | (2,042) | - | (2,042) |
| Dividend paid | 32 | - | - | - | - | - | - | - | - | (5,601,360) | (5,601,360) | - | (5,601,360) |
| Total contributions by and distribution to owners of the bank | 145,539 | 15,387 | (32,588) | - | - | - | - | (32,588) | - | (5,601,360) | (5,473,022) | - | (5,473,022) |
| Comprehensive income for the year | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 14,195,190 | 14,195,190 | 6 | 14,195,196 |
| Other comprehensive income | - | - | - | (95,564) | (482,750) | (30,015) | 46,550 | (561,779) | - | 11,495 | (550,284) | (3) | (550,287) |
| Total comprehensive income for the year | - | - | - | (95,564) | (482,750) | (30,015) | 46,550 | (561,779) | - | 14,206,685 | 13,644,906 | 3 | 13,644,909 |
| Transfer to retained earnings | - | - | - | (122,176) | - | - | - | (122,176) | - | 122,176 | - | - | - |
| Balance as at 31 December 2022 | 91,937,270 | 43,360,227 | 70,713 | 4,963,447 | (489,263) | (89,183) | - | 4,455,714 | 10,091,000 | 69,162,228 | 219,006,439 | 1,143 | 219,007,582 |

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

Statements of changes in equity

| Note | Bank only | | | | | | | | | | Retained earnings | | Total equity |
|--|----------------------------------|--------------------------|--------------------------------------|--|------------------------------------|---|---|---|---------------------|-------------------|--------------------|--------------------|--------------|
| | | | | | | Other reserves | | | | | Legal reserve | Unappropriated | |
| | Issued and paid-up share capital | Premium on share capital | Other reserve - share-based payments | Surplus on business combination under common control | Revaluation surplus on assets, net | Revaluation surplus (deficit) on investments, net | Cash flow hedge reserve (effective portion) | Translation adjustment arising from translating the financial statements of foreign operations, net | Total other reserve | | | | |
| <i>(in thousand Baht)</i> | | | | | | | | | | | | | |
| Year ended 31 December 2021 | | | | | | | | | | | | | |
| Balance as at 1 January 2021 | 91,588,946 | 43,321,601 | 69,563 | - | 5,369,508 | 486,481 | (133,932) | (30,316) | 5,761,304 | 10,091,000 | 52,689,658 | 203,452,509 | |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | |
| Contributions by and distribution to owners of the bank | | | | | | | | | | | | | |
| Reserve in relation to share-based payments | - | - | 260,900 | - | - | - | - | - | 260,900 | - | - | 260,900 | |
| Issued ordinary shares to employees | 202,785 | 24,377 | (227,162) | - | - | - | - | - | (227,162) | - | - | - | |
| Expenses in relation to issuance of ordinary shares | - | (1,138) | - | - | - | - | - | - | - | - | - | (1,138) | |
| Dividend paid | - | - | - | - | - | - | - | - | - | - | (4,338,321) | (4,338,321) | |
| Total contributions by and distribution to owners of the bank | 202,785 | 23,239 | 33,738 | - | - | - | - | - | 33,738 | - | (4,338,321) | (4,078,559) | |
| Comprehensive income for the year | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | 7,768,773 | 7,768,773 | |
| Other comprehensive income | - | - | - | - | (40,917) | (455,044) | 125,377 | (16,234) | (386,818) | - | 156,605 | (230,213) | |
| Total comprehensive income for the year | - | - | - | - | (40,917) | (455,044) | 125,377 | (16,234) | (386,818) | - | 7,925,378 | 7,538,560 | |
| Entire business transfer from subsidiary | - | - | - | 884,526 | - | - | - | - | 884,526 | - | - | 884,526 | |
| Transfer to retained earnings | - | - | - | - | (147,404) | (28,166) | - | - | (175,570) | - | 175,570 | - | |
| Balance as at 31 December 2021 | 91,791,731 | 43,344,840 | 103,301 | 884,526 | 5,181,187 | 3,271 | (8,555) | (46,550) | 6,117,180 | 10,091,000 | 56,452,285 | 207,797,036 | |
| Year ended 31 December 2022 | | | | | | | | | | | | | |
| Balance as at 1 January 2022 | 91,791,731 | 43,344,840 | 103,301 | 884,526 | 5,181,187 | 3,271 | (8,555) | (46,550) | 6,117,180 | 10,091,000 | 56,452,285 | 207,797,036 | |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | |
| Contributions by and distribution to owners of the bank | | | | | | | | | | | | | |
| Reserve in relation to share-based payments | 28 | - | - | 122,089 | - | - | - | - | 122,089 | - | - | 122,089 | |
| Issued ordinary shares to employees | 28,29 | 137,248 | 17,429 | (154,677) | - | - | - | - | (154,677) | - | - | - | |
| Issued ordinary shares under the TTB-W1 Warrants Program | 29 | 8,291 | - | - | - | - | - | - | - | - | - | 8,291 | |
| Expenses in relation to issuance of ordinary shares | 28 | - | (2,042) | - | - | - | - | - | - | - | - | (2,042) | |
| Dividend paid | 32 | - | - | - | - | - | - | - | - | - | (5,601,360) | (5,601,360) | |
| Total contributions by and distribution to owners of the bank | 145,539 | 15,387 | (32,588) | - | - | - | - | - | (32,588) | - | (5,601,360) | (5,473,022) | |
| Comprehensive income for the year | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | 14,105,772 | 14,105,772 | |
| Other comprehensive income | - | - | - | - | (95,564) | (469,552) | (30,015) | 46,550 | (548,581) | - | 15,863 | (532,718) | |
| Total comprehensive income for the year | - | - | - | - | (95,564) | (469,552) | (30,015) | 46,550 | (548,581) | - | 14,121,635 | 13,573,054 | |
| Transfer to retained earnings | - | - | - | - | (122,176) | - | - | - | (122,176) | - | 122,176 | - | |
| Balance as at 31 December 2022 | 91,937,270 | 43,360,227 | 70,713 | 884,526 | 4,963,447 | (466,281) | (38,570) | - | 5,413,835 | 10,091,000 | 65,094,736 | 215,897,068 | |

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

TMBThanachart Bank Public Company Limited and its Subsidiaries

Statements of cash flows

| | Consolidated | | Bank only | |
|---|---------------------------|-------------------|--------------------|-------------------|
| | For the year ended | | For the year ended | |
| | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in thousand Baht)</i> | | | |
| Cash flows from operating activities | | | | |
| Profit from operations before income tax | 17,547,143 | 12,803,532 | 17,459,599 | 8,723,622 |
| Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities | | | | |
| Depreciation and amortisation | 4,145,105 | 4,802,165 | 4,114,474 | 3,579,785 |
| Expected credit loss | 18,353,241 | 21,514,212 | 18,478,224 | 17,010,786 |
| Impairment loss on premises and equipment (reversal of) | (52,598) | 182,105 | (52,598) | 182,105 |
| Impairment loss on properties for sale and other assets | 255,412 | 282,039 | 255,692 | 209,615 |
| Provisions for liabilities | 809,433 | 534,755 | 794,444 | 607,317 |
| Loss (gain) on revaluation of investments measured at FVTPL | (72,870) | 8,161 | (72,870) | 42 |
| Impairment loss on investment | - | - | - | 89,700,000 |
| Loss (gain) on disposal and written-off of intangible assets | 140,983 | 87,321 | 140,983 | (45) |
| Loss (gain) on disposal of premises and equipment | (54,094) | 15,068 | (50,032) | (57,524) |
| Loss (gain) on disposal of investments | (6,721) | (181,993) | 3,631 | (190,517) |
| Unrealised loss on exchange and revaluation | 357,475 | 3,940,844 | 357,475 | 3,497,846 |
| Reserve in relation to share-based payments | 122,089 | 260,900 | 122,089 | 260,900 |
| Share of profit from investments using the equity method | (261,352) | (345,521) | - | - |
| Deferred revenue | (2,200,364) | (2,919,745) | (2,203,452) | (2,919,745) |
| Net interest income | (51,616,924) | (50,999,767) | (51,585,576) | (35,076,564) |
| Dividend income | (174,354) | (91,048) | (482,261) | (93,045,676) |
| Interest received | 65,977,124 | 61,362,859 | 65,901,790 | 42,968,887 |
| Interest paid | (11,033,744) | (11,473,188) | (11,039,957) | (8,791,630) |
| Income tax paid | (3,278,110) | (2,269,388) | (3,198,286) | (583,249) |
| Profit from operations before changes in operating assets and liabilities | 38,956,874 | 37,513,311 | 38,943,369 | 26,075,955 |
| Decrease (increase) in operating assets | | | | |
| Interbank and money market items | (28,722,798) | 52,371,165 | (28,715,137) | 71,919,066 |
| Financial assets measured at fair value through profit or loss | (39,263) | 2,358,823 | (39,263) | (66,781) |
| Loans to customers | (24,031,706) | (1,445,930) | (22,116,281) | (25,180,413) |
| Properties for sale | (857,666) | 3,875,499 | 680,542 | (162,130) |
| Other assets | (411,924) | 5,474,502 | (92,732) | 5,265,631 |
| Increase (decrease) in operating liabilities | | | | |
| Deposits | 60,044,704 | (34,212,712) | 55,991,404 | 70,719,414 |
| Interbank and money market items | (196,190) | 9,124,969 | (196,190) | (84,577,951) |
| Liabilities payable on demand | 261,180 | 1,430,446 | 261,159 | 1,045,440 |
| Provisions for other liabilities | (692,327) | (1,895,220) | (755,953) | (77,998) |
| Other liabilities | 4,902,702 | (3,277,528) | 4,888,351 | (326,363) |
| Net cash provided by operating activities | 49,213,586 | 71,317,325 | 48,849,269 | 64,633,870 |

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

TMBThanachart Bank Public Company Limited and its Subsidiaries

Statements of cash flows

| | Consolidated | | Bank only | |
|---|---------------------------|---------------------|---------------------|---------------------|
| | For the year ended | | For the year ended | |
| | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in thousand Baht)</i> | | | |
| <i>Cash flows from investing activities</i> | | | | |
| Interest received | 1,774,842 | 1,166,297 | 1,774,842 | 817,095 |
| Dividend received | 482,261 | 415,536 | 482,261 | 93,045,676 |
| Cash paid for the entire business transfer | - | - | - | (161,412,133) |
| Cash received from capital return from a subsidiary | - | - | - | 68,619,379 |
| Purchase of investments measured at FVOCI | (45,176,552) | (143,094,111) | (45,176,552) | (95,269,992) |
| Proceeds from investments measured at FVOCI | 41,021,002 | 96,190,760 | 41,021,002 | 70,056,909 |
| Purchase of investments measured at amortised cost | (27,873,317) | - | (27,873,317) | - |
| Purchase of investments in subsidiaries | - | - | (30,000) | (273,125) |
| Purchase of premises and equipment | (1,057,483) | (1,223,034) | (1,033,888) | (1,105,290) |
| Purchase of intangible assets | (1,602,694) | (2,255,065) | (1,577,839) | (2,221,155) |
| Proceeds from disposals of premises and equipment | 184,395 | 463,320 | 180,162 | 459,450 |
| Net cash used in investing activities | (32,247,546) | (48,336,297) | (32,233,329) | (27,283,186) |
| <i>Cash flows from financing activities</i> | | | | |
| Cash receipts on debenture issued and borrowings | 21,998,420 | 9,169,300 | 5,458,420 | 669,300 |
| Cash paid for redemption of debenture and repayment of borrowings | (31,515,098) | (31,742,348) | (14,675,098) | (28,542,348) |
| Interest paid on debts issued and borrowings | (2,418,180) | (1,942,725) | (2,368,063) | (1,942,725) |
| Increase in issued and fully paid-up - ordinary shares | 8,291 | - | 8,291 | - |
| Expenses in relation to issuance of ordinary shares | (2,042) | (1,138) | (2,042) | (1,138) |
| Dividend paid to equity holders of the Bank | (5,601,360) | (4,358,626) | (5,601,360) | (4,338,321) |
| Cash paid for capital return to non-controlling interests | - | (16,415) | - | - |
| Net cash used in financing activities | (17,529,969) | (28,891,952) | (17,179,852) | (34,155,232) |
| Change in translation adjustments of foreign operations | 58,187 | (20,292) | 58,187 | (20,292) |
| Net increase (decrease) in cash | (505,742) | (5,931,216) | (505,725) | 3,175,160 |
| Cash at 1 January | 16,011,325 | 21,942,541 | 16,011,307 | 12,836,147 |
| Cash at 31 December | 15,505,583 | 16,011,325 | 15,505,582 | 16,011,307 |

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

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

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TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements and were approved and authorised for issue by the Board of Directors on 21 February 2023.

1 General information

TMBThanachart Bank Public Company Limited, (the "Bank"), is incorporated in Thailand and has its registered office at 3000 Phahonyothin Road, Chomphon, Chatuchak, Bangkok.

The Bank was listed on the Stock Exchange of Thailand on 23 December 1983.

The principal business of the Bank is operating commercial banking businesses. The subsidiaries are incorporated as company under Thai laws and have been operating in Thailand, with its core businesses being provision of asset management and brokerage service. Details of the Bank's subsidiaries and associates as at 31 December 2022 and 2021 are given in note 12.

2 Basis of preparation of the financial statements

The financial statements are prepared in accordance with Thai Financial Reporting Standards; guidelines promulgated by the Federation of Accounting Professions and; applicable rules and regulations of the Thai Securities and Exchange Commission and the Bank of Thailand ("BoT") notification number Sor Nor Sor 21/2561, regarding to *Preparation and Announcement of Financial Statements of a Commercial Bank and a Holding Company that is the Parent Company of a Financial Group*; and other additional BoT notification.

The financial statements are prepared and presented in Thai Baht, which is the Bank and its subsidiaries' functional currency. All financial information is presented in Thai Baht and has been rounded to the nearest thousand and in the notes to financial statements to the nearest million unless otherwise stated.

From 1 January 2022, the Bank and its subsidiaries have adopted TFRS 9 *Financial Instruments and TFRS 7 Financial Instruments: Disclosures* which are amended regarding to Interbank Offer Rate (IBOR) reform - Phase 2 (Phase 2 amendments).

The Phase 2 amendments are applicable when an existing interest rate benchmark is replaced by another interest rate benchmark. The Phase 2 amendments provide a practical expedient that modifications to asset and liability values as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change), can be accounted for by only updating the effective interest rate.

The Bank and its subsidiaries applied the Phase 2 amendments retrospectively and elect to apply the exceptions for not to restate comparatives for the prior periods. As a result, the Bank and its subsidiaries have no impact on the beginning retained earnings of 2022.

Revised TFRS are effective for annual accounting periods beginning on or after 1 January 2022 which have no material impact on the financial statements.

The COVID-19 pandemic is still on going. Due to uncertainty of the situation since 2020, the BoT has provided measures, which are intended to support the financial institutions and to help the borrowers and industries that are affected by COVID-19 and by Thai economic situations. Additional measures continue to be provided.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

In 2021, the Bank and its subsidiaries applied accounting relief provided by the BoT in response to impact from the situation of COVID-19 which includes the application of the BoT optional treatments as follows:

- (1) The application of BoT circular letter number Tor Por Tor For Nor Sor (23) Wor 276/2563 dated 28 February 2020, regarding to The relief programs for customers affected by Thai economic situations and BoT circular letter number Tor Por Tor Kor Por Nor Wor 480/2564 dated 14 May 2021, regarding to The assistance measures for retail customers during COVID-19 pandemic situations Phase 3 as follows:
 - The use of new Effective Interest Rate (EIR) at the time of contracts are changed.
- (2) Sor Nor Sor. 4/2564, regarding “*Measurement of asset warehousing for debt repayment*” of which details are given in note 15

In 2022, the Bank and its subsidiaries applied the following accounting relief provided by the BoT in response to impact from the situation of COVID-19 which includes the application of the BoT optional treatments which are in line with BoT circular letter number For Nor Sor 2 Wor 802/2564 dated 3 September 2021, regarding to *Guidelines regarding the provision of financial assistance to the debtors affected by the COVID-19 (sustainable debt resolution)* and accounting guidelines according to the announcement from Federation of Accounting Professions letter number 37/2564 dated 3 December 2021, regarding to *Guidelines regarding the provision of financial assistance to the debtors affected by the COVID-19*:

- (1) The Debt restructuring which aims to reduce the repayment other than term extension: Under this restructuring, the Bank and its subsidiaries will have an option to apply temporary accounting relief measure for classification and provisioning. (1st form of financial assistance)
- (2) Debt restructuring by term extension only: Under this restructuring, the Bank and its subsidiaries are required to classify loan’s staging and provisioning in accordance with relevant financial reporting standards. (2nd form of financial assistance)

The Bank and its subsidiaries will provide both form of financial assistance and have chosen to apply temporary accounting relief measures in accordance with this accounting guidance for the 1st form of financial assistance:

- Non-NPL customers can be classified as performing loan when new restructuring includes principal and interest repayment which is clearly specified in the modification contract.
- The use of new Effective Interest Rate (EIR) at the time of contracts are changed.

Details of Sor Nor Sor. 4/2564, regarding “*Measurement of asset warehousing for debt repayment*” are given in note 15.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of the Bank and its subsidiaries’ accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions that described in each note are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about judgments made in applying accounting policies that have significant effects on the amounts recognised in the financial statements, and information about assumption and estimation uncertainties at 31 December 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are included in the following notes:

- | | |
|--------|---|
| Note 4 | Loan staging, determining the criteria for assessing if there has been a significant increase in credit risk and expected credit loss models, determination of inputs into the model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information; |
| Note 5 | Measurement of the fair value of financial instruments with significant unobservable inputs. |

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except those stated in note 2.

3.1 Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as “the Bank and its subsidiaries”)

Business combinations

The Bank and its subsidiaries’s apply the acquisition method for all business combinations when control is transferred to the Bank and its subsidiaries, as described in subsidiaries section, other than those with entities under common control.

The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any gain on bargain purchase is recognised in profit or loss immediately.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Bank and its subsidiaries to the previous owners of the acquiree, and equity interests issued by the Bank and its subsidiaries. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Bank and its subsidiaries incur in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

Acquisitions from entities under common control

Business combination under common control are accounted for using a method similar to the pooling of interest method. Under that method the acquirer recognizes assets and liabilities of the acquired businesses at their carrying amounts in the consolidated financial statements of the ultimate parent company at the moment of the transaction. The difference between the carrying amount of the acquired net assets and the consideration transferred is recognised as surplus or discount from business combinations under common control in equity. The surplus or discount will be transferred to retained earnings upon divestment or dissolution of the businesses acquired.

The results from operations of the acquired businesses will be included in the consolidated financial statements of the acquirer from the beginning of the comparative period or the moment the businesses came under common control, whichever date is later, until control ceases.

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank and its subsidiaries control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiaries’ financial statements are prepared using the same significant accounting policies as the Bank.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

Non-controlling interests

At the acquisition date, the Bank and its subsidiaries measure any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Bank and its subsidiaries interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Bank and its subsidiaries lose control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss from loss of control over a subsidiary is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Bank and its subsidiaries' interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Bank and its subsidiaries have significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Bank and its subsidiaries' share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Significant intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gain arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Bank and its subsidiaries' interest in the investee. Unrealised loss is eliminated in the same way as unrealised gain, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include the accounts of the Head Office, all domestic and overseas branches and the Bank and its subsidiaries. All inter-company transactions and balances within this Group have been eliminated.

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate announced by the Bank of Thailand at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Equity investments that have been elected to be measured at FVOCI
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective
- Qualifying cash flow hedges to the extent that the hedge is effective

Foreign operations

The assets and liabilities of foreign operations are translated into Thai Baht at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Thai Baht at the exchange rates at the dates of the transactions.

The financial statements of overseas branches are translated into Thai Baht at the reference rates announced by the Bank of Thailand at the reporting dates. Foreign exchange differences arising on translation are recognised in other comprehensive income until dissolution of the branch's business.

3.3 Cash

Cash includes cash in hand and cash on collection.

3.4 Financial instruments

3.4.1 Recognition and initial measurement

The Bank and its subsidiaries initially recognise financial instruments (including regular-way purchases and sales of financial assets) on the trade date, which is the date on which the Bank and its subsidiaries become a party to the contractual provisions of the instrument except for investment in debt instruments which are recognised on the settlement date.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.4.2 Derecognition

Derecognition of financial assets

The Bank and its subsidiaries derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank and its subsidiaries neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank and its subsidiaries are recognised as a separate asset or liability.

Disposal of investments

For debt and equity securities, cost of both investments sold and those still held are determined using the weighted average method.

Derecognition of financial liabilities

The Bank and its subsidiaries derecognise a financial liability when its contractual obligations are discharged or cancelled or expire.

3.4.3 *Classification and measurement of financial instruments*

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

Financial assets - debt instruments

Classification of debt instruments included loan and investments in debt securities depend on Business model assessment and assessment of whether contractual cash flows are solely payments of principle and interest.

Business model assessment

The Bank and its subsidiaries make an assessment of the objective of a business model in which an asset is held. The information considered includes:

- the stated policies and objectives for the financial assets and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the financial asset is evaluated and reported to the Bank and its subsidiaries' management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank and its subsidiaries' stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principle and interest

In assessing whether the contractual cash flows are SPPI, the Bank and its subsidiaries consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank and its subsidiaries consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- terms that limit the Bank and its subsidiaries' claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Based on business model and the contractual term of cash flows assessment, there are three categories into which the Bank and subsidiaries classify and measure debt instruments:

Amortised cost

Debt instruments are measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Debt instruments measured at amortised cost is initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method adjusted by impairment loss. Interest income, foreign exchange gain and loss and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair value through Other Comprehensive income (FVOCI)

Debt instruments are measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is 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 asset give rise on specified dates to cash flows that are SPPI.

For debt instruments measured at FVOCI, these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gain and loss and impairment are recognised in profit or loss. Other net gain and loss are recognised in OCI. On derecognition, gain and loss accumulated in OCI are reclassified to profit or loss.

Fair value through Profit or loss (FVTPL)

Unless debt instruments are classified as measured at amortised cost or FVOCI, debt instruments are classified as measured at FVTPL.

On initial recognition, the Bank and subsidiaries may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For debt instruments measured at FVTPL, these assets are subsequently measured at fair value. Net gain and loss, including any interest are recognised in profit or loss.

Financial assets - Equity instruments

All equity instruments included equity investment measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Bank and subsidiaries may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Unless equity investments are elected to present subsequent changes in fair value in OCI, equity instruments are classified as measured at FVTPL.

For equity instruments measured at FVTPL, these assets are subsequently measured at fair value. Net gain and loss, including any dividend income are recognised in profit or loss.

For equity instruments measured at FVOCI, these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gain and loss are recognised in OCI and are never reclassified to profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank and its subsidiaries change its business model for managing financial assets.

Classification of financial liabilities

On initial recognition, financial instrument is classified as financial liability in accordance with the substance of the contractual arrangement.

The Bank and its subsidiaries classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

The Bank and its subsidiaries have designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gain and loss, including any interest expense, are recognised in profit or loss.

For financial liabilities measured at amortised cost, these liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and loss are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.4.4 Interest recognition

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired financial assets, the Bank and its subsidiaries estimate future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3.4.5 *Modifications of financial assets and financial liabilities*

Modifications of financial assets

If the terms of a financial asset are modified, then the Bank and its subsidiaries evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank and its subsidiaries first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognise the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is recognised as a part of expected credit loss. In other cases, it is presented as interest income calculated using the effective interest rate method.

3.4.6 *Impairment of financial assets*

The Bank and its subsidiaries recognise loss allowance for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL and no impairment loss is recognised on equity investments.

Measurement of ECL

Expected credit loss are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information. This includes forward-looking information.

ECL are a probability-weighted estimate of credit loss. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows in accordance with the contract and the cash flows that the Bank and its subsidiaries expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank and its subsidiaries if the commitment is drawn down and the cash flows that the Bank and its subsidiaries expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank and its subsidiaries expect to recover.

Estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD).

Staging

For ECL recognition, financial assets are classified in any of the below 3 stages at each reporting date. A financial asset can move between stages during its lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

- Stage 1: Financial assets that have not had a significant increase in credit risk

Financial assets that have not had a significant increase in credit risk (SICR) since initial recognition (i.e. no Stage 2 or 3 triggers apply) or debt investment that considered to have low credit risk at each reporting date with the exception of purchased or originated credit impaired (POCI) assets. The provision for ECL is 12-month ECL. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

- Stage 2: Financial assets have a SICR

When financial assets have a SICR since initial recognition, expected credit loss are recognised for possible default events over the lifetime of the financial assets. SICR is assessed by using a number of quantitative and qualitative factors that are significant to the increase in credit risk. (see details in Note 6.1) Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

- Stage 3: Lifetime ECL credit impaired

Financial assets that are credit-impaired or in default represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the customers are unlikely to repay on the occurrence of one or more observable events that have a negative impact on the estimated future cash flows of the financial assets.

Expected credit loss of credit-impaired financial assets are determined based on the difference between the present value of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate, discounted with the financial assets' original effective interest rate, and the gross carrying value of the financial assets prior to any credit impairments.

Staging and provisioning on modified portfolio

The Bank established the staging and provisioning guideline on modified portfolio, as well as upstaging criteria, to ensure the prudent staging and the sufficient provision level to cover potential credit loss of modified portfolio. The Bank has also applied certain accounting relief according to accounting guideline (see note 2). The key factors to determine staging and provisioning consists of the customer's credit quality, repayment type and monitoring period.

Improvement in credit risk

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

Financial asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired.

Loss allowance for ECL are presented in the statement of financial position

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision; and
- financial assets measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, expected credit loss is recognised in profit or loss.

3.4.7 Derivative held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank and its subsidiaries designate certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank and its subsidiaries formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank and its subsidiaries make an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a specific range. For a cash flow hedge of a forecast transaction, the Bank and its subsidiaries make an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

These hedging relationships are discussed below.

Fair value hedge

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

If the hedged cash flows are no longer expected to occur, then the Bank and its subsidiaries immediately reclassify the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Bank and its subsidiaries reclassify the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

For derivatives used to dynamic hedge of assets or liabilities, the Bank and its subsidiaries continue using an accrual basis of derivatives.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank and its subsidiaries account for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form a part of a qualifying cash flow or net investment hedging relationship.

3.5 *Securities purchased under resale agreements/Securities sold under repurchase agreements*

The Bank and its subsidiaries enter into agreements to purchase securities or to sell securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of "Interbank and money market items, net (assets)" or "Loans to customers", depending upon the type of its counterparty, in the statements of financial position, and the underlying securities are treated as collateral to such receivables. Securities sold subject to repurchase commitments are presented as liabilities under the caption of "Interbank and money market items (liabilities)" or "Debt issued and borrowings", depending upon the type of its counterparty, 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 difference between the purchase and sale considerations is recognised as interest income or expenses, as the case may be, over the transaction periods.

3.6 *Investments in subsidiaries and associates*

Investments in subsidiaries and associates as stated in the Bank only financial statements are accounted for using the cost method less allowance for impairment loss, (if any). Impairment loss are recorded as expenses in profit or loss. Investment in associates in the consolidated financial statements are accounted for using equity method.

If the Bank and its subsidiaries receive shares as a result of debt restructuring of a borrower, which cause them to hold more than 50% or 20% of the paid-up share capital of such company, they will not treat that investee company as a subsidiary or an associate, respectively.

The Bank and its subsidiaries do not treat investments in any mutual funds in which they hold more than 50% or 20% of the issued units of the fund as investments in a subsidiary or an associate, respectively, because the Bank and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund managers in accordance with the details stipulated in the mutual fund prospectus and under the supervision of the Office of Securities and Exchange Commission.

3.7 *Bill purchased, trade finance and factoring*

The Bank and its subsidiaries classify bill purchased transactions, trade finance transactions by purchasing, discounting or rediscounting bills under letters of credit, and factoring transactions as assets based on the business type of the counterparty whom the Bank and its subsidiaries have their legal recourses. In case that there is acceptance, aval or guarantee by other financial institutions, the Bank and its subsidiaries will classify the recorded transactions as assets, which are presented under the caption of "Interbank and money market items, net (assets)". In case that there is no acceptance, aval or guarantee by other financial institutions, the Bank will classify the recorded transactions as assets, which are presented under the caption of "Loans to customers" or "Interbank and money market items, net (assets)" depending upon the business type of its counterparty.

The Bank and its subsidiaries recognise the difference between purchase price and the face value of bill as unearned discounts which are presented as deductions against "Loans to customers" or "Interbank and money market items, net (assets)" as the case may be and gradually amortises such unearned discounts as interest income using the effective interest rate over the term of discounting or rediscounting periods.

3.8 *Properties for sale*

Properties for sale are stated at the lower of cost or net realisable value. Impairment loss is recognised as an expense in profit or loss. Gain or loss on disposal is recognised in profit or loss when a disposal is made.

Cost of properties for sale as a result of settlement from a debtor is stated at fair value to the extent that this does not exceed the carrying value of the debt plus non-booked interest receivable to which the Bank and its subsidiaries are legally entitled. Cost of properties for sale through a public auction process is the purchase price plus transfer costs.

The Bank and its subsidiaries consider net realisable value for each unit of properties for sale. Net realisable value is the recoverable value from disposal of properties for sale less estimated selling expenses. The recoverable value from disposal of properties for sale is assessed with reference to the appraisal value of each unit of properties for sale and is adjusted down by varying discount rates, taking into consideration the quality of assets (location, infrastructure and property usage potential), holding period, historical disposal experience and market demand.

In accordance with asset warehousing, the assets are transferred to the Bank for repayment based on agreed price with the buy-back conditions not over 5 years and rent-back conditions for business operation. The Bank derecognises loans to customers and presents transferred assets as properties for sale in accordance with the ownership of the transferred assets. The transferred assets have the same measurement as other properties for sale. Income that the Bank receives is recorded as other income.

3.9 *Premises and equipment*

Land is measured at revalued amount less allowance for impairment loss (if any), buildings are measured at revalued amount less accumulated depreciation and allowance for impairment loss (if any), and equipment is measured at cost less accumulated depreciation and allowance for impairment loss (if any).

The Bank and its subsidiaries initially record premises and equipment at their costs on the acquisition dates. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

The cost of replacing a part of an item of premises and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its subsidiaries, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of assets are recognised in profit or loss as incurred.

The Bank and its subsidiaries thereafter, arrange to have the independent valuers appraise the land and buildings on a regular basis and records them at the revalued amount (Revalued amounts are determined by the independent valuer using the market approach for land and the depreciated replacement cost approach for buildings) such that the carrying values of such assets as at the end of the reporting period do not materially differ from their fair values.

The Bank and its subsidiaries recognise surplus/deficit arising as a result of revaluation of their assets as follows:

- (1) When an asset's carrying amount is increased as a result of a revaluation of the assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in other reserve under the heading of "Revaluation surplus on assets". However, if the asset is previously devalued and the Bank and its subsidiaries used to recognise such revaluation decrease as an expense in profit or loss, a revaluation increase from this revaluation is then recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- (2) When an asset's carrying amount is decreased as a result of a revaluation of the asset, the decrease is recognised in profit or loss. However, if the asset was previously revalued and an outstanding balance of revaluation surplus remains in other reserve under the heading of "Revaluation surplus on assets", the revaluation decrease is then charged to other comprehensive income to the extent that it does not exceed the amount already held in "Revaluation surplus on assets" in respect of the same asset and the revaluation decrease in excess of the amount already held in "Revaluation surplus on assets" in respect of the same asset is recognised in profit or loss.

Depreciation of buildings and equipment is calculated by reference to their cost or the revalued amounts, on a straight-line basis over the following estimated periods of useful lives. (Depreciation of fixed assets of overseas branches is computed at a rate specified by the applicable laws, which is at the rate of 20% of the cost or the estimated useful life of 5 years.)

| | | |
|-----------------------|---|--------------|
| Buildings | Appraised by independent professional appraisers (average at 50 | years) |
| Leasehold improvement | | 6 - 20 years |
| Equipment | | 3 - 10 years |

Depreciation is charged to profit or loss. No depreciation is determined for land and assets under construction and installation. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The revaluation surplus on assets is amortised, using the straight-line method, over the estimated remaining periods of those assets' estimated useful lives and directly charged to retained earnings. The remaining of revaluation surplus on an item of land and buildings, that is derecognised of, is transferred directly to retained earnings when the asset is derecognised of.

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

3.10 Leases

At inception of a contract, the Bank and its subsidiaries assesses that a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement the Bank and its subsidiaries allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices of each component.

The Bank and its subsidiaries recognise a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which are recognised as expenses on a straight-line basis over the respective lease terms.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of premises and equipment.

The lease liability is initially measured at the present value of all lease payments that shall be paid under the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank and its subsidiaries' incremental borrowing rate and subsequently at amortised cost using the effective interest method.

The lease liability is remeasured when there is a modification, change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and its subsidiaries present right-of-use assets in premises and equipment/intangible assets and lease liabilities in 'other liabilities' in the statement of financial position.

When the Bank and its subsidiaries acts as a lessor, it determines at lease inception whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The Bank and its subsidiaries recognise lease payments received under operating leases as rental income on a straight-line basis over the lease term as part of other income.

The Bank and its subsidiaries recognise hire purchase receivables/finance lease receivables at the amount of the Bank and its subsidiaries' net investment in the lease, which comprises the present value of the lease payments and any unguaranteed residual value. Hire purchase/finance lease income is allocated to accounting years to reflect a constant periodic rate of return on the Bank and its subsidiaries net investment outstanding in respect of the leases.

The Bank and its subsidiaries derecognise, modified cashflow of hire purchase/finance lease receivables and determine impairment on the lease receivables as disclosed in note 3.4.2, 3.4.5 and 3.4.6.

3.11 Goodwill and other intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 3.1 Subsequent to initial recognition, goodwill is measured at cost less allowance for impairment loss.

Other intangible assets

Other intangible assets that are acquired by the Bank and its subsidiaries and have finite useful lives are measured at cost less accumulated amortisation and allowance for impairment loss.

Other intangible assets include car dealer relationship. These intangible assets were acquired in a business combination. These intangible assets are initially measured at their fair value at the date of acquisition and subsequently stated at cost less accumulated amortisation and allowance for impairment loss.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of computer software and car dealer relationship for the current and comparative years are 3 - 14 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.12 *Impairment*

The carrying amounts of the Bank and its subsidiaries' assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. Impairment loss recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.13 *Employee benefits*

Short-term employee benefits

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

Post employment benefits and other long-term employee benefits

Defined contribution plan

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

Defined benefit plans

The Bank and its subsidiaries treat the severance payments they must make to employees upon retirement under labour law and other benefit (if any) as a post-employment benefit plan and the obligation to provide memorable gifts to employees when the employees have worked for the specified length of years in service as other long-term employee benefit plan.

Provisions for post-employment benefit plan and other long-term employee benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method. These actuarial techniques involve assumptions with reference to various variables such as demographic assumptions (e.g. staff turnover rate, mortality rate, etc.) and financial assumptions (e.g. salary incremental rate, discount rate, etc.).

Actuarial gain or loss arising from a post-employment benefit plan is recognised in other comprehensive income and taken as a part of retained earnings.

Actuarial gain or loss arising from other long-term employee benefit plan is recognised in profit or loss.

Share-based payments

The cost of the TTB Stock Retention Program is recognised when services are rendered by employees. The cost of the share-based payment plan is measured by reference to the fair value of the issued shares on the grant date (date of offering of new ordinary shares to the employees).

The cost of the share-based payment plan is recognised as expenses in profit or loss with a corresponding increase in "Other reserve - share-based payments" in equity over the periods in which the performance and service conditions are fulfilled. The cumulative expenses, which involve the Bank and its subsidiaries' management best estimate of number or ordinary shares that will ultimately vest, is recognised for the share-based payment plan at each reporting period-end until the vesting date. The expenses or reversal of expenses for a period represented the movement in cumulative expenses recognised as at the beginning and at the end of the reporting year.

3.14 Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions for contingent liabilities as a result of obligation having credit risk exposures

The Bank and its subsidiaries provide provisions for those off-balance sheet items having credit risk exposures, such as loan guarantees, avals or commitments irrevocable by financial institutions, or obligation according to letter of guarantee of which the Bank and its subsidiaries were claimed against, using the same criteria and methods applied to allowance for expected credit loss that are described in note 3.4.6.

3.15 Measurement of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank and its subsidiaries has access at that date. The fair value of a liability reflects its non-performance risk.

The Bank and its subsidiaries have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Bank and its subsidiaries Audit Committee.

When measuring the fair value of an asset or a liability, the Bank and its subsidiaries use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank and its subsidiaries recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3.16 Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Fees which are not integral to the effective interest rate on a financial asset or financial liability are recognised as revenue on an accrual basis and service income is recognised as revenue when services are rendered, taking into account the stage of completion of the services provided and conditions in the contract. Fee received in advance is recorded as "Deferred revenue" in the statements of financial position and recognised as revenue when services are rendered. In case that the Bank and its subsidiaries provide customer loyalty programmes, such as award points to redeem goods or services, etc. to their customers to motivate them to become their loyal customers, the Bank and its subsidiaries shall allocate the fair value of the award points earned by customers each time they use services of the Bank and its subsidiaries from considerations received on services they provide each time. The amount is recorded as "Deferred revenue" in the statements of financial position and it will be recognised as revenue in profit or loss when the customers redeem the award points.

Fees and service expenses

The Bank and its subsidiaries recognise fees and service expenses which are not integral to the effective interest rate on a financial asset or financial liability on an accrual basis.

3.17 Dividend income

Dividend income is recognised when the right to receive income is established. Dividend income is presented in other operating income.

3.18 Net trading income and foreign exchange transactions

Net trading income comprises gain less loss related to trading assets and liabilities, and includes all fair value changes and foreign exchange differences.

Net income on trading and foreign exchange transactions are recognised based on the remeasurement to fair value of the underlying instruments in profit or loss on an accrual basis.

3.19 Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Bank and its subsidiaries take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank and its subsidiaries believe that their accruals for tax liabilities are adequate for all open tax years based on their assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank and its subsidiaries to change their judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Future taxable profit are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profit, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Bank and its subsidiaries. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.20 Earnings per share

The Bank and its subsidiaries present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of potential ordinary shares from TTB Stock Retention Program and warrants.

3.21 Related parties

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Bank and its subsidiaries; a person or entity that are under common control or under the same significant influence as the Bank and its subsidiaries; or the Bank and its subsidiaries have direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

3.22 Segment reporting

Segment results that are reported to the Bank Executive Committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are not included in reporting segment operating results.

3.23 *Offsetting*

Financial assets and liabilities are offset, and the net amount is reported in the statements of financial position when the Bank and its subsidiaries have a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

4 Risk management

Risk management approach

Risk management is an integral part of the Bank and its subsidiaries' business activities and strategic planning with the objective to optimize risks and returns and create sustainable shareholder value whilst remaining in compliance with regulatory requirements. The Bank and its subsidiaries have established a solid risk governance framework which serves as the foundation for consistent and effective risk management. The risk governance framework mainly consists of a clear risk governance structure, risk appetite, risk management policies, consistent risk management processes and an embedded risk culture. All of this translates into a straight-forward risk management strategy in which:

- Products and portfolios are structured, underwritten, priced, approved and managed appropriately and within established risk appetites;
- Compliance with internal and external regulations and guidelines is monitored continuously;
- Our risk profile and risk appetite are transparent and consistent;
- Delegated authorities are consistent with the Bank's overall strategy and risk appetite;
- Communication to internal and external stakeholders on risk management and value creation is transparent.

4.1 *Credit risk*

Credit risk is the risk of potential loss as a result of borrowers and/or counterparties failing to meet their financial and contractual obligations in accordance with agreed terms. It arises primarily from granting loans and undertaking contingent liabilities, and also from certain off-balance sheet items products such as derivatives.

The objective of credit risk management is to optimize the Bank's risk-adjusted return by balancing the risk /return and by building a sustainable competitive advantage by integrating risk management into business activities and strategic planning.

The Bank has established frameworks which set out Credit Risk Appetite, Credit Risk Policies and Guidelines and processes covering the measurement and management of credit risk.

Credit Risk Appetite Statement (Credit RAS)

Credit RAS is a formally documented statement of the maximum level of credit risk that the Bank and its subsidiaries are willing to accept in pursuit of its business objectives. The Bank and its subsidiaries develop and review its Credit RAS at Bank-wide level, BU level and Portfolio level, covering all relevant credit risk metrics to monitor the quality of credit portfolio and control obligor concentration.

Credit Risk Policies and Guidelines

The Bank has put in place Master Credit Risk Management Policy to govern all key aspects of credit risk management in compliance with the Bank of Thailand's regulatory requirements and the Bank's strategic direction. In addition, credit risk management sub policies, guidelines are established to provide the guidance in each credit risk aspect stated in Master Credit Risk Management Policy. The Board of Directors has the responsibility to review and approve the Bank's Master Credit Risk Management Policy and has delegated the approval authority of underlying credit risk management sub policies, guidelines to Sub-Committees as deemed appropriate. All relevant business units and support units are required to formulate supplementary credit policies, guidelines, framework, standards, criteria, processes and procedures specific to their respective businesses.

Credit Risk Management Processes

Credit Risk Management consists of 5 key processes:

- 1) **Risk appetite setting:** The Bank annually sets credit risk appetites which are input for and aligned with the business planning process, are discussed in and endorsed by the relevant Sub-Committees, and ultimately approved by the Board of Directors as part of Master Risk Appetite. Actual credit performance is regularly measured against and reported on the basis of credit risk appetites.
- 2) **Risk Identification:** The Bank identifies and manages credit risk inherent in all products and activities. The risks of new products and activities are subject to adequate risk management procedures and controls before being introduced or undertaken and approved in advance by relevant Committees.
- 3) **Risk Assessment & Measurement:** The Bank uses different methods and tools to measure credit risk in both quantitative and qualitative aspects. In addition, the Bank also conducts credit risk stress testing to measure the quality and resilience of the Bank's credit portfolio and the Bank's capacity to absorb the impact resulting from various stress event scenarios.
- 4) **Risk Monitoring and Control:** The Bank regularly monitors, controls and mitigates credit risk by setting key credit risk indicators, credit risk limits, as well as credit risk appetite at Bank-wide, BU, Portfolio and other levels as deemed appropriate.
- 5) **Risk Reporting & Communication:** The Bank regularly reports the status of credit risk as well as actions taken / to be taken are reported to relevant parties / committees and top management on a regular basis. The risk reports cover product level, portfolio level, functional level, and the bank-wide level.

Credit Approval Process

In managing credit risk, the Bank and its subsidiaries segregate the roles and responsibilities of the credit marketing function from the credit granting function to ensure proper checks and balances. Individual credit risk is analyzed and assessed by experienced credit officers and approved by an appropriate authority depending on the size and credit rating of customer.

Where appropriate, the Bank and its subsidiaries demand the placement of adequate collateral by customers in various forms, for example, land and building, bank deposits, securities, and personal/corporate guarantees, etc.

The Bank and its subsidiaries have contingent liabilities by issuing payment and other forms of guarantees, as well as issuing letters of credit and endorsing AVAL on commercial bills and notes for its customers. Such contingent transaction activities require assessment of financial condition of customers in the same manner as done for direct lending. The Bank and its subsidiaries also make a standard practice to set conditions to mitigate the elements of risk in the same manner as for direct lending procedures.

The Bank has established Credit Risk Management Departments in accordance with size of the customers and product offering, comprising of 1) Commercial Credit Risk Management, responsible for risk approval, measurement and management for the commercial clients, which is separated according to size of the business to enhance risk management efficiency, including large, medium and small corporates 2) Retail Credit Risk Management, responsible for risk approval, measurement and management for secured and unsecured lending to individuals and small non-juristic businesses and 3) Automotive Credit Risk Management, responsible for risk approval, measurement and management for Automotive Lending Portfolio.

Independent Unit related to Risk Management

Independent Credit Review and Quality Assurance is an independent unit to conduct credit review to support the quality of the Bank's credit exposures by timely and completely performing independent credit reviews based on the Bank's risk evaluating result and BoT's requirement and identifying weaknesses in credit related controls.

The Audit unit, an independent unit, is responsible for performing the assessments and making recommendations to improve the adequacy and effectiveness of credit-related processes and the credit risk management processes.

Internal Rating and External Rating Framework

Risk ratings are typically based on credit analysis factors and/or market condition indicators, considering both the quantitative and qualitative information. The Bank and its subsidiaries developed internal credit risk models for supporting all bank-wide activities starting from setting of risk appetite statements, underwriting process, monitoring/measuring and predicting changes in portfolio quality, early response to deterioration trends, to serving as communication tool within the organization.

The Bank and its subsidiaries have developed credit risk models to consider probability that the debtor will default (PD), the estimate of the exposures when the debtor defaults (EAD), and the percentage of damage that may occur when the debtor defaults on the debt (LGD). All models are based on analytical principles based on quantitative and qualitative data. Qualitative data is collected from historical data or from external service providers. The implementation of these credit risk models is in addition to those used in the credit process mentioned above. It is also intended to be used to set an allowance for loss as well as estimation of regulatory capital and economic capital.

The Bank and its subsidiaries set up Risk Rating Guideline to provide the logic and use of creating and verifying model-based Risk Ratings. The Bank and its subsidiaries use different risk rating models according to different borrower segment.

The credit risk level depends on the estimation of the debtor's default risk and risk rating. The Bank and its subsidiaries have designed two types of credit risk assessment models: (1) Internal rating models for Commercial portfolio; Use information based on the latest financial position and quality assessments of borrowers and (2) Internal rating models for small business, Retail and Automotive Lending portfolio which are based on behavioral study and/or credit limit utilization history together with reliable statistical methods to categorize credit risk grade or determine the appropriate probability of default according to the debtor's risk level.

Exposures and the corresponding credit risk grades are subject to review at a frequency stipulated in the Guideline. Risk rating models, and the performance of the models are subject to regular monitoring. This is a process to keep both risk grade and models up to date and qualified.

A credit risk grade is ranked from lowest to highest. The lower the number in the rank, the lower the probability of default. The highest rating represents stage3 loans with probability of default of 100%.

In addition to the internal rating, the Bank and its subsidiaries also use external ratings from an international rating agency as references for credit risk grade of investment related activities/portfolios.

Information related to expected credit loss (ECL)

Significant increase in credit risk (SICR)

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. If the thresholds are exceeded, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes. Indicators could include weak operating results or observed liquidity issues among various other factors.

Definition of default

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment includes arrears of over 90 days on any material credit obligation, indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or distressed restructuring.

Write-off

The write off is an internal accounting process to properly reflect the absence/loss of real value of the Bank's assets. The Bank allows both full write-off and partial write-off when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the Bank still maintains its legal rights, both in terms of debt collection and legal proceeding for loan repayment from borrowers.

Loan Loss Provisioning, TFRS9, and ECL

Since 1 January 2020, the Bank and its subsidiaries have recognised loss allowance based on the ECL model of TFRS9, which is designed to be forward-looking. The TFRS9 impairment requirements are applicable to on-balance sheet financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), such as loans and debt securities, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantees, and undrawn committed revolving credit facilities. These financial assets are divided into three stages (Staging) based on credit quality. The ECL model is assessed according to statistical techniques and supported by expert judgment.

Forward-looking factors expected to occur in the future

TFRS 9 requires consideration of the impact of changes in economic or so-called forward-looking factors to estimate the expected credit loss by including the forecast of the economic condition.

The Bank and its subsidiaries have procedures for foresee data creation. The first step is to prepare macroeconomic projections from external sources such as consensus economic data or forecasts published by government agencies. Then, statistical techniques are applied to transform the different types of simulation data. The final step is to use the simulation scenario as a variable in calculating potential credit loss and in determining the credit quality of the financial assets as described previously.

The Bank and its subsidiaries formulate three forward-looking economic scenarios; a base case, which is the baseline scenario, and two less likely scenarios, one upside and one downside scenario. Macroeconomic variables include economic data and forecasts. Examples of the macro-economic variables used in the forward-looking information are Gross Domestic Product (GDP), unemployment rate and private investment.

Management Overlay

The Bank and its subsidiaries calculated the ECL based on the model. However, management overlays were considered when underlying assumptions or data used to estimate ECLs do not reflect current circumstances, events or conditions, emerging issues and possible future deterioration in credit quality of high-risk portfolio or exposure of the Bank and its subsidiaries at the reporting date as post-model adjustments to ascertain the overall provision adequacy of the Bank and its subsidiaries.

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4.1.1 Credit quality

The following tables set out information about the credit quality as at 31 December 2022 and 2021 of loans to customers without taking into account collateral or other credit enhancement. The Bank and its subsidiaries classified a risk level based on most recent financial position, behaviours and qualitative factors.

| Risk level | Consolidated 2022 | | | Total |
|--|----------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| <i>Loans to customers and accrued interest receivables - net</i> | | | | |
| Low | 934,938 | 720 | 15 | 935,673 |
| Medium | 289,948 | 67,895 | 2 | 357,845 |
| High | 462 | 48,225 | 16 | 48,703 |
| NPLs | - | - | 41,674 | 41,674 |
| Gross carrying amount | 1,225,348 | 116,840 | 41,707 | 1,383,895 |
| Less allowance for expected credit loss | (13,325) | (24,469) | (19,596) | (57,390) |
| Carrying amount | 1,212,023 | 92,371 | 22,111 | 1,326,505 |

| Risk level | Consolidated 2021 | | | Total |
|--|----------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| <i>Loans to customers and accrued interest receivables - net</i> | | | | |
| Low | 844,358 | 537 | - | 844,895 |
| Medium | 377,628 | 43,150 | 11 | 420,789 |
| High | 1,676 | 68,833 | 51 | 70,560 |
| NPLs | - | - | 42,429 | 42,429 |
| Gross carrying amount | 1,223,662 | 112,520 | 42,491 | 1,378,673 |
| Less allowance for expected credit loss | (12,413) | (22,052) | (20,007) | (54,472) |
| Carrying amount | 1,211,249 | 90,468 | 22,484 | 1,324,201 |

| Risk level | Bank Only 2022 | | | Total |
|--|-------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| <i>Loans to customers and accrued interest receivables - net</i> | | | | |
| Low | 935,077 | 720 | 15 | 935,812 |
| Medium | 289,946 | 67,895 | 2 | 357,843 |
| High | 462 | 48,225 | 16 | 48,703 |
| NPLs | - | - | 37,175 | 37,175 |
| Gross carrying amount | 1,225,485 | 116,840 | 37,208 | 1,379,533 |
| Less allowance for expected credit loss | (13,325) | (24,469) | (18,002) | (55,796) |
| Carrying amount | 1,212,160 | 92,371 | 19,206 | 1,323,737 |

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| Risk level | Bank Only 2021 | | | Total |
|--|--------------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| | <i>(in million Baht)</i> | | | |
| Loans to customers and accrued interest receivables - net | | | | |
| Low | 844,357 | 537 | - | 844,894 |
| Medium | 377,628 | 43,150 | 11 | 420,789 |
| High | 1,676 | 68,833 | 51 | 70,560 |
| NPLs | - | - | 41,677 | 41,677 |
| Gross carrying amount | 1,223,661 | 112,520 | 41,739 | 1,377,920 |
| Less allowance for expected credit loss | (12,413) | (22,052) | (19,987) | (54,452) |
| Carrying amount | 1,211,248 | 90,468 | 21,752 | 1,323,468 |

Investment in debt securities

Major investment in debt securities of the Bank are investment in government and state enterprise securities which are considered as low-risk financial assets, except investment in debt securities of a public company approximately Baht 315 million are considered as non-performing financial assets. (2021: Baht 315 million)

4.1.2 Collateral held and other credit enhancements

In addition to determining counterparty credit quality through risk rating, the Bank also uses collateral as one type of credit risk mitigation to reduce potential credit loss to the Bank and its subsidiaries. The type of eligible collateral consists of financial and non-financial collaterals which valued primarily based on their quality and liquidity. The value of collateral is primarily assessed on a prudent basis to ensure that the value assigned to the collateral remains current.

The assessment of the suitability of collateral for a specific credit transaction is part of the credit decision making which undertaken in a conservative way, including collateral haircuts that are applied. The Bank and its subsidiaries strives to avoid “wrong-way” risk characteristics where the borrower’s counterparty risk is positively correlated with the risk of deterioration in the collateral value.

For “guarantee”, the process for the analysis of the guarantor’s creditworthiness is aligned to the credit assessment process for borrowers.

For examples

- Credit evaluation process - different risk levels require different LTVs
- Credit approval process - LTV is one of the factors to determine the level of approval authorities. At present, the Bank defines the approval authority based on business type, industry, the customer’s risk rating as well as LTV criteria whereby LTV criteria is applied for Commercial Banking customer at appropriate level depend on industry. For mortgage Loan, 70% to 110% LTV criteria is applied. For Automotive Lending, 50% to 100% LTV criteria is applied, depending on risk level of customer and product type.

Collateral Appraisal Approach:

The appraisal shall be conducted by applying one or more of the approaches specified in the codes of professional ethics and standards of appraisal practice stipulated by the Office of the Securities and Exchange Commission (SEC) and is under responsibility of Asset Appraisal Department. The following are example of collateral appraisal approach:

- Immovable property for commercial purpose shall be appraised by the cost approach, or the direct sales comparison approach, or the income approach.
- Immovable property for residential purpose shall be appraised by the direct sales comparison approach, or the cost approach.
- Other immovable properties shall be appraised by the cost approach, or the direct sales comparison approach, or the income approach.
- Machinery and vehicle shall be appraised by the direct sales comparison approach, or the cost approach

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- Criteria for appraising marketable equity securities and debt securities collateral shall be established in writing and agreed among the Appraisal Committee members.

The following table sets out the principal types of collateral held against different types of loan to customer and accrued interest receivables as at 31 December 2022 and 2021

| Type of credit exposures | Consolidated | | Principal type of collateral held |
|---|--------------|---------|--|
| | 2022 | 2021 | |
| Loans to customers and accrued interest receivables | | | |
| - Loans to corporate customers | 566,806 | 597,199 | Properties, plant, equipment and/or guarantee by government unit |
| - Retail mortgage lending | 317,345 | 307,745 | Properties |
| - Hire purchase | 411,056 | 393,866 | Vehicle |
| - Others | 88,688 | 79,863 | None |
| | | | |
| Type of credit exposures | Bank only | | Principal type of collateral held |
| | 2022 | 2021 | |
| Loans to customers and accrued interest receivables | | | |
| - Loans to corporate customers | 562,618 | 596,496 | Properties, plant, equipment and/or guarantee by government unit |
| - Retail mortgage lending | 317,236 | 307,705 | Properties |
| - Hire purchase | 411,056 | 393,866 | Vehicle |
| - Others | 88,623 | 79,853 | None |

4.1.3 Concentrations of credit risk

The Bank and its subsidiaries monitor concentration in different dimensions including sector. Concentrations of credit risk from loans to customers and accrued interest receivables as at 31 December 2022 and 2021 is shown below.

| Concentration by sector | Consolidated | |
|-------------------------------|------------------|------------------|
| | 2022 | 2021 |
| Agricultural and mining | 13,568 | 19,070 |
| Real estate and construction | 58,281 | 58,171 |
| Public utilities and services | 133,719 | 125,039 |
| Retail mortgage lending | 317,345 | 307,745 |
| Manufacturing and commerce | 339,308 | 374,814 |
| Hire purchase | 411,056 | 393,866 |
| Others | 110,618 | 99,968 |
| Total | 1,383,895 | 1,378,673 |

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| | Bank only | |
|--------------------------------|--------------------------|-------------------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| <i>Concentration by sector</i> | | |
| Agricultural and mining | 13,340 | 19,057 |
| Real estate and construction | 57,965 | 58,166 |
| Public utilities and services | 132,972 | 125,020 |
| Retail mortgage lending | 317,235 | 307,705 |
| Manufacturing and commerce | 336,294 | 374,156 |
| Hire purchase | 411,056 | 393,866 |
| Others | 110,671 | 99,950 |
| Total | <u>1,379,533</u> | <u>1,377,920</u> |

4.2 Market risk

Market risk refers to loss that may happen due to the fluctuations of foreign exchange rates, interest rates, and prices of equity securities, all of which may impact the value of the Bank's assets, liabilities, and off-balance sheet items.

The Bank and its subsidiaries have established various market risk policies, which set standards and guidelines for market risk management. The sub-committee holds the responsibility to assist the BOD and the Risk Oversight Committee (ROC) to ensure that bank-wide market risk management complies with the relevant risk policies and defined levels of risk appetite. The Bank and its subsidiaries classify the overall market risk management into two parts: trading book and banking book. The Bank and its subsidiaries have developed a policy to set standards on the book definitions and transaction classification criteria as well as the treatment of each book.

Market risk in the trading book

Market risk in the trading book consists of market risk from exposures of financial instruments that are held with trading intent or for hedging other positions in the trading book as well as all financial derivatives which have not been used for hedging positions in the Banking Book. The Bank and its subsidiaries have established the market risk policies for trading book to ensure the proper management of market risks in the trading book as well as impose limits to control the risks to be within the Bank and its subsidiaries' risk appetite.

Market risk in the banking book

Market risk in the banking book consists of market risks incurred from the Bank and its subsidiaries' both on and off-balance sheet items, and derivatives designated to hedge other banking book items.

The Bank and its subsidiaries have established the market risk policies for banking book, which outlines the approach for managing market risks in the banking book and setting the relevant limits appropriate to the positions of the risks in the book and in line with the Bank and its subsidiaries' risk appetite.

The Bank and its subsidiaries also analyse risks and regularly assess the impact, the results of which are used as tools to manage the Bank's assets and liabilities structure to be in line with the changing market environment.

Managing interest rate benchmark reform (IBOR reform)

The Board of Directors delegates the Asset and Liability Committee (committee) to monitor and manage the transition to alternative rates. The committee evaluates the readiness of IBOR reform with regards to contracts revision and communication on IBOR reform with counterparties and other internal relevant units. The committee reports to the ROC and the Board of Directors on quarterly basis. In addition, the working team provides periodic reports to management of interest rate risk and other risks arising from IBOR reform.

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For the year ended 31 December 2022

As at 31 December 2022, the Bank's main IBOR exposure was indexed to USD LIBOR and THBFIX. The Bank plans to finish the process of amending contractual terms for all of the USD LIBOR indexed exposures to incorporate USD Fallback SOFR by 30 June 2023. In respect of THBFIX exposures, the Bank has introduced fallback provision clause in loan agreements to ensure smooth transition. The fallback provision clause switches the instruments from THBFIX to Fallback Rate (THBFIX) when THBFIX ceases. In case clients decided to switch to THOR interest rate benchmark, the bank has new THOR loan contract for negotiation to comply with the Bank of Thailand's Active Transition. Derivatives are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements in which most counterparties have adhered to ISDA 2020 IBOR Fallbacks Protocol. Certain counterparties will be amended by bilateral agreement.

The following table shows the total amounts of financial instruments which have impact from IBOR transition and have yet to transit to alternative benchmark rates. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

| <i>Key reference rate under the existing contracts</i> | Consolidated and Bank only | |
|--|-----------------------------------|--------|
| | USD LIBOR | THBFIX |
| | <i>(in million Baht)</i> | |
| At 31 December 2022 | | |
| Loans to customers | 9,845 | 12,031 |
| Derivatives | 12,609 | 13,300 |
| Debts issued and borrowings | 5,182 | - |

4.2.1 Interest rate risk

Interest rate risk is the risk from future movements in market interest rates including changes in interest rates of rate sensitive assets and liabilities that will have negative impact to the Bank's and its subsidiaries' operating results, cash flows and economic value.

The Bank and its subsidiaries' principal financial assets, namely loans to customers mostly earn interest at floating rates, based on MRR, MLR, MOR, interest rates of time deposits or other benchmark floating rates such as BIBOR, LIBOR, etc.

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Notes to the financial statements

For the year ended 31 December 2022

| | Consolidated 2021 | | | | | Total |
|--|----------------------|-------------------------------|--|------------------------------|-----------------------------|------------------|
| | Repricing periods | | | Non- performing assets | Non- interest bearing | |
| | Within 3 months | Over 3 months to 1 year | Over 1 year <i>(in million Baht)</i> | | | |
| <i>Financial assets</i> | | | | | | |
| Cash | - | - | - | - | 16,011 | 16,011 |
| Interbank and money market items net of deferred revenue | 136,453 | 171 | 10 | - | 22,258 | 158,892 |
| Financial assets measured at fair value through profit or loss | 1,043 | - | - | - | 378 | 1,421 |
| Investments, net | 28,575 | 19,904 | 128,859 | - | 2,891 | 180,229 |
| Investments in subsidiaries and associates, net | - | - | - | - | 8,620 | 8,620 |
| Loans to customers net of deferred revenue | 777,862 | 159,301 | 373,909 | 42,120 | 18,112 | 1,371,304 |
| Other financial assets - net | 1,864 | - | - | - | 5,711 | 7,575 |
| Total financial assets | 945,797 | 179,376 | 502,778 | 42,120 | 73,981 | 1,744,052 |
| <i>Financial liabilities</i> | | | | | | |
| Deposits | 1,192,313 | 58,467 | 44,374 | - | 44,041 | 1,339,195 |
| Interbank and money market items | 60,856 | 10,344 | 9,741 | - | 4,025 | 84,966 |
| Liabilities payable on demand | - | - | - | - | 5,325 | 5,325 |
| Financial liabilities measured at fair value through profit or loss | 437 | - | - | - | - | 437 |
| Debts issued and borrowings | 2,210 | 16,870 | 49,299 | - | 19 | 68,398 |
| Other financial liabilities | 963 | 9 | - | - | 15,463 | 16,435 |
| Total financial liabilities | 1,256,779 | 85,690 | 103,414 | - | 68,873 | 1,514,756 |

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For the year ended 31 December 2022

| | Bank only 2022 | | | | | Total |
|--|--------------------|-------------------------------|----------------|--------------------------|-------------------------|--------------------------|
| | Repricing periods | | | Non-performing assets | Non-interest bearing | |
| | Within 3 months | Over 3 months to 1 year | Over 1 year | | | |
| | | | | | | |
| | | | | | | <i>(in million Baht)</i> |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 15,506 | 15,506 |
| Interbank and money market items net of deferred revenue | 168,457 | 259 | - | - | 18,862 | 187,578 |
| Financial assets measured at fair value through profit or loss | 1,106 | - | - | - | 427 | 1,533 |
| Investments, net* | 32,809 | 42,566 | 133,221 | - | 2,856 | 211,452 |
| Investments in subsidiaries and associates, net | - | - | - | - | 5,144 | 5,144 |
| Loans to customers net of deferred revenue | 770,602 | 183,688 | 358,601 | 37,208 | 21,657 | 1,371,756 |
| Other financial assets - net | 723 | - | - | - | 6,623 | 7,346 |
| Total financial assets | 973,697 | 226,513 | 491,822 | 37,208 | 71,075 | 1,800,315 |
| Financial liabilities | | | | | | |
| Deposits | 1,190,809 | 91,510 | 77,465 | - | 40,294 | 1,400,078 |
| Interbank and money market items | 64,060 | 224 | 15,827 | - | 4,659 | 84,770 |
| Liabilities payable on demand | - | - | - | - | 5,586 | 5,586 |
| Financial liabilities measured at fair value through profit or loss | 438 | - | - | - | - | 438 |
| Debts issued and borrowings | 5,193 | 5,191 | 44,248 | - | 12 | 54,644 |
| Other financial liabilities | 3,847 | - | - | - | 19,393 | 23,240 |
| Total financial liabilities | 1,264,347 | 96,925 | 137,540 | - | 69,944 | 1,568,756 |

* For Investments in debt securities measured at amortised costs, the presented investments were not deducted by allowance for expected credit loss.

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For the year ended 31 December 2022

| | Bank only | | | | | Total |
|---|-------------------|-------------------------|----------------|-----------------------|----------------------|------------------|
| | Repricing periods | | | Non-performing assets | Non-interest bearing | |
| | Within 3 months | Over 3 months to 1 year | Over 1 year | | | |
| | (in million Baht) | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 16,011 | 16,011 |
| Interbank and money market items net of deferred revenue | 136,453 | 171 | - | - | 22,258 | 158,882 |
| Financial assets measured at fair value through profit or loss | 1,043 | - | - | - | 378 | 1,421 |
| Investments, net | 28,575 | 19,904 | 128,859 | - | 2,891 | 180,229 |
| Investments in subsidiaries and associates, net | - | - | - | - | 5,114 | 5,114 |
| Loans to customers net of deferred revenue | 777,862 | 159,301 | 373,908 | 41,368 | 18,112 | 1,370,551 |
| Other financial assets - net | 1,864 | - | - | - | 5,566 | 7,430 |
| Total financial assets | 945,797 | 179,376 | 502,767 | 41,368 | 70,330 | 1,739,638 |
| Financial liabilities | | | | | | |
| Deposits | 1,196,456 | 58,467 | 44,374 | - | 44,431 | 1,343,728 |
| Interbank and money market items | 60,856 | 10,344 | 9,741 | - | 4,376 | 85,317 |
| Liabilities payable on demand | - | - | - | - | 5,325 | 5,325 |
| Financial liabilities measured at fair value through profit or loss | 437 | - | - | - | - | 437 |
| Debts issued and borrowings | 10 | 13,770 | 49,299 | - | 19 | 63,098 |
| Other financial liabilities | 963 | - | - | - | 15,130 | 16,093 |
| Total financial liabilities | 1,258,722 | 82,581 | 103,414 | - | 69,281 | 1,513,998 |

4.2.2 Foreign exchange risk

Foreign exchange risk is the risk that the value of the financial instruments will be affected by changes in foreign exchange rates.

In addition to the financial assets and liabilities denominated in foreign currencies already disclosed in the relevant notes to the financial statements, as at 31 December 2022 and 2021, the Bank and its subsidiaries' net foreign currency positions categorised by major foreign currencies were as follows:

| | Consolidated and Bank only | | | | | |
|---------------------|----------------------------|---------------------|---------------------------------|------------|---------------------|---------------------------------|
| | 2022 | | | 2021 | | |
| | USD | Euro ^(*) | Other currencies ^(*) | USD | Euro ^(*) | Other currencies ^(*) |
| | (in USD million) | | | | | |
| Spot | 217 | (176) | 302 | 253 | (238) | 345 |
| Forward | (202) | 173 | (306) | (255) | 238 | (347) |
| Net position | 15 | (3) | (4) | (2) | - | (2) |

^(*) Balance denominated in Euro and other currencies are stated in USD equivalents.

4.2.3 Equity price risk

Equity price risk is the risk that the Bank and its subsidiaries' earnings or value of financial assets may fluctuate due to changes in the price of equities.

The equity portfolio of the Bank and its subsidiaries are managed by specific units depending on the strategy, the types of business of the issuers of underlying securities, and the objectives for holding such equities. The equity investment management is under the supervision of the Asset and Liability Management Committee (ALCO) and/or the Chief Executive Committee (CEC) and/or Board of Executive Directors (BoED). All equity investments must comply with the bank-wide investment policy and framework, and related risk policies. The Bank and its subsidiaries have a policy to manage market risk by setting manageable limits on transactions, such as position limit and loss limits. The Risk Control Unit, which is separated from front office and back office functions, is responsible for control of risk and reporting on compliance with the various limits to the related business unit and related management, in order to facilitate responsive risk management.

As at 31 December 2022, the Bank had equity investments are listed on Stock Exchange of Thailand at Baht 230 million (2021: Baht 227 million) with the mark to market value at Baht 197 million (2021: Baht 197 million).

4.2.4 Sensitivity analysis

Market risk in the trading book

The Bank and its subsidiaries use a number of sensitivity measurements to monitor the market risk in a trading book. The key measurements are PV01 and FX Delta. PV01 is used to monitor interest rate risk in which it measures the impact on portfolio value due to the increase in interest rate of 1 basis point. FX Delta is the rate of change of the portfolio value with respect to changes of foreign currency. FX Delta is used to monitor the foreign exchange risk of each currency.

As at 31 December 2022 and 2021, the key sensitivities are as follows:

| | Consolidated and Bank only | |
|---|----------------------------|------------|
| | 2022 | 2021 |
| | <i>(in thousand Baht)</i> | |
| <i>Interest rate sensitivities (PV01)</i> | | |
| THB | (144) | 193 |
| USD | 41 | 441 |
| Other currencies | - | (65) |
| Total | (103) | 569 |

| | Consolidated and Bank only | |
|---|----------------------------|----------------|
| | 2022 | 2021 |
| | <i>(in thousand USD)</i> | |
| <i>Exchange rate sensitivities (FX Delta)</i> | | |
| USD | 4,226 | (2,463) |
| EUR | (1,348) | (160) |
| Other currencies | 870 | 334 |
| Total | 3,748 | (2,289) |

Market risk in the banking book

The Bank and its subsidiaries use the repricing gap approach to determine the impact of interest rate changes on net interest income and economic value of equity on a monthly basis. The repricing gap uses the remaining term or next repricing date as stipulated in the contract. There are established interest rate risk limits to monitor and control the impact of interest rate changes on the net interest income and economic value. Impacts on the net interest income and economic value are computed assuming different size shocks in interest rate yield curves. As at 31 December 2022 and 2021, the effect of changes in interest rates to earnings (net) by 100 bps parallel shift in the next 1 year were as follows:

| | Consolidated | |
|--|---------------------------------|---------------------------------|
| | 2022 Upward shift 100 bps | 2021 Upward shift 100 bps |
| | <i>(in million Baht)</i> | |
| THB | (2,332) | (2,794) |
| USD | 89 | 124 |
| Others | (6) | (7) |
| Total effect of change in interest rate | (2,249) | (2,677) |

| | Bank only | |
|--|---------------------------------|---------------------------------|
| | 2022 Upward shift 100 bps | 2021 Upward shift 100 bps |
| | <i>(in million Baht)</i> | |
| THB | (2,312) | (2,796) |
| USD | 89 | 124 |
| Others | (6) | (7) |
| Total effect of change in interest rate | (2,229) | (2,679) |

4.3 Liquidity risk

Liquidity risk refers to the risk that the Bank and its subsidiaries fail to meet its obligations as and when they fall due as a result of an inability to liquidate assets into cash in time or is unable to raise funds necessary for its operations, causing damage to the Bank.

The ALCO is responsible for assisting the BOD and the ROC in supervising the liquidity risk management of the Bank in compliance with the BoT's regulations and ensuring that the Bank has sufficient liquidity for its operations in both normal and crisis situations. In addition, the ALCO is responsible for ensuring that appropriate funding sources are secured in line with the changing market environment.

The Balance Sheet Management unit is responsible for overall liquidity management. The Global Markets and International Transaction Banking unit is responsible for day-to-day liquidity management. Additionally, the responsibilities of the Balance Sheet Management unit include liquidity risk measurement and reporting the performance of the liquidity management to the ALCO. The Market Risk Management unit is responsible for identifying, monitoring and controlling the liquidity risk. The Bank has the Liquidity Risk Management Policy, which is reviewed at least once a year or when necessary, to ensure that it is appropriate with the prevailing environment. The Bank and each company in the Bank's financial business group manage their liquidity risk separately.

In order to manage liquidity, the Bank and its subsidiaries continually monitor its funding sources and access to capital markets. Derivatives are used for balance sheet management to hedge the portfolio of loans, deposits and debts issued and borrowings. The Bank and its subsidiaries recognise the importance of holding highly liquid assets that can be quickly converted into cash or used as collateral for raising funds.

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Risk indicators are used as tools to measure and monitor liquidity risk. These comprise financial ratios such as Loans to Deposits Ratio (LDR), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR), as well as cash flow models incorporating Contractual Liquidity Gap and Behavioral Liquidity Gap. The Bank and its subsidiaries set risk limits and indicators in order to maintain its liquidity risk within the Bank and its subsidiaries' approved risk appetite. The liquidity position is monitored and reported on daily and monthly basis to the ALCO.

Stress tests are performed under various scenarios, in accordance with the BoT's guidelines, in order to assess the Bank and its subsidiaries' ability to withstand a crisis. In addition, the liquidity contingency plan is prepared for various crisis situations, whereby the roles of the relevant responsible units are defined, as well as funding plans and communication plans to customers, etc.

The Bank will disclose Liquidity Coverage Ratio (LCR) information of statements of financial position, as at 31 December 2022 on the Bank's website (www.ttbank.com/en/ir/financial-information/lcr) within April 2023

The significant financial assets and liabilities classified by remaining periods to maturity, counted from the date of statements of financial position, as at 31 December 2022 and 2021 were summarised as follows:

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| | Consolidated 2022 | | | | No maturity | Total |
|--|--------------------------|------------------|----------------|----------------|-----------------------|------------------|
| | At call ⁽¹⁾ | Within 1 year | 1 - 5 year | Over 5 years | | |
| | <i>(in million Baht)</i> | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 15,506 | 15,506 |
| Interbank and money market items net of deferred revenue | 29,029 | 158,049 | 518 | - | - | 187,596 |
| Financial assets measured at fair value through profit or loss | - | 1,106 | - | - | 427 ⁽²⁾ | 1,533 |
| Investments, net | | | | | | |
| Investments in debt instruments measured at AMC ⁽⁴⁾ | - | - | 11,158 | 37,968 | - | 49,126 |
| Investments in debt instruments measured at FVOCI | - | 67,153 | 82,343 | 9,659 | 315 | 159,470 |
| Investments in equity instruments designated at FVOCI | - | - | - | - | 2,856 ⁽²⁾ | 2,856 |
| Investments in subsidiaries and associates, net | - | - | - | - | 8,574 ⁽²⁾ | 8,574 |
| Loans to customers net of deferred revenue | 113,855 | 383,336 | 484,854 | 352,366 | 41,707 ⁽³⁾ | 1,376,118 |
| Other financial assets - net | 463 | 574 | - | 369 | 6,339 | 7,745 |
| Total financial assets | 143,347 | 610,218 | 578,873 | 400,362 | 75,724 | 1,808,524 |
| Financial liabilities | | | | | | |
| Deposits | 1,168,017 | 153,760 | 77,470 | - | - | 1,399,247 |
| Interbank and money market items | 13,376 | 55,568 | 15,819 | 7 | - | 84,770 |
| Liabilities payable on demand | 5,586 | - | - | - | - | 5,586 |
| Financial liabilities measured at fair value through profit or loss | - | 438 | - | - | - | 438 |
| Debts issued and borrowings | 5 | 5,020 | 54,595 | 24 | - | 59,644 |
| Other financial liabilities | 1,131 | 6,345 | 845 | - | 15,281 | 23,602 |
| Total financial liabilities | 1,188,115 | 221,131 | 148,729 | 31 | 15,281 | 1,573,287 |
| Net liquidity gap | (1,044,768) | 389,087 | 430,144 | 400,331 | 60,443 | 235,237 |

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

⁽⁴⁾ The presented investments were not deducted by allowance for expected credit loss.

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| | At call ⁽¹⁾ | Within 1 year | Consolidated 2021 | | No maturity | Total |
|--|------------------------|------------------|--------------------------|----------------|-----------------------|------------------|
| | | | 1 - 5 year | Over 5 years | | |
| | | | <i>(in million Baht)</i> | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 16,011 | 16,011 |
| Interbank and money market items net of deferred revenue | 31,168 | 127,291 | 433 | - | - | 158,892 |
| Financial assets measured at fair value through profit or loss | - | 1,043 | - | - | 378 ⁽²⁾ | 1,421 |
| Investments, net | | | | | | |
| Investments in debt instruments measured at FVOCI | - | 27,864 | 130,793 | 18,367 | 315 | 177,339 |
| Investments in equity instruments designated at FVOCI | - | - | - | - | 2,890 ⁽²⁾ | 2,890 |
| Investments in subsidiaries and associates, net | - | - | - | - | 8,620 ⁽²⁾ | 8,620 |
| Loans to customers net of deferred revenue | 133,518 | 372,031 | 462,145 | 361,490 | 42,120 ⁽³⁾ | 1,371,304 |
| Other financial assets - net | 587 | 1,479 | - | 399 | 5,110 | 7,575 |
| Total financial assets | 165,273 | 529,708 | 593,371 | 380,256 | 75,444 | 1,744,052 |
| Financial liabilities | | | | | | |
| Deposits | 1,181,489 | 113,289 | 44,417 | - | - | 1,339,195 |
| Interbank and money market items | 17,455 | 57,770 | 9,704 | 37 | - | 84,966 |
| Liabilities payable on demand | 5,325 | - | - | - | - | 5,325 |
| Financial liabilities measured at fair value through profit or loss | - | - | 437 | - | - | 437 |
| Debts issued and borrowings | 5 | 14,071 | 54,291 | 31 | - | 68,398 |
| Other financial liabilities | 1,124 | 1,901 | - | 386 | 13,024 | 16,435 |
| Total financial liabilities | 1,205,398 | 187,031 | 108,849 | 454 | 13,024 | 1,514,756 |
| Net liquidity gap | (1,040,125) | 342,677 | 484,522 | 379,802 | 62,420 | 229,296 |

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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| | Bank only 2022 | | | | | |
|--|--------------------------|------------------|----------------|----------------|-----------------------|------------------|
| | At call ⁽¹⁾ | Within 1 year | 1 - 5 year | Over 5 years | No maturity | Total |
| | <i>(in million Baht)</i> | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 15,506 | 15,506 |
| Interbank and money market items net of deferred revenue | 29,011 | 158,049 | 518 | - | - | 187,578 |
| Financial assets measured at fair value through profit or loss | - | 1,106 | - | - | 427 ⁽²⁾ | 1,533 |
| Investments, net | | | | | | |
| Investments in debt instruments measured at AMC ⁽⁴⁾ | - | - | 11,158 | 37,968 | - | 49,126 |
| Investments in debt instruments measured at FVOCI | - | 67,153 | 82,343 | 9,659 | 315 | 159,470 |
| Investments in equity instruments designated at FVOCI | - | - | - | - | 2,856 ⁽²⁾ | 2,856 |
| Investments in subsidiaries and associates, net | - | - | - | - | 5,144 ⁽²⁾ | 5,144 |
| Loans to customers net of deferred revenue | 113,995 | 383,336 | 484,854 | 352,363 | 37,208 ⁽³⁾ | 1,371,756 |
| Other financial assets - net | 463 | 565 | - | 369 | 5,949 | 7,346 |
| Total financial assets | 143,469 | 610,209 | 578,873 | 400,359 | 67,405 | 1,800,315 |
| Financial liabilities | | | | | | |
| Deposits | 1,168,848 | 153,760 | 77,470 | - | - | 1,400,078 |
| Interbank and money market items | 13,376 | 55,568 | 15,819 | 7 | - | 84,770 |
| Liabilities payable on demand | 5,586 | - | - | - | - | 5,586 |
| Financial liabilities measured at fair value through profit or loss | - | 438 | - | - | - | 438 |
| Debts issued and borrowings | 5 | 20 | 54,595 | 24 | - | 54,644 |
| Other financial liabilities | 1,131 | 6,271 | 845 | - | 14,993 | 23,240 |
| Total financial liabilities | 1,188,946 | 216,057 | 148,729 | 31 | 14,993 | 1,568,756 |
| Net liquidity gap | (1,045,477) | 394,152 | 430,144 | 400,328 | 52,412 | 231,559 |

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

⁽⁴⁾ The presented investments were not deducted by allowance for expected credit loss.

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| | Bank only 2021 | | | | No maturity | Total |
|--|--------------------------|------------------|----------------|----------------|-----------------------|------------------|
| | At call ⁽¹⁾ | Within 1 year | 1 - 5 year | Over 5 years | | |
| | <i>(in million Baht)</i> | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 16,011 | 16,011 |
| Interbank and money market items net of deferred revenue | 31,158 | 127,291 | 433 | - | - | 158,882 |
| Financial assets measured at fair value through profit or loss | - | 1,043 | - | - | 378 ⁽²⁾ | 1,421 |
| Investments, net | | | | | | |
| Investments in debt instruments measured at FVOCI | - | 27,864 | 130,793 | 18,367 | 315 | 177,339 |
| Investments in equity instruments designated at FVOCI | - | - | - | - | 2,890 ⁽²⁾ | 2,890 |
| Investments in subsidiaries and associates, net | - | - | - | - | 5,114 ⁽²⁾ | 5,114 |
| Loans to customers net of deferred revenue | 133,518 | 372,031 | 462,145 | 361,489 | 41,368 ⁽³⁾ | 1,370,551 |
| Other financial assets - net | 587 | 1,479 | - | 399 | 4,965 | 7,430 |
| Total financial assets | 165,263 | 529,708 | 593,371 | 380,255 | 71,041 | 1,739,638 |
| Financial liabilities | | | | | | |
| Deposits | 1,185,922 | 113,389 | 44,417 | - | - | 1,343,728 |
| Interbank and money market items | 17,455 | 58,121 | 9,704 | 37 | - | 85,317 |
| Liabilities payable on demand | 5,325 | - | - | - | - | 5,325 |
| Financial liabilities measured at fair value through profit or loss | - | 437 | - | - | - | 437 |
| Debts issued and borrowings | 5 | 8,771 | 54,291 | 31 | - | 63,098 |
| Other financial liabilities | 1,124 | 1,892 | - | 386 | 12,691 | 16,093 |
| Total financial liabilities | 1,209,831 | 182,610 | 108,412 | 454 | 12,691 | 1,513,998 |
| Net liquidity gap | (1,044,568) | 347,098 | 484,959 | 379,801 | 58,350 | 225,640 |

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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5 Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for the financial instruments measured at fair value as at 31 December 2022 and 2021.

| | Carrying amount | Level 1 | Consolidated Fair value | | | Total |
|--|------------------|------------|-------------------------|----------------|-------------------|------------------|
| | | | Level 2 | Level 3 | (in million Baht) | |
| <i>At 31 December 2022</i> | | | | | | |
| <i>Financial assets</i> | | | | | | |
| Financial assets measured at FVTPL | 1,533 | 23 | 1,106 | 404 | | 1,533 |
| <i>Derivative assets</i> | | | | | | |
| Foreign exchange rate | 9,507 | - | 9,507 | - | | 9,507 |
| Interest rate | 869 | - | 869 | - | | 869 |
| Total | 10,376 | - | 10,376 | - | | 10,376 |
| <i>Investments, net</i> | | | | | | |
| Investments in debt instruments measured at AMC | 49,106 | - | 48,367 | - | | 48,367 |
| Investments in debt instruments measured at FVOCI | 159,470 | - | 159,155 | 315 | | 159,470 |
| Investments in equity instruments designated at FVOCI | 2,856 | 174 | - | 2,682 | | 2,856 |
| Total | 211,432 | 174 | 207,522 | 2,997 | | 210,693 |
| Loans to customers and accrued interest receivables, net | 1,326,505 | - | 925,515 | 404,643 | | 1,330,158 |
| Total financial assets | 1,549,846 | 197 | 1,144,519 | 408,044 | | 1,552,760 |
| <i>Financial liabilities</i> | | | | | | |
| Deposits | 1,399,247 | - | 1,399,489 | - | | 1,399,489 |
| Financial liabilities measured at FVTPL | 438 | - | 438 | - | | 438 |
| <i>Derivative liabilities</i> | | | | | | |
| Foreign exchange rate | 8,727 | - | 8,727 | - | | 8,727 |
| Interest rate | 772 | - | 772 | - | | 772 |
| Total | 9,499 | - | 9,499 | - | | 9,499 |
| Debts issued and borrowings | 59,644 | - | 59,185 | - | | 59,185 |
| Total financial liabilities | 1,468,828 | - | 1,468,611 | - | | 1,468,611 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Carrying amount | Level 1 | Consolidated Fair value | | Total |
|---|--------------------|------------|-------------------------------------|----------------|------------------|
| | | | Level 2 <i>(in million Baht)</i> | Level 3 | |
| <i>At 31 December 2021</i> | | | | | |
| <i>Financial assets</i> | | | | | |
| Financial assets measured at FVTPL | 1,421 | - | 1,043 | 378 | 1,421 |
| <i>Derivative assets</i> | | | | | |
| Foreign exchange rate | 4,503 | - | 4,503 | - | 4,503 |
| Interest rate | 2,410 | - | 2,410 | - | 2,410 |
| Total | 6,913 | - | 6,913 | - | 6,913 |
| <i>Investments, net</i> | | | | | |
| Investments in debt instruments measured at FVOCI | 177,339 | - | 177,024 | 315 | 177,339 |
| Investments in equity instruments designated at FVOCI | 2,890 | 197 | - | 2,693 | 2,890 |
| Total | 180,229 | 197 | 177,024 | 3,008 | 180,229 |
| Loans to customers and accrued interest receivables, net | 1,324,201 | - | 938,734 | 389,564 | 1,328,298 |
| Total financial assets | 1,512,764 | 197 | 1,123,714 | 392,950 | 1,516,861 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | 1,339,195 | - | 1,339,235 | - | 1,339,235 |
| Financial liabilities measured at FVTPL | 437 | - | 437 | - | 437 |
| <i>Derivative liabilities</i> | | | | | |
| Foreign exchange rate | 4,269 | - | 4,269 | - | 4,269 |
| Interest rate | 2,326 | - | 2,326 | - | 2,326 |
| Total | 6,595 | - | 6,595 | - | 6,595 |
| Debts issued and borrowings | 68,398 | - | 70,468 | - | 70,468 |
| Total financial liabilities | 1,414,625 | - | 1,416,735 | - | 1,416,735 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Carrying amount | Level 1 | Bank only Fair value | | Total |
|---|--------------------|------------|-------------------------|----------------|------------------|
| | | | Level 2 | Level 3 | |
| <i>At 31 December 2022</i> | | | | | |
| <i>Financial assets</i> | | | | | |
| Financial assets measured at FVTPL | 1,533 | 23 | 1,106 | 404 | 1,533 |
| <i>Derivative assets</i> | | | | | |
| Foreign exchange rate | 9,507 | - | 9,507 | - | 9,507 |
| Interest rate | 869 | - | 869 | - | 869 |
| Total | 10,376 | - | 10,376 | - | 10,376 |
| <i>Investments, net</i> | | | | | |
| Investments in debt instruments measured at AMC | 49,106 | - | 48,367 | - | 48,367 |
| Investments in debt instruments measured at FVOCI | 159,470 | - | 159,155 | 315 | 159,470 |
| Investments in equity instruments designated at FVOCI | 2,856 | 174 | - | 2,682 | 2,856 |
| Total | 211,432 | 174 | 207,522 | 2,997 | 210,693 |
| <i>Loans to customers and accrued interest receivables, net</i> | | | | | |
| | 1,323,737 | - | 922,747 | 404,643 | 1,327,390 |
| Total financial assets | 1,547,078 | 197 | 1,141,751 | 408,044 | 1,549,992 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | 1,400,078 | - | 1,400,320 | - | 1,400,320 |
| Financial liabilities measured at FVTPL | 438 | - | 438 | - | 438 |
| <i>Derivative liabilities</i> | | | | | |
| Foreign exchange rate | 8,727 | - | 8,727 | - | 8,727 |
| Interest rate | 772 | - | 772 | - | 772 |
| Total | 9,499 | - | 9,499 | - | 9,499 |
| Debt issued and borrowings | 54,644 | - | 54,185 | - | 54,185 |
| Total financial liabilities | 1,464,659 | - | 1,464,442 | - | 1,464,442 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Carrying amount | Level 1 | Bank only | | Total |
|---|------------------|------------|--------------------------|----------------|------------------|
| | | | Fair value | | |
| | | | Level 2 | Level 3 | |
| | | | <i>(in million Baht)</i> | | |
| <i>At 31 December 2021</i> | | | | | |
| <i>Financial assets</i> | | | | | |
| Financial assets measured at FVTPL | 1,421 | - | 1,043 | 378 | 1,421 |
| <i>Derivative assets</i> | | | | | |
| Foreign exchange rate | 4,503 | - | 4,503 | - | 4,503 |
| Interest rate | 2,410 | - | 2,410 | - | 2,410 |
| Total | 6,913 | - | 6,913 | - | 6,913 |
| <i>Investments, net</i> | | | | | |
| Investments in debt instruments measured at FVOCI | 177,339 | - | 177,024 | 315 | 177,339 |
| Investments in equity instruments designated at FVOCI | 2,890 | 197 | - | 2,693 | 2,890 |
| Total | 180,229 | 197 | 177,024 | 3,008 | 180,229 |
| <i>Loans to customers and accrued interest receivables, net</i> | | | | | |
| | 1,323,468 | - | 938,001 | 389,564 | 1,327,565 |
| Total financial assets | 1,512,031 | 197 | 1,122,981 | 392,950 | 1,516,128 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | 1,343,728 | - | 1,343,768 | - | 1,343,768 |
| Financial liabilities measured at FVTPL | 437 | - | 437 | - | 437 |
| <i>Derivative liabilities</i> | | | | | |
| Foreign exchange rate | 4,269 | - | 4,269 | - | 4,269 |
| Interest rate | 2,326 | - | 2,326 | - | 2,326 |
| Total | 6,595 | - | 6,595 | - | 6,595 |
| Debt issued and borrowings | 63,098 | - | 65,168 | - | 65,168 |
| Total financial liabilities | 1,413,858 | - | 1,415,968 | - | 1,415,968 |

The following methods and assumptions were used by the Bank and its subsidiaries in estimating fair value of financial instruments as disclosed herein.

- Cash:

The fair value is approximated based on its carrying value.

- Interbank and money market items (assets):

The fair value is approximated based on the carrying amount of interbank and money market items, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at market interest rates.

- Financial assets measured at FVTPL and investments:

The fair value of investments in government-sector debt securities is determined, using yield rates or prices quoted on the Thai Bond Market Association ("ThaiBMA"). The fair value of investments in other debt securities issued locally is determined based on market value appraised by the reliable institutions, their respective yields, or the ThaiBMA's yield rates adjusted by appropriate risk factors. For defaulted debt securities, the fair value is determined based on estimated recovery by considering the credit risk.

The fair value of marketable equity securities is determined at the last bid price quoted on the last working day of the Stock Exchange of Thailand of the reporting period. The fair value of an investment unit is determined using the net asset value announced on the reporting period-end date.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

The fair value of non-marketable equity securities is determined mainly based on common valuation techniques with price and/or variables from the market as well as dividend discounted model, book value or adjusted book value.

Dividend discounted is calculated from profit under business plan covering 5 years period together with the estimated growth rates of market. Dividend payout ratio is based on entities' policies. The discount rate used is reference to industry cost of capital (ke). The terminal growth rate derived from long-term GDP adjusted with the expectation of the business growth.

- Loans to customers and accrued interest receivable, net:

The fair value is based on the carrying amount except for the fair value of fixed rate hire purchase which is calculated based on the present value of future cash flow of principal and interest, discounted at interest rate currently being offered on similar loans net of allowance for expected credit loss.

- Other financial assets:

The fair value is approximated based on its carrying value.

- Deposits and interbank and money market items (liabilities):

The fair value is approximated based on the carrying amount of deposits or interbank and money market items, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at interest rates currently being offered on such deposits or interbank and money market items or similar deposits.

- Financial liabilities measured at fair value through profit or loss:

Fair value is calculated based on a valuation model, using market data obtained from reliable sources.

- Debts issued and borrowings:

The fair value is approximated based on their carrying amount, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at the market interest rate at the reporting dates, in cases where there is no active market, and the market value, in cases where there is an active market.

- Other financial liabilities:

The fair value is approximated based on its carrying value.

- Derivatives:

In cases where there is an active market, the Bank and its subsidiaries use the market value as the fair value of derivatives. For simple over-the-counter derivative, fair values are based on inputs which are observable from independent and reliable market data sources, mainly based on exchange-traded prices, broker/dealer quotations, or counterparties' quotations. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of over-the-counter derivative reflect the credit risk of the instrument and include adjustments to take account of the counterparty and own entity credit risk when appropriate.

The Bank and its subsidiaries recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2022 and 2021.

Reconciliation of investments in equity instruments designated at FVOCI using significant unobservable inputs (level 3)

| | Consolidated | Bank only |
|---|--------------------------|--------------|
| | <i>(in million Baht)</i> | |
| <i>For the year ended 31 December 2022</i> | | |
| Beginning balance | 2,693 | 2,693 |
| Loss recognised in other comprehensive income | (11) | (11) |
| Ending balance | <u>2,682</u> | <u>2,682</u> |

| | Consolidated | Bank only |
|---|--------------------------|--------------|
| | <i>(in million Baht)</i> | |
| <i>For the year ended 31 December 2021</i> | | |
| Beginning balance | 607 | 459 |
| Purchased | 1,605 | 1,605 |
| Disposal during the year | (57) | (56) |
| Acquisition through Entire Business Transfer | - | 164 |
| Gain recognised in other comprehensive income | 538 | 521 |
| Ending balance | <u>2,693</u> | <u>2,693</u> |

6 Maintenance of capital fund

The Bank and its subsidiaries maintain its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. The Bank and its subsidiaries are required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2022 and 2021, the consolidated supervision and the Bank only's total capital funds could be categorised as follows:

| | Consolidated supervision | |
|---|--------------------------|------------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| <i>Tier 1 Capital</i> | | |
| Common Equity Tier 1 Capital (CET1) | | |
| Paid-up share capital | 91,937 | 91,792 |
| Share premium | 43,360 | 43,345 |
| Legal reserve | 10,091 | 10,091 |
| Net profit after appropriation | 61,467 | 49,585 |
| Other comprehensive income | 3,776 | 4,673 |
| Capital adjustment items on CET1 | (20) | (30) |
| Capital deduction items on CET1 | (24,816) | (23,172) |
| Total Common Equity Tier 1 Capital | <u>185,795</u> | <u>176,284</u> |
| Addition Tier 1 Capital | | |
| Subordinated debentures classified as additional Tier 1 Capital | 7,425 | 12,089 |
| Total Tier 1 Capital | <u>193,220</u> | <u>188,373</u> |
| <i>Tier 2 Capital</i> | | |
| General provision | 13,302 | 13,627 |
| Subordinated debentures classified as additional Tier 2 Capital | 30,000 | 35,430 |
| Total Tier 2 Capital | <u>43,302</u> | <u>49,057</u> |
| Total Capital Funds | <u>236,522</u> | <u>237,430</u> |
| Total Risk-Weighted Assets | <u>1,185,415</u> | <u>1,228,574</u> |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | The BoT's regulatory minimum requirement* | 2022 | The BoT's regulatory minimum requirement* (%) | 2021 |
|--|--|-------|---|-------|
| Capital Adequacy Ratio/Total Risk-Weighted Asset | 12.0 | 19.95 | 11.0 | 19.33 |
| Tier 1 Capital Ratio/Total Risk-Weighted Asset | 9.5 | 16.30 | 8.5 | 15.33 |
| Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset | 8.0 | 15.67 | 7.0 | 14.35 |

* The BoT requires commercial banks to maintain an additional buffer on top of minimum regulatory required Common Equity Tier 1 consists of conservation buffer of 2.50% and D-SIB buffer of 1.0%

| | Bank only | |
|---|-------------------|------------------|
| | 2022 | 2021 |
| | (in million Baht) | |
| Tier 1 capital | | |
| Common Equity Tier 1 capital (CET1) | | |
| Paid-up share capital | 91,937 | 91,792 |
| Share premium | 43,360 | 43,345 |
| Legal reserve | 10,091 | 10,091 |
| Net profit after appropriation | 57,429 | 48,351 |
| Other comprehensive income | 3,850 | 4,733 |
| Other transaction from changes in equity | 885 | 885 |
| Capital adjustment items on CET1 | (20) | (29) |
| Capital deduction items on CET1 | (25,356) | (23,822) |
| Total Common Equity Tier 1 Capital | 182,176 | 175,346 |
| Addition Tier 1 Capital | | |
| Subordinated debentures classified as additional Tier 1 Capital | 7,425 | 12,089 |
| Total Tier 1 Capital | 189,601 | 187,435 |
| Tier 2 capital | | |
| General provision | 13,182 | 13,627 |
| Subordinated debentures classified as additional Tier 2 Capital | 30,000 | 35,430 |
| Total Tier 2 Capital | 43,182 | 49,057 |
| Total Capital Funds | 232,783 | 236,492 |
| Total Risk-Weighted Assets | 1,175,368 | 1,216,927 |

| | The BoT's regulatory minimum requirement* | 2022 | The BoT's regulatory minimum requirement* (%) | 2021 |
|--|--|-------|---|-------|
| Capital Adequacy Ratio/Total Risk-Weighted Asset | 12.0 | 19.81 | 11.0 | 19.43 |
| Tier 1 Capital Ratio/Total Risk-Weighted Asset | 9.5 | 16.13 | 8.5 | 15.40 |
| Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset | 8.0 | 15.50 | 7.0 | 14.41 |

* The BoT requires commercial banks to maintain an additional buffer on top of minimum regulatory required Common Equity Tier 1 consists of conservation buffer of 2.50% and D-SIB buffer of 1.0%

As at 31 December 2022 and 2021, the Bank and its subsidiaries have no add-on arising from Single Lending Limit.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

Disclosures of capital maintenance information under the Bank of Thailand on the Public Disclosures of Capital Maintenance for Commercial Banks, the Public Disclosures of Capital Maintenance for Financial Group, and the Public Disclosures of Liquidity Coverage Ratio, the Bank and its subsidiaries disclose as follows:

| | |
|-------------------------------|--|
| Location of disclosure | The Bank's website under Investor Relations section at www.tbbank.com/en/ir/financial-information/pillar3 |
| Disclosure period requirement | Within 4 months after the year end date as indicated in the BOT notification |
| Lasted information as of | 30 June 2022 |

The disclosure as at 31 December 2022 will be provided within April 2023 on the Bank's website as noted above.

Capital management

The Bank and its subsidiaries' capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements and to maintain appropriate credit ratings.

7 Classification of financial assets and financial liabilities

| | Consolidated | | | | | |
|---|--|--|--|--|--|------------------|
| | Financial instruments measured at FVTPL | Financial instruments designated at FVTPL | Financial instruments measured at FVOCI | Financial instruments designated at FVOCI | Financial instruments measured at amortised cost | Total |
| | <i>(in million Baht)</i> | | | | | |
| At 31 December 2022 | | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 15,506 | 15,506 |
| Interbank and money market items - net | - | - | - | - | 187,563 | 187,563 |
| Financial assets measured at FVTPL | 1,533 | - | - | - | - | 1,533 |
| Derivatives assets | 8,818 | - | 1,558 | - | - | 10,376 |
| Investments - net | - | - | 159,470 | 2,856 | 49,106 | 211,432 |
| Loans to customers and accrued interest receivables - net | - | - | - | - | 1,326,505 | 1,326,505 |
| Other financial assets - net | - | - | - | - | 7,745 | 7,745 |
| Total | 10,351 | - | 161,028 | 2,856 | 1,586,425 | 1,760,660 |
| Financial liabilities | | | | | | |
| Deposits | - | - | - | - | 1,399,247 | 1,399,247 |
| Interbank and money market items | - | - | - | - | 84,770 | 84,770 |
| Liabilities payable on demand | - | - | - | - | 5,586 | 5,586 |
| Financial liabilities measured at fair value through profit or loss | 438 | - | - | - | - | 438 |
| Derivatives liabilities | 8,142 | - | 1,357 | - | - | 9,499 |
| Debts issued and borrowings | - | - | - | - | 59,644 | 59,644 |
| Other financial liabilities | - | - | - | - | 23,602 | 23,602 |
| Total | 8,580 | - | 1,357 | - | 1,572,849 | 1,582,786 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Consolidated | | | | Financial instruments measured at amortised cost | Total |
|---|---|---|---|---|--|------------------|
| | Financial instruments measured at FVTPL | Financial instruments designated at FVTPL | Financial instruments measured at FVOCI | Financial instruments designated at FVOCI | | |
| | <i>(in million Baht)</i> | | | | | |
| At 31 December 2021 | | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 16,011 | 16,011 |
| Interbank and money market items - net | - | - | - | - | 158,873 | 158,873 |
| Financial assets measured at FVTPL | 1,421 | - | - | - | - | 1,421 |
| Derivatives assets | 5,558 | - | 1,355 | - | - | 6,913 |
| Investments - net | - | - | 177,339 | 2,890 | - | 180,229 |
| Loans to customers and accrued interest receivables - net | - | - | - | - | 1,324,201 | 1,324,201 |
| Other financial assets - net | - | - | - | - | 7,575 | 7,575 |
| Total | 6,979 | - | 178,694 | 2,890 | 1,506,660 | 1,695,223 |
| Financial liabilities | | | | | | |
| Deposits | - | - | - | - | 1,339,195 | 1,339,195 |
| Interbank and money market items | - | - | - | - | 84,966 | 84,966 |
| Liabilities payable on demand | - | - | - | - | 5,325 | 5,325 |
| Financial liabilities measured at fair value through profit or loss | 437 | - | - | - | - | 437 |
| Derivatives liabilities | 5,609 | - | 986 | - | - | 6,595 |
| Debts issued and borrowings | - | - | - | - | 68,398 | 68,398 |
| Other financial liabilities | - | - | - | - | 16,435 | 16,435 |
| Total | 6,046 | - | 986 | - | 1,514,319 | 1,521,351 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Bank only | | | | Financial instruments measured at amortised cost | Total |
|---|---|---|---|---|--|------------------|
| | Financial instruments measured at FVTPL | Financial instruments designated at FVTPL | Financial instruments measured at FVOCI | Financial instruments designated at FVOCI | | |
| <i>(in million Baht)</i> | | | | | | |
| At 31 December 2022 | | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 15,506 | 15,506 |
| Interbank and money market items, net | - | - | - | - | 187,545 | 187,545 |
| Financial assets measured at FVTPL | 1,533 | - | - | - | - | 1,533 |
| Derivatives assets | 8,818 | - | 1,558 | - | - | 10,376 |
| Investments, net | - | - | 159,470 | 2,856 | 49,106 | 211,432 |
| Loans to customers and accrued interest receivables, net | - | - | - | - | 1,323,737 | 1,323,737 |
| Other financial assets - net | - | - | - | - | 7,346 | 7,346 |
| Total | 10,351 | - | 161,028 | 2,856 | 1,583,240 | 1,757,475 |
| Financial liabilities | | | | | | |
| Deposits | - | - | - | - | 1,400,078 | 1,400,078 |
| Interbank and money market items | - | - | - | - | 84,770 | 84,770 |
| Liabilities payable on demand | - | - | - | - | 5,586 | 5,586 |
| Financial liabilities measured at fair value through profit or loss | 438 | - | - | - | - | 438 |
| Derivatives liabilities | 8,142 | - | 1,357 | - | - | 9,499 |
| Debts issued and borrowings | - | - | - | - | 54,644 | 54,644 |
| Other financial liabilities | - | - | - | - | 23,240 | 23,240 |
| Total | 8,580 | - | 1,357 | - | 1,568,318 | 1,578,255 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

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For the year ended 31 December 2022

| | Bank only | | | | | |
|---|---|---|---|---|--|------------------|
| | Financial instruments measured at FVTPL | Financial instruments designated at FVTPL | Financial instruments measured at FVOCI | Financial instruments designated at FVOCI | Financial instruments measured at amortised cost | Total |
| | (in million Baht) | | | | | |
| At 31 December 2021 | | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 16,011 | 16,011 |
| Interbank and money market items, net | - | - | - | - | 158,863 | 158,863 |
| Financial assets measured at FVTPL | 1,421 | - | - | - | - | 1,421 |
| Derivatives assets | 5,558 | - | 1,355 | - | - | 6,913 |
| Investments, net | - | - | 177,339 | 2,890 | - | 180,229 |
| Loans to customers and accrued interest receivables, net | - | - | - | - | 1,323,468 | 1,323,468 |
| Other financial assets - net | - | - | - | - | 7,430 | 7,430 |
| Total | 6,979 | - | 178,694 | 2,890 | 1,505,772 | 1,694,335 |
| Financial liabilities | | | | | | |
| Deposits | - | - | - | - | 1,343,728 | 1,343,728 |
| Interbank and money market items | - | - | - | - | 85,317 | 85,317 |
| Liabilities payable on demand | - | - | - | - | 5,325 | 5,325 |
| Financial liabilities measured at fair value through profit or loss | 437 | - | - | - | - | 437 |
| Derivatives liabilities | 5,609 | - | 986 | - | - | 6,595 |
| Debts issued and borrowings | - | - | - | - | 63,098 | 63,098 |
| Other financial liabilities | - | - | - | - | 16,093 | 16,093 |
| Total | 6,046 | - | 986 | - | 1,513,561 | 1,520,593 |

8 Interbank and money market items, net (assets)

| | Consolidated | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Domestic items | | |
| Bank of Thailand and Financial Institutions Development Fund | 136,760 | 122,910 |
| Commercial banks | 12,812 | 80 |
| Specialised financial institutions | 1 | 8,711 |
| Other financial institutions | 23,330 | 15,406 |
| Total | 172,903 | 147,107 |
| Add accrued interest and undue interest income | 31 | 13 |
| Less allowance for expected credit loss | (66) | (15) |
| Total domestic items | 172,868 | 147,105 |
| Foreign items | | |
| US Dollar | 13,286 | 10,452 |
| Japanese Yen | 412 | 328 |
| Euro | 437 | 245 |
| Other currencies | 558 | 760 |
| Total | 14,693 | 11,785 |
| Add accrued interest and undue interest income | 16 | 11 |
| Less allowance for expected credit loss | (14) | (28) |
| Total foreign items | 14,695 | 11,768 |
| Total domestic and foreign items | 187,563 | 158,873 |
| | Bank only | |
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Domestic items | | |
| Bank of Thailand and Financial Institutions Development Fund | 136,760 | 122,910 |
| Commercial banks | 12,794 | 70 |
| Specialised financial institutions | 1 | 8,711 |
| Other financial institutions | 23,330 | 15,406 |
| Total | 172,885 | 147,097 |
| Add accrued interest and undue interest income | 31 | 13 |
| Less allowance for expected credit loss | (66) | (15) |
| Total domestic items | 172,850 | 147,095 |
| Foreign items | | |
| US Dollar | 13,286 | 10,452 |
| Japanese Yen | 412 | 328 |
| Euro | 437 | 245 |
| Other currencies | 558 | 760 |
| Total | 14,693 | 11,785 |
| Add accrued interest and undue interest income | 16 | 11 |
| Less allowance for expected credit loss | (14) | (28) |
| Total foreign items | 14,695 | 11,768 |
| Total domestic and foreign items | 187,545 | 158,863 |

9 Financial assets measured at fair value through profit or loss

| | Consolidated | |
|---|--------------------------|--------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Financial assets held for trading | | |
| Government and state enterprise securities | 1,106 | 1,043 |
| Total | 1,106 | 1,043 |
| Financial assets - others | | |
| Marketable equity securities - domestic | 23 | - |
| Non-marketable equity securities - domestic | 404 | 378 |
| Total | 427 | 378 |
| Total financial assets measured at fair value through profit or loss | 1,533 | 1,421 |
| | Bank only | |
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Financial assets held for trading | | |
| Government and state enterprise securities | 1,106 | 1,043 |
| Total | 1,106 | 1,043 |
| Financial assets - others | | |
| Marketable equity securities - domestic | 23 | - |
| Non-marketable equity securities - domestic | 404 | 378 |
| Total | 427 | 378 |
| Total financial assets measured at fair value through profit or loss | 1,533 | 1,421 |

10 Derivatives

As at 31 December 2022 and 2021, fair value of derivatives held for trading book, derivatives held for risk management, and hedge derivative with notional amount classified by type of risks were as follows:

| Type of risks | Consolidated and Bank only | | | | | | | |
|---------------------------------------|----------------------------|--------------|-----------------|----------------|--------------|--------------|-----------------|----------------|
| | Fair Value | | Notional amount | | Fair Value | | Notional amount | |
| | Assets | Liabilities | Within 1 year | Over 1 year | Assets | Liabilities | Within 1 year | Over 1 year |
| | <i>(in million Baht)</i> | | | | | | | |
| Foreign currency related | | | | | | | | |
| - Trading Book | 7,628 | 7,354 | 411,163 | 14,552 | 3,119 | 3,267 | 473,050 | 13,446 |
| - Derivative held for risk management | 321 | 5 | 4,105 | - | 29 | 16 | 7,281 | - |
| - Cash flow hedge | 1,558 | 1,357 | 11,296 | 17,621 | 1,355 | 986 | 5,283 | 23,962 |
| - Fair value hedge | - | 11 | 361 | - | - | - | - | - |
| Interest rate related | | | | | | | | |
| - Trading Book | 869 | 772 | 25,923 | 71,727 | 2,410 | 2,326 | 49,149 | 128,429 |
| Total | 10,376 | 9,499 | 452,848 | 103,900 | 6,913 | 6,595 | 534,763 | 165,837 |

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10.1 Hedging derivatives

10.1.1 Fair value hedge

The Bank and its subsidiaries use forwards contract to limit exposure to the foreign currency risk on its unrecognised firm commitments resulting from changes in foreign exchange rates during a period and use interest rate swaps to exchange fixed rate for floating rates on funding to match floating rates received on asset or exchange fixed rates on assets to match the floating rates paid on funding.

For qualifying hedges, the fair value changes of the derivatives are substantially matched by corresponding fair value changes of the hedged items, both of which are recognized in profit or loss. For the year ended 31 December 2022 and 2021, the Bank and its subsidiaries recognised gain (loss) on fair value hedges in profit or loss as following;

| | Consolidated | | Bank only | |
|--|--------------------------------|-------|--------------------------------|------|
| | For the year ended 31 December | | For the year ended 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Gain (loss) on fair value hedges in profit or loss | - | (35)* | - | - |

*Including amount recognised from unwinding hedging instruments

10.1.2 Cash flow hedge

The Bank and its subsidiaries use cross-currency interest rate swaps to manage the variability in future cash flow on its assets and liabilities, mainly investments and borrowings, and cost in foreign currencies. The cross-currency interest rate swaps are contracts which involve the exchange of principal and interest in different currencies with counterparties for a specified period.

Gain or loss arising on the effective portion of the hedges are deferred in other comprehensive income until the variability on the cash flow affects profit and loss, at which time the gain or loss are transferred to profit or loss. For the year ended 31 December 2022 and 2021, the Bank and its subsidiaries recognised gain (loss) as following;

| | Consolidated | | Bank only | |
|---|--------------------------------|-------|--------------------------------|-------|
| | For the year ended 31 December | | For the year ended 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Gain (loss) on cash flow hedges in other comprehensive income | (38) | (17) | (38) | 157 |
| Gain (loss) reclassified from the hedge reserve to profit or loss | (131) | (81)* | (131) | (209) |

* Including gain recognised from unwinding hedging instruments

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11 Investments, net

11.1 Classified by type of investments

| | Consolidated and Bank only | | | |
|---|----------------------------|----------------|-------------------------------------|-------------------------------------|
| | Amortized cost/ fair value | | Dividend income | |
| | 2022 | 2021 | For the year ended 31 December 2022 | For the year ended 31 December 2021 |
| | (in million Baht) | | (in million Baht) | |
| <i>Investments in debt securities measured at amortised costs</i> | | | | |
| Government and state enterprise securities | 49,126 | - | | |
| Total | 49,126 | - | | |
| Less allowance for expected credit loss | (20) | - | | |
| Net | 49,106 | - | | |
| <i>Investments in debt securities measured at FVOCI</i> | | | | |
| Government and state enterprise securities | 137,116 | 151,561 | | |
| Private debt securities | 9,388 | 11,992 | | |
| Foreign debt securities | 12,966 | 13,786 | | |
| Total | 159,470 | 177,339 | | |
| Allowance for expected credit loss | (2,972) | (2,953) | | |
| <i>Investments in equity securities designated at FVOCI</i> | | | | |
| Marketable equity securities - domestic | 174 | 198 | - | - |
| Non-marketable equity securities - domestic | 2,676 | 2,686 | 169 | 135 |
| Non-marketable equity securities - overseas | 6 | 6 | - | - |
| Total | 2,856 | 2,890 | 169 | 135 |
| Total investments - net | 211,432 | 180,229 | | |

In June 2022, the Bank has initiated new business model, held-to-collect, for investment in debt securities, and reassessed investment items in response to investment objective. As a result, the Bank transferred investments in debt securities with carrying value of Baht 21,253 million from FVOCI to amortised costs. Unrealised loss associated with the transferred investment of Baht 1,932 million were reversed in other comprehensive income.

As of 31 December 2022, the fair value of the transferred investment was Baht 20,232 million, the unrealised loss amounting Baht 1,022 million would have been recognized in other comprehensive income if the investment had not been transferred.

11.2 Derecognised investments

Derecognised investments in equity securities designated at fair value through other comprehensive income arising from sale and shareholding reduction during the year ended 31 December 2022 and 2021 as following;

| | Consolidated | | | | | |
|--------------------------|--------------------------|------|-----------------|------|-------------|------|
| | Fair value at | | Dividend income | | Gain (Loss) | |
| | derecognised date | | 2022 | 2021 | 2022 | 2021 |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | | | |
| Derecognised investments | - | 812 | - | 25 | - | 100 |

| | Bank only | | | | | |
|--------------------------|--------------------------|------|-----------------|------|-------------|------|
| | Fair value at | | Dividend income | | Gain (Loss) | |
| | derecognised date | | 2022 | 2021 | 2022 | 2021 |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | | | |
| Derecognised investments | - | 57 | - | 9 | - | 35 |

11.3 Investments in entities in which the Bank and its subsidiaries hold 10% or more

As at 31 December 2022 and 2021, the Bank and its subsidiaries had investments in entities in which the Bank and its subsidiaries hold 10% or more of the paid-up share capital of the investee companies but such companies are not treated as its subsidiaries and associates summarised below.

| | Consolidated and Bank only | |
|---------------------------------------|----------------------------|--------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Property development and construction | - | 4 |
| Public utilities and services | 123 | 126 |
| Mutual funds and financial services | 344 | 266 |
| Others | 1,974 | 2,071 |
| Total investments | 2,441 | 2,467 |

Interest in unconsolidated structured entity arising in the normal business

The Bank and its subsidiaries may enter into transactions with structured entities in the forms of investment in unit trusts, lending and derivative. Investment in unit trusts is summarised as equity securities. Lending and derivative transactions are provided under normal business terms and are managed the same way as other counterparties.

As at 31 December 2022 and 2021, the Bank and its subsidiaries did not have significant risks and transactions relating to structured entities to disclose in the financial statements.

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11.4 Investments in companies with problems in their financial position and operating results

As at 31 December 2022 and 2021, the Bank and its subsidiaries had the following investments in listed companies which meet the Stock Exchange of Thailand (“SET”)’s criteria for delisting, and are in default on debt securities, or companies whose ability to continue as a going concern is uncertain, or unlisted companies whose financial position and operating results are similar to the listed companies which meet criteria for delisting from the SET. Those investments, which measured either at fair value through profit or loss, or through other comprehensive income, in the statement of financial position were summarised below.

| | Consolidated and Bank only | | | | | | | |
|---|-----------------------------|--------------------------|---------------|--|-----------------------------|---------------|--------------------------|--|
| | 2022 | | | | 2021 | | | |
| | No. of Com- panies | Cost value | Fair value | Allowance for expected credit loss | No. of Com- panies | Cost value | Fair value | Allowance for expected credit loss |
| | | <i>(in million Baht)</i> | | | | | <i>(in million Baht)</i> | |
| - Listed companies under delisting conditions / defaulted debt securities | 1 | 12 | - | - | 2 | 13 | - | - |
| - Companies whose ability to continues as a going concern is uncertain, or unlisted companies whose financial position and operating results are similar to the listed companies which meet criteria for delisting from the SET | 10 | 3,893 | 315 | 2,885 | 12 | 3,893 | 315 | 2,885 |
| Total | 11 | 3,905 | 315 | 2,885 | 14 | 3,906 | 315 | 2,885 |

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12 Investments in subsidiaries and associates, net

12.1 Detail of investments in subsidiaries and associates

| Companies | Type of Business | Percentage of ownership interest | | Consolidated | | | | Bank only | | | | Dividend income for the year ended 31 December | | | | | | | |
|---|------------------|----------------------------------|-----|-----------------|--------------|--------------|----------|--------------------------|--------------|----------------|----------------|--|-----------------|--------------------------|--------------|--------------|------------|---------------|--------|
| | | | | Paid-up capital | | Equity | | Allowance for impairment | | At Equity, net | | | | Allowance for impairment | | At cost, net | | | |
| | | | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | | | 2022 | 2021 | 2022 | 2021 | | |
| | | | | 2022 2021 | | 2022 2021 | | 2022 2021 | | 2022 2021 | | | | 2022 2021 | | 2022 2021 | | | |
| Subsidiaries | | | | | | | | | | | | | | | | | | | |
| Phahonyothin Asset Management Co., Ltd. | | | | | | | | | | | | | | | | | | | |
| Asset management | 100.00 | 100.00 | 298 | 298 | - | - | - | - | - | - | - | 298 | 298 | - | - | 298 | 298 | - | - |
| TBCO Public Company Limited ⁽¹⁾ | | | | | | | | | | | | | | | | | | | |
| Commercial bank | 99.98 | 99.98 | - | - | - | - | - | - | - | - | - | 99,310 | 99,310 | (99,000) | (99,000) | 310 | 310 | - | 92,576 |
| TMBThanachart Broker Co., Ltd. | | | | | | | | | | | | | | | | | | | |
| Insurance brokerage service | 99.99 | 99.99 | 100 | 100 | - | - | - | - | - | - | - | 117 | 117 | - | - | 117 | 117 | - | 135 |
| TTB Consumer Company Limited ⁽²⁾ | | | | | | | | | | | | | | | | | | | |
| Brokerage service | 100.00 | - | 30 | - | - | - | - | - | - | - | - | 30 | - | - | - | 30 | - | - | - |
| Associates | | | | | | | | | | | | | | | | | | | |
| TMB Asset Management Co., Ltd. ⁽³⁾ | | | | | | | | | | | | | | | | | | | |
| Fund management | - | 35.00 | - | 100 | - | 4,479 | - | - | - | 4,479 | - | 197 | - | - | - | 197 | 80 | 176 | |
| Thanachart Fund Management Co., Ltd. ⁽³⁾ | | | | | | | | | | | | | | | | | | | |
| Fund management | - | 49.90 | - | 100 | - | 4,141 | - | - | - | 4,141 | - | 4,192 | - | - | - | 4,192 | 73 | 101 | |
| Eastspring Asset Management (Thailand) Co., Ltd. ⁽³⁾ | | | | | | | | | | | | | | | | | | | |
| Fund management | 40.50 | - | 200 | - | 8,574 | - | - | - | 8,574 | - | 4,389 | - | - | - | 4,389 | - | 155 | - | |
| Total | | | | | 8,574 | 8,620 | - | - | 8,574 | 8,620 | 104,144 | 104,114 | (99,000) | (99,000) | 5,144 | 5,114 | 308 | 92,988 | |

⁽¹⁾ The Company registered the dissolution with the Ministry of Commerce on 1 November 2021 and is currently in the process of liquidation.

⁽²⁾ New subsidiary registered with the Ministry of Commerce on 3 March 2022.

⁽³⁾ Eastspring Asset Management (Thailand) Co., Ltd. is a new company formed under the amalgamation of TMB Asset Management Co., Ltd. and Thanachart Fund Management Co., Ltd. on 11 July 2022. The remaining investment in this aforementioned company is subject to call and put options in the future.

12.2 Disclosure of the statement of cash flows of the asset management company

| Statement of cash flows | | |
|---|--------------------------|----------------|
| Phahonyothin Assets Management Co., Ltd. | | |
| For the year ended 31 December | | |
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| <i>Cash flows from operating activities</i> | | |
| Profit from operations before income tax | 128 | 40 |
| <i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i> | | |
| Reversal of expected credit loss | (219) | (96) |
| Provisions for liabilities | 56 | 4 |
| Net interest income | (50) | (13) |
| Interest received | 19 | 9 |
| Interest paid | (65) | (13) |
| Income tax paid | (21) | (10) |
| Loss from operations before changes in operating assets and liabilities | (152) | (79) |
| <i>(Increase) decrease in operating assets</i> | | |
| Intercompany and money market items | 4,186 | (4,208) |
| Loans to customers | (2,166) | (1,280) |
| Properties for sale | (1,646) | - |
| Other assets | (94) | (14) |
| <i>Increase in operating liabilities</i> | | |
| Other payables | 2 | 2 |
| Other liabilities | 30 | 7 |
| Net cash provided by (used in) operating activities | 160 | (5,572) |
| <i>Cash flows from investing activities</i> | | |
| Purchase of premises and equipment | - | (1) |
| Net cash used in investing activities | - | (1) |
| <i>Cash flows from financing activities</i> | | |
| Cash receipts on debenture issued and borrowings | 23,020 | 8,500 |
| Cash paid for redemption of debenture and repayment of borrowings | (23,180) | (3,200) |
| Increase in issued and fully paid-up - ordinary shares | - | 273 |
| Net cash provided by (used in) financing activities | (160) | 5,573 |
| Net decrease in cash | - | - |
| Cash at 1 January | - | - |
| Cash at 31 December | - | - |

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13 Loans to customers and accrued interest receivables, net

13.1 Classified by loan type

| | Consolidated | | Bank only | |
|---|--------------------------|-------------------------|-------------------------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Overdrafts | 90,626 | 98,656 | 90,626 | 98,656 |
| Loans | 676,452 | 679,161 | 671,950 | 678,408 |
| Bills | 196,995 | 198,375 | 197,135 | 198,375 |
| Hire purchase receivables | 411,039 | 393,856 | 411,039 | 393,856 |
| Finance lease receivables | 910 | 997 | 910 | 997 |
| Others | 96 | 259 | 96 | 259 |
| Total loans to customers | <u>1,376,118</u> | <u>1,371,304</u> | <u>1,371,756</u> | <u>1,370,551</u> |
| Add accrued interest receivables and undue interest income* | <u>7,777</u> | <u>7,369</u> | <u>7,777</u> | <u>7,369</u> |
| Total loans to customers and accrued interest receivables | <u>1,383,895</u> | <u>1,378,673</u> | <u>1,379,533</u> | <u>1,377,920</u> |
| Less allowance for expected credit loss | <u>(57,390)</u> | <u>(54,472)</u> | <u>(55,796)</u> | <u>(54,452)</u> |
| Total loans to customers and accrued interest receivables - net | <u><u>1,326,505</u></u> | <u><u>1,324,201</u></u> | <u><u>1,323,737</u></u> | <u><u>1,323,468</u></u> |

* Accrued interest receivables and undue interest income of non-performing loans to customers presented net amount after allowance for expected credit loss.

13.2 Classified by residency of debtors

| | Consolidated | | Bank only | |
|----------|--------------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Domestic | 1,364,223 | 1,357,583 | 1,359,861 | 1,356,830 |
| Foreign | 11,895 | 13,721 | 11,895 | 13,721 |
| Total* | <u>1,376,118</u> | <u>1,371,304</u> | <u>1,371,756</u> | <u>1,370,551</u> |

* Loans to customers net of deferred revenue.

13.3 Classified by stage

| | Consolidated | | | |
|--|--------------------------|------------------------------------|--|------------------------------------|
| | 2022 | | 2021 | |
| | <i>(in million Baht)</i> | | | |
| Loans to customers and accrued interest receivables* | | Allowance for expected credit loss | Loans to customers and accrued interest receivables* | Allowance for expected credit loss |
| Stage 1 (Performing) | 1,225,348 | 13,325 | 1,223,662 | 12,413 |
| Stage 2 (Under-performing) | 116,840 | 24,469 | 112,520 | 22,052 |
| Stage 3 (Non-performing) | 41,707 | 19,596 | 42,491 | 20,007 |
| Total | <u>1,383,895</u> | <u>57,390</u> | <u>1,378,673</u> | <u>54,472</u> |

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| | Bank only | | | |
|----------------------------|--|------------------------------------|--|------------------------------------|
| | 2022 | | 2021 | |
| | Loans to customers and accrued interest receivables* | Allowance for expected credit loss | Loans to customers and accrued interest receivables* | Allowance for expected credit loss |
| | <i>(in million Baht)</i> | | | |
| Stage 1 (Performing) | 1,225,485 | 13,325 | 1,223,661 | 12,413 |
| Stage 2 (Under-performing) | 116,840 | 24,469 | 112,520 | 22,052 |
| Stage 3 (Non-performing) | 37,208 | 18,002 | 41,739 | 19,987 |
| Total | 1,379,533 | 55,796 | 1,377,920 | 54,452 |

* Total loans to customers and accrued interest receivables in note 13.1

13.4 Non-performing loans

As at 31 December 2022 and 2021, the Bank and its subsidiaries' NPLs (including interbank and money market items) were summarised as follows:

| | Consolidated | | Bank only | |
|--------------------------------------|--------------|-----------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| NPLs | | | | |
| NPLs <i>(in million Baht)</i> | 41,707 | 42,120 | 37,208 | 41,368 |
| Total loans <i>(in million Baht)</i> | 1,529,135 | 1,499,031 | 1,524,775 | 1,498,279 |
| Percentage of NPLs (%) | 2.73 | 2.81 | 2.44 | 2.76 |

As at 31 December 2022 and 2021, Phahonyothin Asset Management Co., Ltd. has non-performing loans amounting to Baht 4,499 million and Baht 752 million respectively.

For the year ended 31 December 2022 and 2021, the Bank and its subsidiaries sold non-performing loans, with principal totalling approximately Baht 8,196 million and Baht 6,453 million, respectively (*Bank only: approximately Baht 12,318 million and Baht 6,809 million, respectively*), to asset management companies. The selling price in excess of the carrying amount of those non-performing loans was presented as a deduction from "Expected credit loss" in the statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and 2021, respectively.

13.5 Modified loans to customers

During the year ended 31 December 2022 and 2021, the Bank and its subsidiaries have modified loans that have not resulted in derecognition, while they had a loss allowance measured at an amount equal to lifetime ECL, as follows:

| | Consolidated | |
|--|--------------------------|-------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Loans to customers modified during the year | | |
| Outstanding loan at modification date* | 14,658 | 8,645 |
| Net modification loss* | 87 | 203 |
| Loans modified since initial recognition - upgraded | | |
| Outstanding of loans to customers upgraded from lifetime expected credit loss to 12-month expected credit loss in the year | 2,089 | 1,358 |

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| | Bank only | |
|--|--------------------------|-------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Loans to customers modified during the year | | |
| Outstanding loan at modification date* | 14,540 | 7,729 |
| Net modification loss* | 87 | 199 |
| Loans modified since initial recognition - upgraded | | |
| Outstanding of loans to customers upgraded from lifetime expected credit loss to 12-month expected credit loss in the year | 2,089 | 1,093 |

* In 2022, this included 2nd form of financial assistance based on sustainable debt resolution as mentioned in note 2.

As at 31 December 2022, the outstanding modified loans of the Bank and its subsidiaries was approximately 12% of the total loans. (2021: 16% of the total loans).

13.6 Hire purchase and finance lease receivables

| | Consolidated and Bank only | | | |
|---|--------------------------------|---|---------------------------------|----------------|
| | 2022 | | | |
| | Portion due within one year | Portion due after one year but within five years | Portion due after five years | Total |
| | <i>(in million Baht)</i> | | | |
| Hire purchase receivables | 122,387 | 312,120 | 35,499 | 470,006 |
| Finance lease receivables | 388 | 583 | - | 971 |
| Total gross investment under hire purchase contracts | 122,775 | 312,703 | 35,499 | 470,977 |
| Less unearned interest income | | | | (59,028) |
| Present value of minimum lease payment receivables | | | | 411,949 |
| Less allowance for expected credit loss | | | | (10,973) |
| Lease receivables, net | | | | 400,976 |
| | | | | |
| | Consolidated and Bank only | | | |
| | 2021 | | | |
| | Portion due within one year | Portion due after one year but within five years | Portion due after five years | Total |
| | <i>(in million Baht)</i> | | | |
| Hire purchase receivables | 116,303 | 302,806 | 32,310 | 451,419 |
| Finance lease receivables | 419 | 645 | - | 1,064 |
| Total gross investment under hire purchase contracts | 116,722 | 303,451 | 32,310 | 452,483 |
| Less unearned interest income | | | | (57,630) |
| Present value of minimum lease payment receivables | | | | 394,853 |
| Less allowance for expected credit loss | | | | (9,390) |
| Lease receivables, net | | | | 385,463 |

14 Allowance for expected credit loss

The movements in the allowance for expected credit loss during the year were as follows:

| | Consolidated 2022 | | | Total |
|--|----------------------|--|--|---------------|
| | 12-month ECL | Lifetime ECL, not credit impaired | Lifetime ECL, credit impaired | |
| <i>Investments</i> | | | | |
| Beginning balance | 68 | - | 2,885 | 2,953 |
| Changes from remeasurement of ECL | (2) | - | - | (2) |
| Purchased or acquired | 68 | - | - | 68 |
| Derecognition | (27) | - | - | (27) |
| Ending balance | 107 | - | 2,885 | 2,992 |
| <i>Loans to customers and accrued interest receivables</i> | | | | |
| Beginning balance | 12,413 | 22,052 | 20,007 | 54,472 |
| Changes from stage reclassification | (1,327) | 945 | 11,939 | 11,557 |
| Changes from remeasurement of ECL | 488 | 2,124 | 6,174 | 8,786 |
| Originated | 2,310 | - | - | 2,310 |
| Derecognition | (559) | (652) | (4,671) | (5,882) |
| Write-off | - | - | (13,853) | (13,853) |
| Ending balance | 13,325 | 24,469 | 19,596 | 57,390 |

| | Consolidated 2021 | | | Total |
|--|----------------------|--|--|---------------|
| | 12-month ECL | Lifetime ECL, not credit impaired | Lifetime ECL, credit impaired | |
| <i>Investments</i> | | | | |
| Beginning balance | 54 | 5 | 1,708 | 1,767 |
| Changes from remeasurement of ECL | 4 | (2) | 1,177 | 1,179 |
| Purchased or acquired | 67 | - | - | 67 |
| Derecognition | (57) | (3) | - | (60) |
| Ending balance | 68 | - | 2,885 | 2,953 |
| <i>Loans to customers and accrued interest receivables</i> | | | | |
| Beginning balance | 11,126 | 21,617 | 19,224 | 51,967 |
| Changes from stage reclassification | (1,069) | 1,172 | 13,122 | 13,225 |
| Changes from remeasurement of ECL | 953 | 126 | 8,616 | 9,695 |
| Originated | 1,982 | 219 | 111 | 2,312 |
| Derecognition | (579) | (1,082) | (5,232) | (6,893) |
| Write-off | - | - | (15,834) | (15,834) |
| Ending balance | 12,413 | 22,052 | 20,007 | 54,472 |

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| | Bank only 2022 | | | Total |
|--|-------------------|--|--|---------------|
| | 12-month ECL | Lifetime ECL, not credit impaired | Lifetime ECL, credit impaired | |
| <i>(in million Baht)</i> | | | | |
| Investments | | | | |
| Beginning balance | 68 | - | 2,885 | 2,953 |
| Changes from remeasurement of ECL | (2) | - | - | (2) |
| Purchased or acquired | 68 | - | - | 68 |
| Derecognition | (27) | - | - | (27) |
| Ending balance | 107 | - | 2,885 | 2,992 |
| Loans to customers and accrued interest receivables | | | | |
| Beginning balance | 12,413 | 22,052 | 19,987 | 54,452 |
| Changes from stage reclassification | (1,327) | 945 | 11,939 | 11,557 |
| Changes from remeasurement of ECL | 488 | 2,124 | 6,393 | 9,005 |
| Originated | 2,310 | - | - | 2,310 |
| Derecognition | (559) | (652) | (6,464) | (7,675) |
| Write-off | - | - | (13,853) | (13,853) |
| Ending balance | 13,325 | 24,469 | 18,002 | 55,796 |

| | Bank only 2021 | | | Total |
|--|-------------------|--|--|---------------|
| | 12-month ECL | Lifetime ECL, not credit impaired | Lifetime ECL, credit impaired | |
| <i>(in million Baht)</i> | | | | |
| Investments | | | | |
| Beginning balance | 33 | - | 50 | 83 |
| Acquisition through Entire Business Transfer | 24 | 3 | 1,890 | 1,917 |
| Changes from remeasurement of ECL | 4 | - | 945 | 949 |
| Purchased or acquired | 50 | - | - | 50 |
| Derecognition | (43) | (3) | - | (46) |
| Ending balance | 68 | - | 2,885 | 2,953 |
| Loans to customers and accrued interest receivables | | | | |
| Beginning balance | 4,904 | 14,495 | 11,932 | 31,331 |
| Acquisition through Entire Business Transfer | 5,613 | 7,425 | 7,829 | 20,867 |
| Changes from stage reclassification | (432) | 257 | 9,216 | 9,041 |
| Changes from remeasurement of ECL | 1,405 | 690 | 8,056 | 10,151 |
| Originated | 1,331 | 105 | 70 | 1,506 |
| Derecognition | (408) | (920) | (4,914) | (6,242) |
| Write-off | - | - | (12,202) | (12,202) |
| Ending balance | 12,413 | 22,052 | 19,987 | 54,452 |

From the economic conditions and the prolonged COVID-19 pandemic, management considered the impact to the financial assets based on available information and the potential impact on the initial ECL estimates. As at 31 December 2022 and 2021, management provided additional ECL as management overlay including for the customers under relief and impact from economic condition.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

15 Properties for sale, net

As at 31 December 2022 and 2021, changes to the properties for sale, net were as follows:

| | Beginning balance | Consolidated 2022 | | Ending balance |
|---|----------------------|--------------------------|------------------------|-------------------|
| | | Additions | Disposals/ Decrease | |
| | | <i>(in million Baht)</i> | | |
| Assets foreclosed in settlement of debts | | | | |
| - Immovable assets | 6,725 | 3,222 | (276) | 9,671 |
| - Movable assets | 296 | 6,723 | (6,546) | 473 |
| Assets for sales | 1,935 | 1,027 | (481) | 2,481 |
| Total | 8,956 | 10,972 | (7,303) | 12,625 |
| Add (less) allowance for impairment loss | (330) | (808) | 665 | (473) |
| Net | 8,626 | 10,164 | (6,638) | 12,152 |

| | Beginning balance | Consolidated 2021 | | Ending balance |
|---|----------------------|--------------------------|------------------------|-------------------|
| | | Additions | Disposals/ Decrease | |
| | | <i>(in million Baht)</i> | | |
| Assets foreclosed in settlement of debts | | | | |
| - Immovable assets | 3,720 | 3,249 | (244) | 6,725 |
| - Movable assets | 565 | 6,918 | (7,187) | 296 |
| Assets for sales | 2,066 | 736 | (867) | 1,935 |
| Total | 6,351 | 10,903 | (8,298) | 8,956 |
| Add (less) allowance for impairment loss | (314) | (793) | 777 | (330) |
| Net | 6,037 | 10,110 | (7,521) | 8,626 |

| | Beginning balance | Bank only 2022 | | Ending balance |
|---|----------------------|--------------------------|------------------------|-------------------|
| | | Additions | Disposals/ Decrease | |
| | | <i>(in million Baht)</i> | | |
| Assets foreclosed in settlement of debts | | | | |
| - Immovable assets | 6,725 | 3,196 | (1,825) | 8,096 |
| - Movable assets | 296 | 6,723 | (6,546) | 473 |
| Assets for sales | 1,935 | 1,027 | (481) | 2,481 |
| Total | 8,956 | 10,946 | (8,852) | 11,050 |
| Add (less) allowance for impairment loss | (330) | (808) | 702 | (436) |
| Net | 8,626 | 10,138 | (8,150) | 10,614 |

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Notes to the financial statements

For the year ended 31 December 2022

| | Beginning balance | Acquisition Through Entire Business Transfer | Bank only 2021 | | Ending balance |
|--|----------------------|--|---------------------------------------|------------------------|-------------------|
| | | | Additions <i>(in million Baht)</i> | Disposals/ Decrease | |
| Assets foreclosed in settlement of debts | | | | | |
| - Immovable assets | 2,372 | 1,383 | 3,187 | (217) | 6,725 |
| - Movable assets | - | 453 | 3,249 | (3,406) | 296 |
| Assets for sales | 942 | 1,173 | 419 | (599) | 1,935 |
| Total | 3,314 | 3,009 | 6,855 | (4,222) | 8,956 |
| Add (less) allowance for impairment loss | (164) | (159) | (361) | 354 | (330) |
| Net | <u>3,150</u> | <u>2,850</u> | <u>6,494</u> | <u>(3,868)</u> | <u>8,626</u> |

As at 31 December 2022 and 2021, the Bank and its subsidiaries had properties for sale with debtor's rights to buy back when complied with criteria in the agreement, with net book value amounting to Baht 400 million and Baht 1 million, respectively. *(Bank only: Baht 400 million and 1 million, respectively)*

As at 31 December 2022 and 2021, the Bank and its subsidiaries had properties for sale transferred under the Bank of Thailand's supportive measure for debt settlement through collateral assets transfers with buy-back options (Asset Warehousing) amounting to Baht 5,532 million and Baht 2,853 million, respectively. *(Bank only: Baht 5,532 million and 2,853 million, respectively)*

The value of immovable assets acquired from debt repayment was appraised by external and internal appraisers as at 31 December 2022 and 2021 as follows:

| | Consolidated | | Bank only | |
|--|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Assets foreclosed in settlement of debts | | | | |
| Immovable assets | | | | |
| - Appraised by external appraisers | 9,665 | 6,710 | 8,090 | 6,710 |
| - Appraised by internal appraisers | 6 | 15 | 6 | 15 |
| Total | <u>9,671</u> | <u>6,725</u> | <u>8,096</u> | <u>6,725</u> |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

16 Premises and equipment, net

As at 31 December 2022 and 2021, changes in premises and equipment were as follows:

| | Consolidated 2022 | | | | | | | | | | | | | |
|---|----------------------|---------------------------|--|-------------------|----------------------|--------------------------|---|-------------------|----------------------|--|--|-------------------|--------------|---|
| | Cost | | | | | Accumulated depreciation | | | | Allowance for impairment loss | | | | Net book value as at 31 December 2022 |
| Net book value as at 1 January 2022 | Beginning balance | Increase/ transfers in | Disposals/ written-off/ transfers out | Ending balance | Beginning balance | Depreciation | Disposals/ written-off/ transfers out/ adjustments from revaluation <i>(in million Baht)</i> | Ending balance | Beginning balance | Reversal of (loss) on impairment during the year | Disposals/ written-off/ transfers out | Ending balance | | |
| Land | | | | | | | | | | | | | | |
| - Cost | 7,366 | 7,501 | - | (556) | 6,945 | - | - | - | - | (135) | (7) | 14 | (128) | 6,817 |
| - Incremental revaluation* | 4,268 | 4,268 | - | (260) | 4,008 | - | - | - | - | - | - | - | - | 4,008 |
| Building under construction | 45 | 45 | 198 | (208) | 35 | - | - | - | - | - | - | - | - | 35 |
| Building | | | | | | | | | | | | | | |
| - Cost | 3,889 | 7,964 | 279 | (472) | 7,771 | (4,073) | (464) | 270 | (4,267) | (2) | (46) | 46 | (2) | 3,502 |
| - Incremental revaluation* | 1,714 | 4,735 | - | (707) | 4,028 | (3,021) | (91) | 520 | (2,592) | - | - | - | - | 1,436 |
| Right-of-use assets | | | | | | | | | | | | | | |
| - premise | 1,089 | 1,913 | 309 | (449) | 1,773 | (824) | (596) | 449 | (971) | - | - | - | - | 802 |
| Leasehold improvements | 468 | 1,599 | 118 | (104) | 1,613 | (1,131) | (159) | 93 | (1,197) | - | (4) | 4 | - | 416 |
| Equipment under construction and installation | 98 | 98 | 617 | (532) | 183 | - | - | - | - | - | - | - | - | 183 |
| Equipment | 2,290 | 7,232 | 592 | (347) | 7,477 | (4,817) | (750) | 333 | (5,234) | (125) | 37 | 75 | (13) | 2,230 |
| Right-of-use assets | | | | | | | | | | | | | | |
| - equipment | 398 | 1,707 | 266 | (1,203) | 770 | (1,309) | (301) | 1,199 | (411) | - | - | - | - | 359 |
| Total | 21,625 | 37,062 | 2,379 | (4,838) | 34,603 | (15,175) | (2,361) | 2,864 | (14,672) | (262) | (20) | 139 | (143) | 19,788 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Consolidated | | | | | | | | | | | | | | | |
|---|----------------------|-------------------|------------------------|---------------------------------------|---|----------------|--------------------------|----------------|---|---|-----------------|-------------------------------|------------------------------------|---------------------------------------|----------------|---------------------------------------|
| | 2021 | | | | | | | | | | | | | | | |
| | Cost | | | | | | Accumulated depreciation | | | | | Allowance for impairment loss | | | | |
| | Net book value as at | | Increase/ transfers in | Disposals/ written-off/ transfers out | Reclassified after Entire Business Transfer | Ending balance | Beginning balance | Depreciation | Disposals/ written-off/ transfers out/ adjustments from revaluation | Reclassified after Entire Business Transfer | Ending balance | Beginning balance | Loss on impairment during the year | Disposals/ written-off/ transfers out | Ending balance | Net book value as at 31 December 2021 |
| 1 January 2021 | Beginning balance | Beginning balance | | | | | | | | | | | | | | |
| Land | | | | | | | | | | | | | | | | |
| - Cost | 7,817 | 7,968 | 147 | (614) | - | 7,501 | - | - | - | - | (151) | (12) | 28 | (135) | 7,366 | |
| - Incremental revaluation* | 4,348 | 4,348 | - | (80) | - | 4,268 | - | - | - | - | - | - | - | - | 4,268 | |
| Building under construction | 59 | 59 | - | (14) | - | 45 | - | - | - | - | - | - | - | - | 45 | |
| Building | | | | | | | | | | | | | | | | |
| - Cost | 4,227 | 7,835 | 479 | (495) | 145 | 7,964 | (3,607) | (458) | 135 | (143) | (4,073) | (1) | (20) | 19 | (2) | 3,889 |
| - Incremental revaluation* | 1,867 | 4,960 | - | (225) | - | 4,735 | (3,093) | (100) | 172 | - | (3,021) | - | - | - | - | 1,714 |
| Right-of-use assets | | | | | | | | | | | | | | | | |
| - premise | 1,151 | 1,808 | 659 | (554) | - | 1,913 | (657) | (650) | 483 | - | (824) | - | - | - | - | 1,089 |
| Leasehold improvements | 222 | 1,169 | 168 | (181) | 443 | 1,599 | (947) | (129) | 145 | (200) | (1,131) | - | (20) | 20 | - | 468 |
| Equipment under construction and installation | 107 | 107 | 386 | (395) | - | 98 | - | - | - | - | - | - | - | - | - | 98 |
| Equipment | 3,195 | 7,078 | 556 | (1,312) | 910 | 7,232 | (3,883) | (866) | 1,083 | (1,151) | (4,817) | - | (125) | - | (125) | 2,290 |
| Right-of-use assets | | | | | | | | | | | | | | | | |
| - equipment | 1,046 | 1,816 | 217 | (326) | - | 1,707 | (770) | (736) | 197 | - | (1,309) | - | - | - | - | 398 |
| Total | 24,039 | 37,148 | 2,612 | (4,196) | 1,498 | 37,062 | (12,957) | (2,939) | 2,215 | (1,494) | (15,175) | (152) | (177) | 67 | (262) | 21,625 |

* The Bank's revaluation has been performed in 2019.

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2022 amounted to Baht 4,774 million (2021: Baht 5,849 million).

Depreciation presented in the consolidated profit or loss for the year ended 31 December 2022 and 2021 amounted to Baht 2,361 million and Baht 2,939 million, respectively.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Cost | | | | | Bank only 2022 Accumulated depreciation | | | | Allowance for impairment loss | | | | Net book value as at 31 December 2022 |
|---|--|----------------------|---------------------------|--|-------------------|---|----------------|--|-------------------|-------------------------------|--|--|-------------------|--|
| | Net book value as at 1 January 2022 | Beginning balance | Increase/ transfers in | Disposals/ written-off/ transfers out | Ending balance | Beginning balance | Depreciation | Disposals/ written-off/ transfers out/ adjustments from revaluation | Ending balance | Beginning balance | Reversal of (loss) on impairment during the year | Disposals/ written-off/ transfers out | Ending balance | |
| Land | | | | | | | | | | | | | | |
| - Cost | 7,366 | 7,501 | - | (556) | 6,945 | - | - | - | - | (135) | (7) | 14 | (128) | 6,817 |
| - Incremental revaluation* | 4,268 | 4,268 | - | (260) | 4,008 | - | - | - | - | - | - | - | - | 4,008 |
| Building under construction | 45 | 45 | 198 | (208) | 35 | - | - | - | - | - | - | - | - | 35 |
| Building | | | | | | | | | | | | | | |
| - Cost | 3,889 | 7,964 | 279 | (472) | 7,771 | (4,073) | (464) | 270 | (4,267) | (2) | (46) | 46 | (2) | 3,502 |
| - Incremental revaluation* | 1,714 | 4,735 | - | (707) | 4,028 | (3,021) | (91) | 520 | (2,592) | - | - | - | - | 1,436 |
| Right-of-use assets | | | | | | | | | | | | | | |
| - premise | 1,035 | 1,835 | 305 | (449) | 1,691 | (800) | (581) | 449 | (932) | - | - | - | - | 759 |
| Leasehold improvements | 468 | 1,599 | 118 | (104) | 1,613 | (1,131) | (159) | 93 | (1,197) | - | (4) | 4 | - | 416 |
| Equipment under construction and installation | 97 | 97 | 618 | (532) | 183 | - | - | - | - | - | - | - | - | 183 |
| Equipment | 2,281 | 7,212 | 568 | (338) | 7,442 | (4,806) | (743) | 324 | (5,225) | (125) | 37 | 75 | (13) | 2,204 |
| Right-of-use assets | | | | | | | | | | | | | | |
| - equipment | 398 | 1,706 | 266 | (1,203) | 769 | (1,308) | (301) | 1,199 | (410) | - | - | - | - | 359 |
| Total | 21,561 | 36,962 | 2,352 | (4,829) | 34,485 | (15,139) | (2,339) | 2,855 | (14,623) | (262) | (20) | 139 | (143) | 19,719 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

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| | Bank only | | | | | | | | | | | | | | | | |
|---|----------------------|-------------------|----------------------------|-------------------------|----------------|-------------------|----------------------------|---------------------|-----------------------------------|----------------|-------------------|-------------------------------|---------------|-----------------------------------|------------------|---------------|----------------------|
| | 2021 | | | | | | | | | | | | | | | | |
| | Cost | | | | | | Accumulated depreciation | | | | | Allowance for impairment loss | | | | | |
| | Net book value as at | | Acquisition through Entire | Disposals/ written-off/ | | Ending | Acquisition through Entire | | Disposals/ written-off/ transfers | | | Loss on impairment | | Disposals/ written-off/ transfers | | Ending | Net book value as at |
| 1 January 2021 | Beginning balance | Business Transfer | Increase/ transfers in | transfers out | balance | Beginning balance | Business Transfer | Entire Depreciation | out/from revaluation | Ending balance | Beginning balance | during the year | transfers out | Ending balance | 31 December 2021 | | |
| <i>(in million Baht)</i> | | | | | | | | | | | | | | | | | |
| Land | | | | | | | | | | | | | | | | | |
| - Cost | 1,623 | 1,777 | 5,892 | 147 | (315) | 7,501 | - | - | - | - | - | (154) | (12) | 31 | (135) | 7,366 | |
| - Incremental revaluation* | 4,348 | 4,348 | - | - | (80) | 4,268 | - | - | - | - | - | - | - | - | - | 4,268 | |
| Building under construction | 59 | 59 | - | - | (14) | 45 | - | - | - | - | - | - | - | - | - | 45 | |
| Building | | | | | | | | | | | | | | | | | |
| - Cost | 2,219 | 5,574 | 2,326 | 479 | (415) | 7,964 | (3,353) | (497) | (347) | 124 | (4,073) | (2) | (20) | 20 | (2) | 3,889 | |
| - Incremental revaluation* | 1,867 | 4,960 | - | - | (225) | 4,735 | (3,093) | - | (100) | 172 | (3,021) | - | - | - | - | 1,714 | |
| Right-of-use assets | | | | | | | | | | | | | | | | | |
| - premise | 700 | 1,028 | 567 | 565 | (325) | 1,835 | (328) | (277) | (499) | 304 | (800) | - | - | - | - | 1,035 | |
| Leasehold improvements | 222 | 1,169 | 443 | 168 | (181) | 1,599 | (947) | (200) | (129) | 145 | (1,131) | - | (20) | 20 | - | 468 | |
| Equipment under construction and installation | 77 | 77 | - | 345 | (325) | 97 | - | - | - | - | - | - | - | - | - | 97 | |
| Equipment | 2,369 | 6,504 | 901 | 514 | (707) | 7,212 | (4,135) | (428) | (680) | 437 | (4,806) | - | (125) | - | (125) | 2,281 | |
| Right-of-use assets | | | | | | | | | | | | | | | | | |
| - equipment | 271 | 487 | 1,323 | 215 | (319) | 1,706 | (216) | (822) | (460) | 190 | (1,308) | - | - | - | - | 398 | |
| Total | 13,755 | 25,983 | 11,452 | 2,433 | (2,906) | 36,962 | (12,072) | (2,224) | (2,215) | 1,372 | (15,139) | (156) | (177) | 71 | (262) | 21,561 | |

* The Bank's revaluation has been performed in 2019.

The gross amount of the Bank only's fully depreciated premises and equipment that were still in use as at 31 December 2022 amounted to Baht 4,747 million (2021: Baht 5,823 million). Depreciation presented in the Bank only's profit or loss for the year ended 31 December 2022 and 2021 amounted to Baht 2,339 million and Baht 2,215 million, respectively.

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| | Consolidated 2021 | | | | | | | | | | Net book value as at 31 December 2021 |
|--|--|--------------|----------------|------------------------|---|--------------------------|------------------------------------|--|-------------------|---------------|--|
| | Net book value as at 1 January 2021 | Cost | | | | Accumulated amortisation | | | | | |
| | Beginning balance | Additions | Written-off | Transfers in/ (out) | Ending balance <i>(in million Baht)</i> | Beginning balance | Amortisation during the year | Accumulated amortisation on transfer out | Ending balance | | |
| Goodwill | 14,105 | - | - | - | 14,105 | - | - | - | - | 14,105 | |
| Computer software | 3,966 | 15 | (3,627) | 1,610 | 8,613 | (6,649) | (1,435) | 3,571 | (4,513) | 4,100 | |
| Computer software under development | 746 | 1,738 | (80) | (1,595) | 809 | - | - | - | - | 809 | |
| Right-of-use assets - software | 48 | 482 | (69) | - | 525 | (64) | (123) | 69 | (118) | 407 | |
| Other intangible assets | 3,681 | - | - | - | 3,964 | (283) | (283) | - | (566) | 3,398 | |
| Total | 22,546 | 2,235 | (3,776) | 15 | 28,016 | (6,996) | (1,841) | 3,640 | (5,197) | 22,819 | |

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2022 amounted to Baht 1,159 million (2021: Baht 3,845 million).

Amortisation presented in the consolidated profit or loss for the year ended 31 December 2022 and 2021 amounted to Baht 1,768 million and Baht 1,841 million, respectively.

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Bank only
31 December 2021

| | Cost | | | | | Accumulated amortisation | | | | | | | Net book value as at 31 December 2021 |
|-------------------------------------|-------------------------------------|-------------------|--|--------------|----------------|--------------------------|----------------|-------------------|--|------------------------------|--|----------------|---------------------------------------|
| | Net book value as at 1 January 2021 | Beginning balance | Acquisition through Entire Business Transfer | Additions | Written-off | Transfers in/ (out) | Ending balance | Beginning balance | Acquisition through Entire Business Transfer | Amortisation during the year | Accumulated Amortization on transfer out | Ending balance | |
| Goodwill | - | - | 14,105 | - | - | - | 14,105 | - | - | - | - | - | 14,105 |
| Computer software | 3,085 | 9,243 | 1,437 | 1 | (3,615) | 1,503 | 8,569 | (6,158) | (856) | (1,085) | 3,600 | (4,499) | 4,070 |
| Computer software under development | 592 | 592 | - | 1,738 | (4) | (1,518) | 808 | - | - | - | - | - | 808 |
| Right-of-use assets - software | 47 | 112 | - | 482 | (69) | - | 525 | (65) | - | (122) | 69 | (118) | 407 |
| Other intangible assets | - | - | 3,964 | - | - | - | 3,964 | - | (425) | (142) | - | (567) | 3,397 |
| Total | 3,724 | 9,947 | 19,506 | 2,221 | (3,688) | (15) | 27,971 | (6,223) | (1,281) | (1,349) | 3,669 | (5,184) | 22,787 |

The gross amount of the Bank only's fully amortised intangible assets that were still in use as at 31 December 2022 amounted to Baht 1,154 million (2021: Baht 3,839 million).

Amortisation presented in the Bank only's profit or loss for the year ended 31 December 2022 and 2021 amounted to Baht 1,758 million and Baht 1,349 million, respectively.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

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Movements in deferred tax assets and liabilities during the year ended 31 December 2022 and 2021 were as follows:

| | At 1 January 2022 | Consolidated (Charged) / Credited to: | | | At 31 December 2022 |
|---|-------------------------|--|--|-------------|---------------------------|
| | | Profit or loss | Other comprehensive income (note 18.2) (in million Baht) | Others | |
| Deferred tax assets | | | | | |
| Interbank and money market items | 4 | (1) | - | - | 3 |
| Financial assets measured at fair value through profit or loss | 105 | 14 | - | - | 119 |
| Investments | 699 | 9 | 119 | - | 827 |
| Loans to customers and accrued interest receivables | 1,724 | 348 | - | - | 2,072 |
| Properties for sale | 82 | 59 | - | - | 141 |
| Premises and equipment | 132 | (12) | - | - | 120 |
| Provisions for employee benefits | 332 | 72 | (3) | - | 401 |
| Provisions for other liabilities | 406 | 172 | - | (44) | 534 |
| Deferred revenue and other liabilities | 1,583 | 423 | - | - | 2,006 |
| Others | 390 | (25) | (4) | (7) | 354 |
| Total | 5,457 | 1,059 | 112 | (51) | 6,577 |
| Deferred tax liabilities | | | | | |
| Investments | 1,768 | 3 | (2) | - | 1,769 |
| Loans to customers and accrued interest receivables | 563 | (118) | - | - | 445 |
| Properties for sale | 114 | 18 | - | - | 132 |
| Premises and equipment | 3,069 | (143) | (24) | - | 2,902 |
| Others | 856 | (358) | 1 | - | 499 |
| Total | 6,370 | (598) | (25) | - | 5,747 |
| Net | (913) | 1,657 | 137 | (51) | 830 |

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| | At 1 January 2021 | Consolidated (Charged) / Credited to: | | | At 31 December 2021 |
|---|-------------------------|--|--|--------------|---------------------------|
| | | Profit or loss | Other comprehensive income (note 18.2) (in million Baht) | Others | |
| Deferred tax assets | | | | | |
| Interbank and money market items | 40 | (33) | - | (3) | 4 |
| Financial assets measured at fair value | | | | | |
| through profit or loss | 139 | (34) | - | - | 105 |
| Investments | 407 | 168 | 124 | - | 699 |
| Loans to customers and accrued interest | | | | | |
| receivables | 2,581 | (857) | - | - | 1,724 |
| Properties for sale | 82 | - | - | - | 82 |
| Premises and equipment | 35 | 97 | - | - | 132 |
| Provisions for employee benefits | 681 | (309) | (40) | - | 332 |
| Provisions for other liabilities | 564 | (50) | - | (108) | 406 |
| Deferred revenue and other liabilities | 1,273 | 310 | - | - | 1,583 |
| Others | 353 | 67 | (14) | (16) | 390 |
| Total | 6,155 | (641) | 70 | (127) | 5,457 |
| Deferred tax liabilities | | | | | |
| Financial assets measured at fair value | | | | | |
| through profit or loss | 34 | (34) | - | - | - |
| Investments | 1,816 | (82) | 34 | - | 1,768 |
| Loans to customers and accrued interest | | | | | |
| receivables | - | 563 | - | - | 563 |
| Properties for sale | 37 | 77 | - | - | 114 |
| Premises and equipment | 3,334 | (255) | (10) | - | 3,069 |
| Others | 2,455 | (1,576) | (23) | - | 856 |
| Total | 7,676 | (1,307) | 1 | - | 6,370 |
| Net | (1,521) | 666 | 69 | (127) | (913) |

| | At 1 January 2022 | Bank only (Charged) / Credited to: | | | At 31 December 2022 |
|---|-------------------------|---------------------------------------|--|-------------|---------------------------|
| | | Profit or loss | Other comprehensive income (note 18.2) (in million Baht) | Other | |
| Deferred tax assets | | | | | |
| Interbank and money market items | 4 | (1) | - | - | 3 |
| Financial assets measured at fair value | | | | | |
| through profit or loss | 105 | 14 | - | - | 119 |
| Investments | 699 | 9 | 119 | - | 827 |
| Loans to customers and accrued interest | | | | | |
| receivables | 1,724 | 166 | - | - | 1,890 |
| Properties for sale | 82 | 37 | - | - | 119 |
| Premises and equipment | 132 | (12) | - | - | 120 |
| Provisions for employee benefits | 326 | 70 | (4) | - | 392 |
| Provisions for other liabilities | 405 | 172 | - | (44) | 533 |
| Deferred revenue and other liabilities | 1,582 | 414 | - | - | 1,996 |
| Others | 389 | (25) | (4) | (7) | 353 |
| Total | 5,448 | 844 | 111 | (51) | 6,352 |

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| | At 1 January 2022 | Bank only (Charged) / Credited to: | | | At 31 December 2022 |
|--|-------------------------|---------------------------------------|--|-------------|---------------------------|
| | | Profit or loss | Other comprehensive income (note 18.2) (in million Baht) | Other | |
| Deferred tax liabilities | | | | | |
| Investments | 978 | - | 2 | - | 980 |
| Loans to customers and accrued interest receivables | 678 | (233) | - | - | 445 |
| Properties for sale | 114 | 18 | - | - | 132 |
| Premises and equipment | 3,069 | (143) | (24) | - | 2,902 |
| Others | 856 | (362) | - | - | 494 |
| Total | 5,695 | (720) | (22) | - | 4,953 |
| Net | (247) | 1,564 | 133 | (51) | 1,399 |

| | At 1 January 2021 | Acquisition through Entire Business Transfer | Bank only (Charged) / Credited to: | | | At 31 December 2021 |
|---|-------------------------|---|---------------------------------------|--|--------------|---------------------------|
| | | | Profit or loss | Other Comprehensive income (note 18.2) (in million Baht) | Other | |
| Deferred tax assets | | | | | | |
| Interbank and money market items | 8 | 1 | (2) | - | (3) | 4 |
| Financial assets measured at fair value through profit or loss | 139 | (34) | - | - | - | 105 |
| Investments | 6 | 324 | 226 | 143 | - | 699 |
| Loans to customers and accrued interest receivables | 2,385 | 273 | (934) | - | - | 1,724 |
| Properties for sale | 52 | 32 | (2) | - | - | 82 |
| Premises and equipment | 32 | 51 | 49 | - | - | 132 |
| Provisions for employee benefits | 313 | - | 52 | (39) | - | 326 |
| Provisions for other liabilities | 289 | 269 | (45) | - | (108) | 405 |
| Deferred revenue and other liabilities | 912 | 307 | 363 | - | - | 1,582 |
| Others | 208 | 180 | 44 | (27) | (16) | 389 |
| Total | 4,344 | 1,403 | (249) | 77 | (127) | 5,448 |
| Deferred tax liabilities | | | | | | |
| Investments | 121 | 828 | - | 29 | - | 978 |
| Loans to customers and accrued interest receivables | - | 840 | (162) | - | - | 678 |
| Properties for sale | - | 139 | (25) | - | - | 114 |
| Premises and equipment | 1,350 | 1,797 | (68) | (10) | - | 3,069 |
| Others | 55 | 1,058 | (257) | - | - | 856 |
| Total | 1,526 | 4,662 | (512) | 19 | - | 5,695 |
| Net | 2,818 | (3,259) | 263 | 58 | (127) | (247) |

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As at 31 December 2022 and 2021, the Bank had tax-deductible temporary differences in relation to investments in subsidiaries totalling Baht 19,800 million and Baht 19,800 million, respectively, for which deferred tax assets have not yet been recognised because certain recognition criteria were not met.

18.2 Income tax

Income tax recognised in profit or loss

| | Note | Consolidated | | Bank only | |
|-------------------------------------|------|----------------|--------------|----------------|--------------|
| | | 2022 | 2021 | 2022 | 2021 |
| <i>(in million Baht)</i> | | | | | |
| Current tax expenses | | | | | |
| Current year | | 4,992 | 2,962 | 4,917 | 1,233 |
| Under (over) provided in prior year | | 17 | 31 | 1 | (15) |
| | | <u>5,009</u> | <u>2,993</u> | <u>4,918</u> | <u>1,218</u> |
| Deferred tax expenses | | | | | |
| Movements in temporary differences | 18.1 | (1,657) | (666) | (1,564) | (263) |
| | | <u>(1,657)</u> | <u>(666)</u> | <u>(1,564)</u> | <u>(263)</u> |
| Total | | <u>3,352</u> | <u>2,327</u> | <u>3,354</u> | <u>955</u> |

Income tax recognised in other comprehensive income

| | Consolidated | | | | | |
|----------------------------------|--------------|------------------------|--------------|--------------|------------------------|--------------|
| | 2022 | | | 2021 | | |
| | Before tax | Tax (expenses) benefit | Net of tax | Before tax | Tax (expenses) benefit | Net of tax |
| <i>(in million Baht)</i> | | | | | | |
| Investments | (603) | 121 | (482) | (450) | 90 | (360) |
| Premises and equipment | (119) | 24 | (95) | (51) | 10 | (41) |
| Provisions for employee benefits | 14 | (3) | 11 | 197 | (40) | 157 |
| Others | 20 | (5) | 15 | (39) | 9 | (30) |
| Total | <u>(688)</u> | <u>137</u> | <u>(551)</u> | <u>(343)</u> | <u>69</u> | <u>(274)</u> |
| | Bank only | | | | | |
| | 2022 | | | 2021 | | |
| | Before tax | Tax (expenses) benefit | Net of tax | Before tax | Tax (expenses) benefit | Net of tax |
| <i>(in million Baht)</i> | | | | | | |
| Investments | (587) | 117 | (470) | (569) | 114 | (455) |
| Premises and equipment | (119) | 24 | (95) | (51) | 10 | (41) |
| Provisions for employee benefits | 20 | (4) | 16 | 196 | (39) | 157 |
| Others | 20 | (4) | 16 | 136 | (27) | 109 |
| Total | <u>(666)</u> | <u>133</u> | <u>(533)</u> | <u>(288)</u> | <u>58</u> | <u>(230)</u> |

Reconciliation of effective tax rate

| | Consolidated | | | |
|--|--------------|---------------|-----------|---------------|
| | 2022 | | 2021 | |
| | Rate | (in million | Rate | (in million |
| | (%) | Baht) | (%) | Baht) |
| Profit before income tax | | <u>17,547</u> | | <u>12,804</u> |
| Income tax using the Thai corporation tax rate | 20 | 3,510 | 20 | 2,561 |
| Deferred tax expenses which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the year | - | 23 | - | (45) |
| Deferred tax expenses which deductible temporary difference had not been met the recognition criteria during the year | - | - | 151 | 19,328 |
| Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net | (1) | (198) | (153) | (19,548) |
| Under (over) provided in prior year | - | 17 | - | 31 |
| Total | 19 | 3,352 | 18 | 2,327 |

| | Bank only | | | |
|--|-----------|---------------|-----------|--------------|
| | 2022 | | 2021 | |
| | Rate | (in million | Rate | (in million |
| | (%) | Baht) | (%) | Baht) |
| Profit before income tax | | <u>17,460</u> | | <u>8,724</u> |
| Income tax using the Thai corporation tax rate | 20 | 3,492 | 20 | 1,745 |
| Deferred tax expenses which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the year | - | 23 | (1) | (45) |
| Deferred tax expenses which deductible temporary difference had not been met the recognition criteria during the year | - | - | 206 | 17,940 |
| Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net | (1) | (162) | (214) | (18,670) |
| Over provided in prior year | - | 1 | - | (15) |
| Total | 19 | 3,354 | 11 | 955 |

19 Deposits

19.1 Classified by type of deposits

| | Consolidated | | Bank only | |
|--------------------------------|-------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | (in million Baht) | | | |
| Current | 84,424 | 88,194 | 84,780 | 88,584 |
| Savings | 1,083,097 | 1,093,116 | 1,083,472 | 1,097,159 |
| Term | 231,761 | 157,927 | 231,861 | 158,027 |
| Total | 1,399,282 | 1,339,237 | 1,400,113 | 1,343,770 |
| Less prepaid interest expenses | (35) | (42) | (35) | (42) |
| Total | 1,399,247 | 1,339,195 | 1,400,078 | 1,343,728 |

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19.2 Classified by currency and residency of depositors

| | Consolidated | | | | | |
|------------------|--------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------------------|
| | 2022 | | 2021 | | | |
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | <i>(in million Baht)</i> | | | | | |
| Thai Baht | 1,376,635 | 13,944 | 1,390,579 | 1,311,073 | 13,285 | 1,324,358 |
| US Dollar | 6,480 | 1,017 | 7,497 | 13,840 | 281 | 14,121 |
| Other currencies | 1,159 | 12 | 1,171 | 705 | 11 | 716 |
| Total | <u>1,384,274</u> | <u>14,973</u> | <u>1,399,247</u> | <u>1,325,618</u> | <u>13,577</u> | <u>1,339,195</u> |

| | Bank only | | | | | |
|------------------|--------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------------------|
| | 2022 | | 2021 | | | |
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | <i>(in million Baht)</i> | | | | | |
| Thai Baht | 1,377,466 | 13,944 | 1,391,410 | 1,315,606 | 13,285 | 1,328,891 |
| US Dollar | 6,480 | 1,017 | 7,497 | 13,840 | 281 | 14,121 |
| Other currencies | 1,159 | 12 | 1,171 | 705 | 11 | 716 |
| Total | <u>1,385,105</u> | <u>14,973</u> | <u>1,400,078</u> | <u>1,330,151</u> | <u>13,577</u> | <u>1,343,728</u> |

20 Interbank and money market items (liabilities)

Interbank and money market (liabilities) as at 31 December 2022 and 2021 were as follows:

| | Consolidated | | Bank only | |
|--|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Domestic items | | | | |
| Bank of Thailand and Financial Institutions Development Fund | 16,000 | 16,120 | 16,000 | 16,120 |
| Commercial banks | 38,807 | 35,485 | 38,807 | 35,836 |
| Specialised financial institutions | 17,514 | 13,507 | 17,514 | 13,507 |
| Other financial institutions | 11,420 | 15,212 | 11,420 | 15,212 |
| Total domestic items | <u>83,741</u> | <u>80,324</u> | <u>83,741</u> | <u>80,675</u> |
| Foreign items | | | | |
| US Dollar | 227 | 3,554 | 227 | 3,554 |
| Other currencies | 802 | 1,088 | 802 | 1,088 |
| Total foreign items | <u>1,029</u> | <u>4,642</u> | <u>1,029</u> | <u>4,642</u> |
| Total domestic and foreign items | <u>84,770</u> | <u>84,966</u> | <u>84,770</u> | <u>85,317</u> |

21 Financial liabilities measured at fair value through profit or loss

| | Consolidated and Bank only | |
|--------------|----------------------------|-------------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Borrowings | 438 | 437 |
| Total | <u>438</u> | <u>437</u> |

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The effects of changes in that liability's all risk in profit or loss consisted of:

| | Consolidated and Bank only | |
|--|----------------------------|------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| The difference between the carrying amount and the amount would be contractually required to pay at maturity | 138 | 137 |

22 Debts issued and borrowings

| | Interest rates | | Consolidated | | | | | |
|--|--------------------|---|---------------|---------------|--------------------------|---------------|---------------|---------------|
| | as at | Maturities | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | 31 December 2022 | | | 2022 | 2021 | | | |
| | (%) | | | | <i>(in million Baht)</i> | | | |
| Subordinated debentures ⁽¹⁾ | 3.50,4.00 and 4.90 | 2022 ⁽²⁾ - 2024 ⁽²⁾ | 30,000 | 8,491 | 38,491 | 35,430 | 13,368 | 48,798 |
| Senior debentures | 6mLibor+1.05, SOFR | | | | | | | |
| | 6m+1.15 and 0.48- | | | | | | | |
| | 2.09 | 2022 - 2027 | 5,000 | 16,077 | 21,077 | 5,300 | 14,207 | 19,507 |
| Bills of exchange ⁽³⁾ | 2.15 and | At call and | | | | | | |
| and promissory notes | 0.05-2.50 | 2012 | 9 | - | 9 | 10 | - | 10 |
| Other borrowings | 0.00-0.75 | 2022 - 2031 | 12 | 55 | 67 | 19 | 64 | 83 |
| Total | | | 35,021 | 24,623 | 59,644 | 40,759 | 27,639 | 68,398 |

⁽¹⁾ Counted as a part of capital fund, which is determined under the conditions as specified in the BoT's Notification (note 6)

⁽²⁾ The years in which call option exercise periods start

⁽³⁾ The outstanding balance of bills of exchange maturing during the year 2012 were waiting for redeem by the holders.

| | Interest rates | | Bank only | | | | | |
|--|---------------------|---|---------------|---------------|--------------------------|---------------|---------------|---------------|
| | as at | Maturities | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | 31 December 2022 | | | 2022 | 2021 | | | |
| | (%) | | | | <i>(in million Baht)</i> | | | |
| Subordinated debentures ⁽¹⁾ | 3.50 ,4.00 และ 4.90 | 2022 ⁽²⁾ - 2024 ⁽²⁾ | 30,000 | 8,491 | 38,491 | 35,430 | 13,368 | 48,798 |
| Senior debentures | 6mLibor+1.05, SOFR | | | | | | | |
| | 6m+1.15 and 0.48- | | | | | | | |
| | 0.85 | 2022 - 2027 | - | 16,077 | 16,077 | - | 14,207 | 14,207 |
| Bills of exchange ⁽³⁾ | 2.15 and | At call and | | | | | | |
| and promissory notes | 0.05-2.50 | 2012 | 9 | - | 9 | 10 | - | 10 |
| Other borrowings | 0.00-0.75 | 2022 - 2031 | 12 | 55 | 67 | 19 | 64 | 83 |
| Total | | | 30,021 | 24,623 | 54,644 | 35,459 | 27,639 | 63,098 |

⁽¹⁾ Counted as a part of capital fund, which is determined under the conditions as specified in the BoT's Notification (note 6)

⁽²⁾ The years in which call option exercise periods start

⁽³⁾ The outstanding balance of bills of exchange maturing during the year 2012 were waiting for redeem by the holders.

22.1 Subordinated debentures

22.1.1 On 29 May 2017, the Bank issued the Subordinated Debenture No.1/2560 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 5,430 million, which has a 10.5-year maturity period and carries a fixed interest rate of 3.50% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the Subordinated Debenture No.1/2560 after 5.5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before early redemption of the Subordinated Debenture.

The debenture was matured on 29 November 2022, which has already fully paid with the total amount of Baht 5,430 million.

22.1.2 On 28 June 2019, the Bank issued the Subordinated Debenture No.1/2562 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 30,000 million, which has a 10-year maturity period and carries a fixed interest rate of 4.00% per annum, payable quarterly in March, June, September and December of every year. The Bank can early redeem the Subordinated Debenture No.1/2562 after 5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before early redemption of the Subordinated Debenture.

22.1.3 On 2 December 2019, the Bank issued the Perpetual Additional Tier 1 Capital Securities amounting to USD 400 million, which has no expiration date and carries a fixed interest rate of 4.90% per annum, payable semi-annually in June and December of every year. The Bank can early redeem the Perpetual Additional Tier 1 Capital Securities after 5 years from the issue date or according to certain specified conditions. The Bank has to get the Bank of Thailand's approval before proceeding an early redemption. The Securities have been issued under the Bank's Euro Medium Term Note Programme.

During 26 August 2022 to 29 September 2022, with the approval from Bank of Thailand, the Bank repurchased the Perpetual Additional Tier 1 Capital Securities from investors amounting to USD 29 million.

During 26 October 2022 to 3 November 2022, with the approval from the Bank of Thailand, the Bank had made a tender offer and repurchased the Perpetual Additional Tier 1 Capital Securities from investors amounting to USD 125 million, the total value of the repurchase was USD 154 million, representing 38.58%. The outstanding balance remained at USD 246 million.

22.2 Senior debentures

22.2.1 On 5 June 2018, the Bank issued unsecured Senior Debentures (Green Bond) of USD 60 million, with a 7-year maturity and carrying a floating interest rate of 6M Libor + 1.05% per annum, payable semi-annually in June and December of every year. The proceeds from Green Bond issuance will be used to finance the loan to private sector on its investment in sustainable environment.

22.2.2 On 17 December 2018, the Bank issued unsecured Senior Debentures (SME Bond) of USD 90 million, with a 7-year maturity and carrying a floating interest rate of 6M Libor + 1.05% per annum, payable semi-annually in June and December of every year. The proceeds from SME Bond issuance will be used to support small and medium sized enterprises.

22.2.3 During 11 - 13 November 2019, the Bank issued unsecured Senior Debentures (Euro Bond) of EUR 525 million, with 1 - 5 years maturity and carrying a fixed interest rate of 0.10% - 0.85% per annum, payable semi-annually in May and November of every year.

The debentures were matured on 12 November 2020, 11 November 2021 and 14 November 2022, which have already fully paid with the total amount of EUR 370 million. Remaining balance is EUR 155 million.

22.2.4 On 27 August 2021, a subsidiary issued secured Senior Debentures of Baht 2,200 million with a 185-day maturity and carrying a fixed interest rate of 0.69% per annum, payable at the maturity which was fully guaranteed by the Bank.

The debenture was matured on 28 February 2022, which has already fully paid.

22.2.5 On 26 November 2021, a subsidiary issued secured Senior Debentures of Baht 3,100 million with a 181-day maturity and carrying a fixed interest rate of 0.75% per annum, payable at the maturity which was fully guaranteed by the Bank.

The debenture was matured on 26 May 2022, which has already fully paid.

22.2.6 On 8 December 2021, the Bank issued unsecured Senior Debentures of USD 20 million, with 10-month maturity and carrying a fixed interest rate of 0.85%. The Debenture has been issued under the Bank's Medium Term Note Programme.

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The debenture was matured on 4 October 2022, which has already fully paid with the total amount of USD 20 million.

- 22.2.7 On 28 February 2022, a subsidiary issued secured Senior Debentures of Baht 1,920 million with a 179-day maturity and carrying a fixed interest rate of 0.70% per annum, payable at the maturity which was fully guaranteed by the Bank.

The debenture was matured on 26 August 2022, which has already fully paid.

- 22.2.8 On 26 May 2022, a subsidiary issued secured Senior Debentures of Baht 3,100 million with a 132-day maturity and carrying a fixed interest rate of 0.83% per annum, payable at the maturity which was fully guaranteed by the Bank.

The debenture was matured on 5 October 2022, which has already fully paid.

- 22.2.9 On 5 August 2022, the Bank issued unsecured Senior Debentures (Green Bond 2022) of USD 100 million, with a 5-year maturity and carrying a floating interest rate of 6M SOFR + 1.15% per annum, payable semi-annually in February and August of every year. The proceeds from Green Bond issuance will be used to finance the loan to private sector on its investment in sustainable environment.

- 22.2.10 On 26 August 2022, a subsidiary issued secured Senior Debentures of Baht 1,920 million with a 111-day maturity and carrying a fixed interest rate of 1.00% per annum, payable at the maturity which was fully guaranteed by the Bank.

The debenture was matured on 15 December 2022, which has already fully paid.

- 22.2.11 On 6 October 2022, a subsidiary issued secured Senior Debentures of Baht 3,100 million with a 70-day maturity and carrying a fixed interest rate of 1.30% per annum, payable at the maturity which was fully guaranteed by the Bank.

The debenture was matured on 15 December 2022, which has already fully paid.

- 22.2.12 On 11 October 2022, the Bank issued unsecured Senior Debentures (Blue Bond 2022) of USD 50 million, with a 5-year maturity and carrying a floating interest rate of 6 months Term SOFR + 1.15% per annum, payable semi-annually in April and October of every year. The proceeds from Blue Bond issuance will be used to finance the loan to private sector on its investment in environmental and marine sustainability projects.

- 22.2.13 On 27 October 2022, a subsidiary issued secured Senior Debentures of Baht 500 million with a 70-day maturity and carrying a fixed interest rate of 1.30% per annum, payable at the maturity which was fully guaranteed by the Bank.

- 22.2.14 On 17 November 2022, a subsidiary issued secured Senior Debentures of Baht 1,500 million with a 29-day maturity and carrying a fixed interest rate of 1.20% per annum, payable at the maturity which was fully guaranteed by the Bank.

The debenture was matured on 16 December 2022, which has already fully paid.

- 22.2.15 On 15 December 2022, a subsidiary issued secured Senior Debentures of Baht 2,000 million with a 182-day maturity and carrying a fixed interest rate of 1.83% per annum, payable at the maturity which was fully guaranteed by the Bank.

- 22.2.16 On 15 December 2022, a subsidiary issued secured Senior Debentures of Baht 500 million with a 292-day maturity and carrying a fixed interest rate of 1.98% per annum, payable at the maturity which was fully guaranteed by the Bank.

- 22.2.17 On 19 December 2022, a subsidiary issued secured Senior Debentures of Baht 2,000 million with a 360-day maturity and carrying a fixed interest rate of 2.09% per annum, payable at the maturity which was fully guaranteed by the Bank.

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22.3 Other borrowings

Borrowings with specific uses (other borrowings) as at 31 December 2022 and 2021 were as follows:

| Borrowings from | Objectives of borrowings | Consolidated and Bank only | | | |
|--|--|----------------------------|--|-------------------------|--|
| | | 2022 | | 2021 | |
| | | Outstanding balances | Baht equivalent <i>(in million Baht)</i> | Outstanding balances | Baht equivalent <i>(in million Baht)</i> |
| National Science and Technology Development Agency | For enterprises involving in research and development activities | Baht 12 million | 12 | Baht 19 million | 19 |
| KfW Bankengruppe (KfW) | For small industry businesses | EUR 2 million | 55 | EUR 2 million | 64 |
| Total | | | 67 | | 83 |

23 Provisions for employee benefits

23.1 Defined contribution plan

The Bank, its subsidiaries and their employees have jointly established provident fund schemes under the Provident Fund Act B.E. 2530. The employees contribute to the funds at rates ranging from 2 - 15% of their basic salaries and the Bank and its subsidiaries contribute at rates ranging from 3 - 10%, depending on the number of years of service of each employee. The funds will be paid to the employees upon death, termination or dissolution of the business, in accordance with the rules of the funds. The fund assets are held separately from those of the Bank and its subsidiaries, under the management of the fund manager.

For the year ended 31 December 2022 and 2021, the Bank and its subsidiaries contributed Baht 758 million and Baht 778 million, respectively, to the funds (*Bank only: Baht 736 million and Baht 725 million, respectively*).

23.2 Defined benefit plans

23.2.1 Detail of defined benefit plans

| | Consolidated | | Bank only | |
|-------------------------------|--------------------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Post-employment benefit plans | 3,872 | 3,784 | 3,745 | 3,740 |
| Total | 3,872 | 3,784 | 3,745 | 3,740 |

23.2.2 Movement in post-employment benefit obligations

| | Consolidated | | Bank only | |
|---|--------------------------|------------|------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Beginning balance | 3,784 | 4,356 | 3,740 | 2,507 |
| Employee benefits obligations transferred in/ (out) | - | (4) | (75) | 1,300 |
| Included in profit or loss | | | | |
| Current service cost | 426 | 707 | 415 | 408 |
| Past service cost | 123 | (323) | 120 | 148 |
| Interest on obligation | 64 | 63 | 63 | 60 |
| | 613 | 447 | 598 | 616 |

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| | Consolidated | | Bank only | |
|--|--------------------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Included in other comprehensive income | | | | |
| Actuarial gain | (14) | (197) | (20) | (196) |
| Others | | | | |
| Benefits paid | (511) | (818) | (498) | (487) |
| | <u>(511)</u> | <u>(818)</u> | <u>(498)</u> | <u>(487)</u> |
| Ending balance | <u>3,872</u> | <u>3,784</u> | <u>3,745</u> | <u>3,740</u> |

Actuarial gain recognised in other comprehensive income arising from:

| | Consolidated | | Bank only | |
|-------------------------|--------------------------|--------------|-------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Demographic assumptions | 69 | 96 | 66 | 94 |
| Financial assumptions | 38 | (213) | 37 | (210) |
| Experience adjustments | (121) | (80) | (123) | (80) |
| Total | <u>(14)</u> | <u>(197)</u> | <u>(20)</u> | <u>(196)</u> |

23.2.3 Actuarial assumptions of post-employment benefit obligations

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

| | Consolidated | | Bank only | |
|----------------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(%)</i> | | | |
| Discount rate | 2.45 – 3.19 | 1.80 - 2.14 | 2.66 | 1.80 |
| Future salary growth | 4.00 | 3.00 | 4.00 | 3.00 |
| Staff turnover rates | 0.00 – 25.00 | 0.00 - 25.00 | 0.00 – 25.00 | 0.00 - 25.00 |

Assumptions regarding future mortality have been based on published statistics and mortality tables.

23.2.4 Sensitivity analysis of post-employment benefit obligations

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

| | Change (+) in assumption | Consolidated 2022 | | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> |
|----------------------|--------------------------|--------------------------|--|--|
| | | Change (-) in assumption | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> | |
| Discount rate | +1% | | -1% | 385 |
| Future salary growth | +1% | 369 | -1% | (329) |
| Turnover rate | +1% | (356) | -1% | 229 |
| Future mortality | +1 year | 18 | -1 year | (18) |

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| | Change (+) in assumption | Consolidated 2021 | | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> |
|----------------------|--------------------------|---|--------------------------|---|
| | | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> | Change (-) in assumption | |
| Discount rate | +1% | (332) | -1% | 381 |
| Future salary growth | +1% | 364 | -1% | (324) |
| Turnover rate | +1% | (349) | -1% | 228 |
| Future mortality | +1 year | 18 | -1 year | (18) |

| | Change (+) in assumption | Bank only 2022 | | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> |
|----------------------|--------------------------|---|--------------------------|---|
| | | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> | Change (-) in assumption | |
| Discount rate | +1% | (324) | -1% | 371 |
| Future salary growth | +1% | 356 | -1% | (317) |
| Turnover rate | +1% | (343) | -1% | 222 |
| Future mortality | +1 year | 18 | -1 year | (18) |

| | Change (+) in assumption | Bank only 2021 | | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> |
|----------------------|--------------------------|---|--------------------------|---|
| | | Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i> | Change (-) in assumption | |
| Discount rate | +1% | (327) | -1% | 375 |
| Future salary growth | +1% | 359 | -1% | (319) |
| Turnover rate | +1% | (344) | -1% | 225 |
| Future mortality | +1 year | 18 | -1 year | (18) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

24 Provisions for other liabilities

The movement in provision for other liabilities during the year was as follows:

| | Commitment from letters of guarantee issued, avals and other guarantees | Obligation for litigation cases (note 34.2) | Consolidated Allowance for expected loss of credit commitments and financial guarantee contracts | Others | Total |
|-------------------------------------|---|---|---|------------|--------------|
| | | | (in million Baht) | | |
| Beginning balance | 132 | 738 | 1,603 | 347 | 2,820 |
| Reclassified after Entire Business | | | | | |
| Transfer | (150) | 82 | 148 | (80) | - |
| Provision increase (decrease) | 18 | 5 | (413) | 104 | (286) |
| Paid during the year | - | (253) | - | (255) | (508) |
| At 31 December 2021 | - | 572 | 1,338 | 116 | 2,026 |
| Provision increase (decrease) | - | 52 | 622 | 144 | 818 |
| Paid during the year | - | (46) | - | (136) | (182) |
| At 31 December 2022 | - | 578 | 1,960 | 124 | 2,662 |
| | | | | | |
| | | | Bank only | | |
| | | | Allowance for expected loss of credit commitments and financial guarantee contracts | | |
| | | | | Others | Total |
| | | | (in million Baht) | | |
| Beginning balance | - | 16 | 1,289 | 140 | 1,445 |
| Acquisition through Entire Business | | | | | |
| Transfer | - | 822 | 520 | 5 | 1,347 |
| Provision increase (decrease) | - | (12) | (471) | 49 | (434) |
| Paid during the year | - | (254) | - | (78) | (332) |
| At 31 December 2021 | - | 572 | 1,338 | 116 | 2,026 |
| Provision increase (decrease) | - | 52 | 622 | 144 | 818 |
| Paid during the year | - | (46) | - | (136) | (182) |
| At 31 December 2022 | - | 578 | 1,960 | 124 | 2,662 |

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25 Deferred revenue

| | Consolidated | | Bank only | |
|---------------------------|--------------------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Deferred revenue | | | | |
| - Funds and Bancassurance | 17,156 | 18,472 | 17,156 | 18,472 |
| - Credit card | 498 | 405 | 498 | 405 |
| - Others | 296 | 287 | 298 | 288 |
| Total | 17,950 | 19,164 | 17,952 | 19,165 |

26 Other liabilities

| | Consolidated | | Bank only | |
|---|--------------------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Accrued expenses | 6,843 | 6,078 | 6,640 | 5,899 |
| Accrued interest expenses | 849 | 394 | 845 | 386 |
| Deposits and guarantees received | 951 | 309 | 951 | 309 |
| Collateral on derivative transactions | 3,812 | 871 | 3,812 | 871 |
| Suspense accounts electronic money and money transferred* | 393 | 381 | 393 | 381 |
| Lease liabilities** | 1,577 | 1,837 | 1,529 | 1,778 |
| Suspense accounts - others | 2,949 | 2,715 | 2,944 | 2,711 |
| Other payables | 668 | 514 | 662 | 509 |
| Corporate income tax payable | 2,585 | 888 | 2,519 | 851 |
| Others | 2,975 | 2,533 | 2,945 | 2,507 |
| Total | 23,602 | 16,520 | 23,240 | 16,202 |

* The Bank has kept advance received from electronic transactions which is a part of cash in the statements of financial position.

** As at 31 December 2022, the amount recorded was calculated from total undiscounted lease liabilities of Baht 1,641 million and Baht 1,592 million in the consolidated and the Bank only's financial statements, respectively (31 December 2021: Baht 1,893 million and Baht 1,832 million in the consolidated and the Bank's financial statements, respectively).

27 Offsetting of financial assets and financial liabilities

The Bank and its subsidiaries currently hold agreements including derivatives and sale -and- repurchase agreements which do not meet the criteria for offsetting in the Consolidated and Bank only's statement of financial position because such agreements are created in the way that the parties have to agree a right of set-off the agreed amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. For derivatives, the rights to call are agreed by both parties with specific call frequency and threshold. According to the agreements, the Bank and its subsidiaries receive and give collateral in form of cash and marketable securities. The details are as follow:

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| | Consolidated and Bank only | | | | Net amount |
|------------------------------|----------------------------|---|---|---|--------------|
| | Gross Amount | Amount offset in statements of financial position | Amount presented in statements of financial position (in million Baht) | Amounts not offset in financial statements - Amount eligible for offsetting per contracts | |
| At 31 December 2022 | | | | | |
| Financial assets | | | | | |
| Reverse sale-and-repurchase | 60,311 | - | 60,311 | (60,311) | - |
| Derivatives assets | 7,687 | - | 7,687 | (3,812) | 3,875 |
| Total | 67,998 | - | 67,998 | (64,123) | 3,875 |
| Financial liabilities | | | | | |
| Sale-and-repurchase | 40,980 | - | 40,980 | (40,980) | - |
| Derivatives liabilities | 4,592 | - | 4,592 | (707) | 3,885 |
| Total | 45,572 | - | 45,572 | (41,687) | 3,885 |

| | Consolidated and Bank only | | | | Net amount |
|------------------------------|----------------------------|---|---|---|--------------|
| | Gross Amount | Amount offset in statements of financial position | Amount presented in statements of financial position (in million Baht) | Amounts not offset in financial statements - Amount eligible for offsetting per contracts | |
| At 31 December 2021 | | | | | |
| Financial assets | | | | | |
| Reverse sale-and-repurchase | 65,853 | - | 65,853 | (65,853) | - |
| Derivatives assets | 4,243 | - | 4,243 | (871) | 3,372 |
| Total | 70,096 | - | 70,096 | (66,724) | 3,372 |
| Financial liabilities | | | | | |
| Sale-and-repurchase | 32,100 | - | 32,100 | (32,100) | - |
| Derivatives liabilities | 4,904 | - | 4,904 | (1,849) | 3,055 |
| Total | 37,004 | - | 37,004 | (33,949) | 3,055 |

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Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position are as follow:

| Type of financial instruments | Amount presented in statement of financial position (in million Baht) | Items in statement of financial position | Note | Consolidated | |
|-------------------------------|--|--|------|---|--|
| | | | | Carrying amount in statement of financial position (in million Baht) | Carrying amount in statement of financial position that are not qualify for offsetting |
| At 31 December 2022 | | | | | |
| Financial assets | | | | | |
| Reverse sale-and-repurchase | 60,311 | Interbank and money market items (Assets) | 8 | 187,563 | 127,252 |
| Derivatives assets | 7,687 | Derivatives assets | 10 | 10,376 | 2,689 |
| Total | 67,998 | | | 197,939 | 129,941 |
| Financial liabilities | | | | | |
| Sale-and-repurchase | 40,980 | Interbank and money market items (Liabilities) | 20 | 84,770 | 43,790 |
| Derivatives liabilities | 4,592 | Derivatives liabilities | 10 | 9,499 | 4,907 |
| Total | 45,572 | | | 94,269 | 48,697 |
| At 31 December 2021 | | | | | |
| Financial assets | | | | | |
| Reverse sale-and-repurchase | 65,853 | Interbank and money market items (Assets) | 8 | 158,873 | 93,020 |
| Derivatives assets | 4,243 | Derivatives assets | 10 | 6,913 | 2,670 |
| Total | 70,096 | | | 165,786 | 95,690 |
| Financial liabilities | | | | | |
| Sale-and-repurchase | 32,100 | Interbank and money market items (Liabilities) | 20 | 84,966 | 52,866 |
| Derivatives liabilities | 4,904 | Derivatives liabilities | 10 | 6,595 | 1,691 |
| Total | 37,004 | | | 91,561 | 54,557 |

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| Type of financial instruments | Amount presented in statement of financial position (in million Baht) | Items in statement of financial position | Note | Bank only | |
|-------------------------------|--|--|------|---|--|
| | | | | Carrying amount in statement of financial position (in million Baht) | Carrying amount in statement of financial position that are not qualify for offsetting |
| At 31 December 2022 | | | | | |
| Financial assets | | | | | |
| Reverse sale-and-repurchase | 60,311 | Interbank and money market items (Assets) | 8 | 187,545 | 127,234 |
| Derivatives assets | 7,687 | Derivatives assets | 10 | 10,376 | 2,689 |
| Total | 67,998 | | | 197,921 | 129,923 |
| Financial liabilities | | | | | |
| Sale-and-repurchase | 40,980 | Interbank and money market items (Liabilities) | 20 | 84,770 | 43,790 |
| Derivatives liabilities | 4,592 | Derivatives liabilities | 10 | 9,499 | 4,907 |
| Total | 45,572 | | | 94,269 | 48,697 |
| At 31 December 2021 | | | | | |
| Financial assets | | | | | |
| Reverse sale-and-repurchase | 65,853 | Interbank and money market items (Assets) | 8 | 158,863 | 93,010 |
| Derivatives assets | 4,243 | Derivatives assets | 10 | 6,913 | 2,670 |
| Total | 70,096 | | | 165,776 | 95,680 |
| Financial liabilities | | | | | |
| Sale-and-repurchase | 32,100 | Interbank and money market items (Liabilities) | 20 | 85,317 | 53,217 |
| Derivatives liabilities | 4,904 | Derivatives liabilities | 10 | 6,595 | 1,691 |
| Total | 37,004 | | | 91,912 | 54,908 |

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

- derivative assets and liabilities: fair value;
- assets and liabilities resulting from sale-and-repurchase agreements and reverse sale-and-repurchase agreements: amortised cost.

28 Share-based payments - TMBThanachart Stock Retention Program

Information of TMBThanachart Stock Retention Program

TMBThanachart Stock Retention Program 2021 (TTB Stock Retention Program 2021)

On 24 February 2021, the Board of Directors Meeting No.2/2021 approved the TTB Stock Retention Program 2021 (TTB TSRP 2021) which will offer newly issued ordinary shares of the Bank to the executives and employees of the Bank and Thanachart Bank who have qualifications under TTB TSRP 2021. The executives and employees under TTB TSRP 2021 shall be entitled to subscribe for the newly issued shares according to the conditions specified in TTB TSRP 2021. Summary of the program is detail below.

| | |
|--|--|
| Term of continuing scheme: | 3 years from the date on which the shareholders' meeting approves the TTB Stock Retention Program 2021 |
| Number of ordinary shares to be offered: | Up to 305,000,000 shares in total at a par value of Baht 0.95 where such newly issued ordinary shares will be offered as a continuing program |
| Offering price per share: | The offering price per share to be offered to the executives and employees under TTB Stock Retention program 2021 is equivalent to Baht 1.15. Such offering price, which was not lower than the weighted average closing price of the Bank's shares traded on the Stock Exchange of Thailand during the period of 15 consecutive days before the date on which the Board of Directors' Meeting No. 2/2021 held on February 24, 2021 resolved to propose the TTB Stock Retention Program 2021 for the shareholders' meeting's consideration and approval. |
| Condition of subscription for the newly issued shares: | The executives and employees under TTB TSRP 2021 who will subscribe for the newly issued shares shall be executives or employees of the Bank or Thanachart Bank as of the subscription date of such newly issued shares (the rights for employees who retire pursuant to the Bank's regulation or death are still retained). |

TMBThanachart Stock Retention Program 2019 (TTB Stock Retention Program 2019) (formerly TMB Stock Retention Program 2019)

On 18 December 2019, the Board of Directors Meeting No.11/2019 approved the TTB Stock Retention Program 2019 (TTB TSRP 2019) which offered newly issued ordinary shares of the Bank to employees of the Bank and Thanachart Bank who have qualifications under TTB TSRP 2019. The employees under TTB TSRP 2019 shall be entitled to subscribe for the newly issued shares according to the conditions specified in TTB TSRP 2019. Summary of the program is detail below.

| | |
|--|---|
| Term of continuing scheme: | 3 years starting from the first offering date. |
| Number of ordinary shares to be offered: | Not exceeding the total of 200,000,000 newly issued ordinary shares with the par value of Baht 0.95 each, which will be offered pursuant to the continuing scheme. |
| Offering price per share: | The offering price per share to be offered to the employees under TTB TSRP 2019 is equivalent to the average closing price of ordinary shares of the Bank on the Stock Exchange of Thailand ("SET") on each trading day for the period of 7 calendar days prior to the first offering date of the newly issued shares. The offering price may be lower than 90% of the market price as prescribed in the notification of the Securities and Exchange Commission relating to the calculation of the offering price and the determination of the offering price for issuance of the newly issued shares. |

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In the case that the calculation of the offering price in any offering is lower than the par value of the ordinary shares of the Bank, the Bank is required to offer newly issued shares to the employees under TTB TSRP 2019 at the price equivalent to the par value of the ordinary shares of the Bank.

Condition of subscription for the newly issued shares:

The employees under TTB TSRP 2019 who will subscribe for the newly issued shares shall be employees of the Bank's or Thanachart Bank as of the subscription date of such newly issued shares (the rights for employees who retire pursuant to the Bank's regulation or death are still retained).

28.1 The offering of new ordinary shares

The Bank made the offering of ordinary shares with a par value of Baht 0.95 per share to its employees and executives, at a price of Baht 0.95 and Baht 1.15 per share, for TTB TSRP 2019 and TTB TSRP 2021 respectively. Details were as follows:

| The offering of new ordinary shares | Par value (Baht/shares) | Offering Price | The offering of new ordinary shares | Ordinary shares issued to employees ⁽¹⁾ (shares) | Balance of new ordinary shares unissued as at 31 December 2022 |
|-------------------------------------|----------------------------|----------------|-------------------------------------|--|--|
| TTB TSRP 2019 | 0.95 | 0.95 | 200,000,000 | (198,961,900) | 1,038,100 |
| TTB TSRP 2021 | 0.95 | 1.15 | 305,000,000 | (209,029,800) | 95,970,200 |

⁽¹⁾ The shares will be gradually issued on an annual basis over three years since the offering of such ordinary shares.

On 14 September 2022, the Bank additionally issued TTB TSRP 2019 of 57,324,400 ordinary shares with a par value of Baht 0.95 per share to its employees, at a price of Baht 0.95 per share.

On 30 September 2022, the Bank additionally issued TTB TSRP 2021 of 87,147,100 ordinary shares with a par value of Baht 0.95 per share to its employees, at a price of Baht 1.15 per share.

28.2 Reconciliation of issued and paid-up ordinary share capital, share premium and other reserve - share-based payments

| | Consolidated and Bank only 2022 | | | Other reserve Share-based payments |
|--|---|-----------------------|----------------------------|--|
| | Issued and paid-up ordinary share capital (No. of shares) | (Baht) | Share premium (Baht) | |
| Balance - beginning of the year | 96,622,874,580 | 91,791,730,851 | 43,344,839,532 | 103,301,708 |
| Reserve in relation to share-based payments | - | - | - | 122,089,454 |
| Issued ordinary shares to employees | 144,471,500 | 137,247,925 | 17,429,420 | (154,677,345) |
| Issued ordinary shares under the TTB-W1 Warrants Program | 8,727,817 | 8,291,426 | - | - |
| Expenses in relation to issuance of ordinary shares | - | - | (2,041,965) | - |
| Balance - end of the year | 96,776,073,897 | 91,937,270,202 | 43,360,226,987 | 70,713,817 |

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29 Share capital

| | Par value per share (in Baht) | 2022 | | 2021 | |
|----------------------------------|-------------------------------------|---------------|---|---------------|---------------|
| | | Number | Amount (million shares / million Baht) | Number | Amount |
| Authorised shares at 31 December | 0.95 | <u>97,831</u> | <u>92,939</u> | <u>96,864</u> | <u>92,021</u> |
| <i>Issued and paid-up</i> | | | | | |
| At 1 January | | | | | |
| - ordinary shares | 0.95 | 96,623 | 91,792 | 96,409 | 91,589 |
| Issue of new shares | 0.95 | <u>153</u> | <u>145</u> | <u>214</u> | <u>203</u> |
| At 31 December | | | | | |
| - ordinary shares | 0.95 | <u>96,776</u> | <u>91,937</u> | <u>96,623</u> | <u>91,792</u> |

On 12 April 2022, the 2022 Annual General Meeting of the Bank's shareholders passed resolutions approving as follows:

1. The reduction of the registered capital by Baht 229 million from Baht 92,021 million to Baht 91,792 million by writing off 241 million unissued and paid-up share capital at a par value of Baht 0.95 each.
2. The increase of the registered capital by Baht 1,147 million from Baht 91,792 million to Baht 92,939 million by issuing 1,207 million newly ordinary shares at a par value of Baht 0.95 each and allocate the newly issued ordinary shares as follows:
 - 2.1 Not exceeding 966 million shares at a par value of Baht 0.95 each under the TTB-W1 Warrants Program.
 - 2.2 Not exceeding 183 million shares at a par value of Baht 0.95 each under the 2021 TTB Stock Retention Program.
 - 2.3 Not exceeding 58 million shares at a par value of Baht 0.95 each under the 2019 TTB Stock Retention Program.

The reduction and increase of the registered capital were registered with the Department of Business Development, Ministry of Commerce on 21 April 2022 and 22 April 2022 respectively.

The Bank issued ordinary shares under the TTB-W1 Warrants Program of 7,112,826 ordinary shares with a par value of Baht 0.95 per share. The increase of the issued ordinary shares was registered with the Department of Business Development, Ministry of Commerce on 7 July 2022.

The Bank issued ordinary shares under the TTB TSRP 2019 of 57,324,400 ordinary shares with a par value of Baht 0.95 per share to its employees. The increase of the issued ordinary shares was registered with the Department of Business Development, Ministry of Commerce on 15 September 2022.

The Bank issued ordinary shares under the TTB TSRP 2021 of 87,147,100 ordinary shares with a par value of Baht 0.95 per share to its employees. The increase of the issued ordinary shares was registered with the Department of Business Development, Ministry of Commerce on 3 October 2022.

The Bank issued ordinary shares under the TTB-W1 Warrants Program of 1,614,991 ordinary shares with a par value of Baht 0.95 per share. The increase of the issued ordinary shares was registered with the Department of Business Development, Ministry of Commerce on 6 October 2022.

30 Legal reserve

Pursuant to section 116 of the Public Limited Company Act B.E. 2535 and under the Bank's Articles of Association, the Bank and its subsidiaries is required to set aside a statutory reserve at least 5 percent of its net earnings after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

31 Warrant - TTB-W1 Warrants Program

Information of TTB-W1 Warrants Program

On 12 April 2022, the 2022 Annual General Meeting of the Bank's shareholders passed resolutions approving the issuance and allocation of the Warrants (TTB-W1 Warrants Program) to current shareholders of the Bank. Summary of the program is detail below:

| | |
|--|---|
| Issuance date: | 11 May 2022 |
| Number of warrants issued and allocated: | Not exceeding 966,228,745 units |
| Offered price per unit: | Baht 0 (Zero Baht) (at no cost) |
| Term of warrant: | 3 years from the issuance date of the TTB-W1 Warrants |
| Exercise rate: | 1 unit of the TTB-W1 Warrant for 1 ordinary share |
| Exercise price: | Baht 0.95 per share, unless the exercise price is adjusted otherwise pursuant to the conditions concerning the rights adjustment. |
| Exercise period: | Every last business day of March, June, September and December of every year throughout the term of the TTB-W1 Warrants |

Details of exercised warrants during the period is mentioned in Note 29.

As at 31 December 2022, the outstanding balance of TTB-W1 Warrants was 958 million units.

32 Appropriation of profit and dividend payment

(a) On 23 August 2022, the Board of Directors' Meeting of the Bank passed a resolution approving payment of an interim dividend of Baht 0.02 per share to the ordinary shareholders, or a total of Baht 1,933 million. The Bank paid such dividend to its shareholders on 22 September 2022.

(b) On 12 April 2022, the 2022 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2021 operating profit and dividend payment

(1) Not allocating net profit from 2021 operating results to the legal reserve as the Bank's legal reserve is sufficient as required by laws and the Bank's Articles of Association.

(2) Payment of a dividend of Baht 0.038 per share from the 2021 operating profit to the Bank's ordinary shareholders, totalling Baht 3,669 million. The Bank paid such dividend to its shareholders on 11 May 2022.

(c) On 23 April 2021, the 2021 Annual General Meeting of the Bank's shareholders passed a resolution approving the appropriation of the 2020 operating profit and dividend payment

(1) Not allocating net profit from 2020 operating results to the legal reserve as the Bank's legal reserve is sufficient as required by laws and the Bank's Articles of Association.

(2) Payment of a dividend of Baht 0.045 per share from the 2020 operating profit to the shareholders for a totalling of Baht 4,338 million. The Bank paid such dividend to its shareholders on 20 May 2021.

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33 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2022 and 2021 were as follows:

| | Consolidated and Bank only | |
|---|----------------------------|---------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Investments in securities | | |
| - Pledged as collateral against repurchase transactions | 55,199 | 30,694 |
| Property foreclosed under restriction | 5,643 | 2,923 |
| Total | 60,842 | 33,617 |

34 Commitments and contingent liabilities

34.1 Commitments

| | Consolidated | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Avals to bills | 1,001 | 205 |
| Guarantees of loans/bond | 39 | 45 |
| Liability under unmatured import bills | 2,680 | 4,081 |
| Letters of credit | 16,346 | 15,608 |
| Other commitments | | |
| - Other guarantees | 75,903 | 85,821 |
| - Amount of unused bank overdrafts | 110,888 | 117,029 |
| - Committed line | 6,103 | 7,958 |
| - Others ⁽¹⁾ | 934 | 14,117 |
| Total | 213,894 | 244,864 |

⁽¹⁾ As at 31 December 2022, there is no financial assets accepted as collateral that had been sold or pledged (As at 31 December 2021, this included the financial assets accepted as collateral that had been sold or pledged amounting to Baht 13,226 million. The Bank and its subsidiaries are obliged to return those securities in equivalent amount).

| | Bank only | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | <i>(in million Baht)</i> | |
| Avals to bills | 1,001 | 205 |
| Guarantees of loans/bond | 5,109 | 5,366 |
| Liability under unmatured import bills | 2,680 | 4,081 |
| Letters of credit | 16,346 | 15,608 |
| Other commitments | | |
| - Other guarantees | 75,903 | 85,821 |
| - Amount of unused bank overdrafts | 110,888 | 117,029 |
| - Committed line | 6,103 | 7,958 |
| - Others ⁽¹⁾ | 934 | 14,117 |
| Total | 218,964 | 250,185 |

⁽¹⁾ As at 31 December 2022, there is no financial assets accepted as collateral that had been sold or pledged. (As at 31 December 2021, this included the financial assets accepted as collateral that had been sold or pledged amounting to Baht 13,226 million. The Bank is obliged to return those securities in equivalent amount).

As at 31 December 2022 and 2021, the Bank and its subsidiaries had purchase and sales of investment in debt securities with net buys amounting to Baht 51 million and net sales amounting to Baht 208 million respectively (Bank only: net buys amounting to Baht 51 million and net sales amounting to Baht 208 million, respectively), for which the settlement was not due at the reporting date.

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

34.2 Litigation

- (a) As at 31 December 2022 and 2021, the Bank and its subsidiaries were claimed pursuant to obligations under the letters of guarantee and other claims for 127 cases and 125 cases, respectively (*Bank only: claims for 127 cases and 125 cases, respectively*). The said claims were made against the Bank and its subsidiaries for the approximate liability amounts of Baht 1,620 million ⁽¹⁾ and Baht 2,241 million ⁽¹⁾, respectively (*Bank only: Baht 1,620 million ⁽¹⁾ and Baht 2,241 million ⁽¹⁾, respectively*).
- (b) As at 31 December 2022 and 2021, the Bank and its subsidiaries have recognised provisions for possible loss from the litigation cases totalling Baht 578 million and Baht 572 million, respectively (*Bank only: Baht 578 million and Baht 572 million, respectively*). The management considers that the provision established for such potential loss due to the said litigation cases is adequate.

⁽¹⁾ Excluding the liabilities of the Bank and its subsidiaries as at 31 December 2022 and 2021 of Baht 683 million and Baht 77 million, respectively (*Bank only: Baht 683 million and Baht 77 million, respectively*), which the Court of First Instance and the Appeals Court dismissed the cases.

35 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank and its subsidiaries if the Bank and its subsidiaries have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Definitions and characteristics of relationships

Related parties are as follows:

1. Major shareholders are the shareholders who own over 10% of the Bank's paid-up share capital.
2. Subsidiaries
3. Associates
4. Key management personnel of the Bank and its subsidiaries
5. Other related parties are:
 - 5.1 Close family members of key management personnel
 - 5.2 Entities in which key management personnel and their close family members hold over 10% of paid-up share capital
 - 5.3 Entities of which key management personnel and their close family members are directors exercising control or having significant influence
 - 5.4 Related companies of major shareholders
 - 5.5 Entities in which related companies of major shareholders hold over 10% of paid-up share capital
 - 5.6 Entities in which the Bank and its subsidiaries hold over 10% of paid-up share capital (excluding subsidiaries and associates)

The additional information on investments in subsidiaries and associates is disclosed in note 12.

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For the year ended 31 December 2022

Relationships with key management and other related parties were as follows:

| Name of entity/Personnel | Country of incorporation/ Nationality | Nature of relationship |
|--|--|--|
| Key management personnel | Thai and other nationalities | Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiaries |
| Ministry of Finance | Thailand | The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital |
| ING Bank N.V. | The Netherlands | The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital |
| Thanachart Capital Public Company Limited | Thailand | The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital |
| Entities whose shares have been owned or have been controlled by the Ministry of Finance | Thailand | Related through the major shareholder of the Bank, owning over 10% of the Bank's paid-up share capital |
| Phahonyothin Asset Management Co., Ltd. | Thailand | Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank |
| TBCO Public Company Limited | Thailand | Subsidiary, liquidator is a representative of the Bank |
| TMBThanachart Broker Co., Ltd. | Thailand | Subsidiary, 99.99% shareholding, more than 50% of directors are representatives of the Bank |
| TTB Consumer Company Limited | Thailand | Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank |
| Thanachart Fund Management Co., Ltd. ⁽¹⁾ | Thailand | Before 11 July 2022, Associated, 49.9% shareholding, less than 50% of directors are representatives of the Bank |
| TMB Asset Management Co., Ltd. ⁽¹⁾ | Thailand | Before 11 July 2022, Associated, 35% shareholding, less than 50% of directors are representatives of the Bank |
| Eastspring Asset Management (Thailand) Co., Ltd. ⁽¹⁾ | Thailand | Associated, 40.5% shareholding, less than 50% of directors are representatives of the Bank |

⁽¹⁾ Eastspring Asset Management (Thailand) Co., Ltd. is a new company formed under the amalgamation of TMB Asset Management Co., Ltd. and Thanachart Fund Management Co., Ltd. on 11 July 2022.

The pricing policies for particular types of transactions are explained further below:

| Transactions | Pricing policies |
|---|--|
| Interest rates of loans | Based on market rate and the collateral consideration process, the same as the Bank's normal course of business, except for the interest rates of staff welfare loans which are in accordance with the Bank's regulation. |
| Fee and service income | Registrar and related services, money transfer services for unit holders, agents and support services for funds managed by its associates are charged by the Bank at the rate based on conditions specified in contracts negotiated in the normal course of business, taking into account the size of funds and the purchase and sale volumes of investment units. |
| Interest rate on deposits and borrowings | Based on market rate |
| Fee and services income for other types of services | Based on market price |
| Branch office rental and related service | Based on market rate |
| Sale of non-performing assets to a subsidiary | Based on market price |
| Dividend income | At declared |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

35.1 Significant related parties transactions with key management and other related parties

Significant related parties transactions for the year ended 31 December 2022 and 2021 with key management and other related parties were as follows:

| | Consolidated 2022 | | | | | |
|--|--------------------------|----------------------|-------------------------------|---------------------------------|------------------------------|--------------------------------|
| | Interest income | Interest expenses | Fees and service income | Fees and service expenses | Other operating income | Other operating expenses |
| | <i>(in million Baht)</i> | | | | | |
| 1. Major shareholders | 197 | 21 | 1 | - | - | 8 |
| 2. Subsidiaries | - | - | - | - | - | - |
| 3. Associates | - | 2 | 1,192 | 1 | - | - |
| 4. Key management personnel of the Bank | 2 | 5 | - | - | - | - |
| 5. Other related parties | 844 | 236 | 1,344 | 1 | 169 | 497 |
| | Consolidated 2021 | | | | | |
| | Interest income | Interest expenses | Fees and service income | Fees and service expenses | Other operating income | Other operating expenses |
| | <i>(in million Baht)</i> | | | | | |
| 1. Major shareholders | 114 | 15 | 1 | - | 1 | 25 |
| 2. Subsidiaries | - | - | - | - | - | - |
| 3. Associates | - | - | 2,056 | - | 5 | - |
| 4. Key management personnel of the Bank | 2 | 6 | - | - | - | - |
| 5. Other related parties | 730 | 192 | 1,351 | - | 66 | 635 |
| | Bank only 2022 | | | | | |
| | Interest income | Interest expenses | Fees and service income | Fees and service expenses | Other operating income | Other operating expenses |
| | <i>(in million Baht)</i> | | | | | |
| 1. Major shareholders | 197 | 21 | 1 | - | - | 8 |
| 2. Subsidiaries | 3 | 7 | 105 | 327 | 253 | 27 |
| 3. Associates | - | 2 | 1,192 | 1 | 308 | - |
| 4. Key management personnel of the Bank | 2 | 5 | - | - | - | - |
| 5. Other related parties | 844 | 236 | 1,065 | 1 | 169 | 497 |
| | Bank only 2021 | | | | | |
| | Interest income | Interest expenses | Fees and service income | Fees and service expenses | Other operating income | Other operating expenses |
| | <i>(in million Baht)</i> | | | | | |
| 1. Major shareholders | 114 | 4 | 1 | - | - | 22 |
| 2. Subsidiaries | 282 | 218 | 426 | 172 | 94,042 | 37 |
| 3. Associates | - | - | 1,520 | - | 278 | - |
| 4. Key management personnel of the Bank | 1 | 5 | - | - | - | - |
| 5. Other related parties | 520 | 135 | 969 | - | 54 | 408 |

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Notes to the financial statements

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During the year ended 31 December 2022 and 2021, the Bank sold written-off non-performing loans to a subsidiary at selling price of Baht 66 million and 763 million which presented as a deduction from “Expected credit loss” in the Bank only statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and 2021, respectively.

During the year ended 31 December 2022 and 2021, the Bank sold non-performing loans, with principal totalling approximately Baht 4,122 million and 734 million to a subsidiary, respectively. The selling price in excess of the carrying amount of those non-performing loans was presented as a deduction from “Expected credit loss” in the Bank only statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and 2021.

During the year ended 31 December 2022, the Bank sold properties for sale, with carrying amount totalling Baht 1,566 million to a subsidiary. The selling price in excess of the carrying amount of those properties for sale was presented in “Other operating income” in the Bank only statement of profit or loss and other comprehensive income for the year ended 31 December 2022. *(During the year ended 31 December 2021, the Bank did not sell properties for sale to subsidiary.)*

35.2 Outstanding balances with related parties

As at 31 December 2022 and 2021, significant outstanding balances with related persons or parties were as follows:

35.2.1 Significant balances between the Bank and its subsidiaries and their major shareholders as at 31 December 2022 and 2021 were as follows:

| | Consolidated | | Bank only | |
|--|--------------------------|-------|-----------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Loans to customers and accrued interest receivables, net | | | | |
| Ministry of Finance | 25,164 | 4,266 | 25,164 | 4,266 |
| Deposits (including interbank and money market items - liabilities) | | | | |
| ING Bank N.V. | 3 | 4 | 3 | 4 |
| Thanachart Capital Public Company Limited | 1,863 | 1,353 | 1,863 | 1,353 |

35.2.2 Significant balances between the Bank and its subsidiaries and associates as at 31 December 2022 and 2021 were as follows:

| | Consolidated | | Bank only | |
|---|--------------------------|-----------|------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Loans to customers and accrued interest receivables, net | | | | |
| Phahonyothin Asset Management Co., Ltd | - | - | 140 | - |
| Other assets | | | | |
| TMBThanachart Broker Co., Ltd. | - | - | 41 | 29 |
| TTB Consumer Company Limited | - | - | 1 | - |
| Phahonyothin Asset Management Co., Ltd | - | - | 1 | - |
| TMB Asset Management Co., Ltd. ⁽¹⁾ | - | 70 | - | 70 |
| Eastspring Asset Management (Thailand) Co., Ltd. ⁽¹⁾ | 103 | - | 103 | - |
| Total | 103 | 70 | 146 | 99 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

| | Consolidated | | Bank only | |
|--|--------------------------|------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Deposits (including interbank and money market items - liabilities) | | | | |
| TBCO Public Company Limited | - | - | 322 | 352 |
| TMBThanachart Broker Co., Ltd. | - | - | 335 | 295 |
| Phahonyothin Asset Management Co., Ltd. | - | - | 53 | 4,239 |
| TTB Consumer Company Limited | - | - | 121 | - |
| TMB Asset Management Co., Ltd. ⁽¹⁾ | - | 63 | - | 63 |
| Thanachart Fund Management Co., Ltd. ⁽¹⁾ | - | 449 | - | 449 |
| Eastspring Asset Management (Thailand) Co., Ltd. ⁽¹⁾ | 231 | - | 231 | - |
| Total | 231 | 512 | 1,062 | 5,398 |
| Other liabilities | | | | |
| TBCO Public Company Limited | - | - | - | 1 |
| Phahonyothin Asset Management Co., Ltd. | - | - | 2 | 4 |
| TTB Consumer Company Limited | - | - | 39 | - |
| Total | - | - | 41 | 5 |
| Commitments - Derivatives ⁽²⁾ | | | | |
| TMB Asset Management Co., Ltd. ⁽¹⁾ | - | 431 | - | 431 |
| Commitments – Guarantee of bond issuance | | | | |
| Phahonyothin Asset Management Co., Ltd. | - | - | 5,070 | 5,321 |

⁽¹⁾ Eastspring Asset Management (Thailand) Co., Ltd. is a new company formed under the amalgamation of TMB Asset Management Co., Ltd. and Thanachart Fund Management Co., Ltd. on 11 July 2022.

⁽²⁾ Presented in notional amount

35.2.3 Significant balances between the Bank and its subsidiaries, and their key management personnel as at 31 December 2022 and 2021 were as follows:

| | Consolidated | | Bank only | |
|--|--------------------------|------|-----------|------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Loans to customers and accrued interest receivables, net | 60 | 60 | 60 | 60 |
| Deposits | 408 | 507 | 408 | 507 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

35.2.4 Significant balances between the Bank and its subsidiaries, and other related parties as at 31 December 2022 and 2021 were as follows:

| | Consolidated | | Bank only | |
|--|--------------------------|--------|-----------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Interbank and money market items - assets and loans to customers and accrued interest receivables, net | 29,574 | 33,973 | 29,568 | 33,970 |
| Investments | 1,972 | 2,069 | 1,972 | 2,069 |
| Other assets | 15 | 25 | - | - |
| Deposits (including interbank and money market items - liabilities) | 30,573 | 21,732 | 30,573 | 21,732 |
| Debts issued and borrowings (including interbank and money market items - liabilities) | 17,500 | 13,582 | 17,500 | 13,582 |
| Other liabilities | 24 | 26 | 11 | 1 |
| Commitments - Derivatives ⁽¹⁾ | 69,541 | 88,523 | 69,541 | 88,523 |
| Other commitments | 1,664 | 1,403 | 1,664 | 1,403 |

⁽¹⁾ Presented in notional amount

35.3 Senior management personnel compensation

For the year ended 31 December 2022 and 2021, senior management personnel compensation, included in profit or loss, was classified as follows:

| | Consolidated | | Bank only | |
|---|--------------------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Short-term employee benefits - directors | 60 | 74 | 60 | 64 |
| Short-term employee benefits - management | 930 | 758 | 892 | 730 |
| Post-employment benefits | 88 | 90 | 87 | 89 |
| Share-based payments | 116 | 146 | 116 | 146 |
| Total | 1,194 | 1,068 | 1,155 | 1,029 |

Senior management personnel of the Bank are directors, management personnel at the level "Head of" or executive vice president and above, and related management personnel of Accounting or Finance. Senior management personnel of the subsidiaries are those at the level of director and executive officer upwards.

35.4 Other benefits payable to the senior management personnel

The Bank's senior management personnel do not receive other benefits both in terms of monetary and non-monetary items, except for the benefits that are normally received as mentioned in note 35.3 such as monthly director remuneration, meeting allowance, salary and bonus. Directors who are the Bank's executives and the representative directors who are the executives of ING Bank N.V. shall not receive director remuneration as per the criteria of the Bank and ING Bank N.V. Nevertheless, directors with permanent residence abroad can reimburse travelling and accommodation expenses in connection with the operation of the Bank's business as actually incurred. Foreign executives are eligible for additional benefits, which are housing allowance, including utilities, telephone and home trip expenses in accordance with the established criteria.

36 Segment information

For management purposes, the Bank's businesses are divided into the following core segments, based on customer segmentation:

1. Commercial Banking

1.1 Wholesale Banking: This serves large-sized and medium-sized business customer. The main products and services are corporate loans, letters of guarantee, deposits, trade finance and foreign exchange, supply chain solution, financial management, and other financial services.

1.2 Small Enterprise: This serves small-size business customer. The main products and services are corporate loans, deposits and bancassurance.

2. Retail Banking: This represents individual persons. The main products and services are deposits, housing loans, hire purchase, finance lease, personal loans, cards services, bancassurance and mutual funds, and foreign currency services.

The Bank evaluates segment performance based on profit from operation, using the same accounting policies as those used in its preparation of the financial statements.

The operating segment information, as reported below, is reported in a manner consistent with the Bank's internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions on the allocation of resources to the operating segments and assess their performance. The Chief Operating Decision Maker has been identified as the Chief Executive Committee.

Information about reportable segments:

For the year ended

31 December 2022

| | Commercial Banking | Retail Banking | Consolidated Other segments (in million Baht) | Elimination | Total |
|--------------------------|-----------------------|-------------------|--|-------------|----------|
| Net interest income | 12,846 | 32,740 | 6,049 | (18) | 51,617 |
| Net non-interest income | 4,193 | 7,930 | 2,460 | (364) | 14,219 |
| Total operating income | 17,039 | 40,670 | 8,509 | (382) | 65,836 |
| Operating expenses | (2,896) | (11,659) | (15,314) | 201 | (29,668) |
| Profit from operation | 14,143 | 29,011 | (6,805) | (181) | 36,168 |
| Expected credit loss | | | | | (18,621) |
| Profit before income tax | | | | | 17,547 |
| Income tax | | | | | (3,352) |
| Profit for the year | | | | | 14,195 |

For the year ended

31 December 2021

| | Commercial Banking | Retail Banking | Consolidated Other segments (in million Baht) | Elimination | Total |
|--------------------------|-----------------------|-------------------|--|-------------|----------|
| Net interest income | 12,643 | 34,239 | 4,130 | (12) | 51,000 |
| Net non-interest income | 8,290 | 8,773 | 5,882 | (8,414) | 14,531 |
| Total operating income | 20,933 | 43,012 | 10,012 | (8,426) | 65,531 |
| Operating expenses | (3,208) | (13,254) | (16,064) | 1,348 | (31,178) |
| Profit from operation | 17,725 | 29,758 | (6,052) | (7,078) | 34,353 |
| Expected credit loss | | | | | (21,549) |
| Profit before income tax | | | | | 12,804 |
| Income tax | | | | | (2,327) |
| Profit for the year | | | | | 10,477 |

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For the year ended 31 December 2022

Reconciliation of reportable segment profit or loss

For the year ended

31 December 2022

| | Net interest income | Net non- interest income <i>(in million Baht)</i> | Consolidated Operating expenses | Expected credit loss |
|--|------------------------|---|---------------------------------------|-------------------------|
| Segment reporting | 51,617 | 14,219 | (29,668) | (18,621) |
| Expected credit loss | - | - | (206) | 206 |
| Others | - | 16 | (78) | 62 |
| Consolidated financial statements | 51,617 | 14,235 | (29,952) | (18,353) |

For the year ended

31 December 2021

| | Net interest income | Net non- interest income <i>(in million Baht)</i> | Consolidated Operating expenses | Expected credit loss |
|--|------------------------|---|---------------------------------------|-------------------------|
| Segment reporting | 51,000 | 14,531 | (31,178) | (21,549) |
| Expected credit loss | - | - | (66) | 66 |
| Others | - | 6 | 25 | (31) |
| Consolidated financial statements | 51,000 | 14,537 | (31,219) | (21,514) |

| | Commercial Banking | Retail Banking | Consolidated 2022 Other segments <i>(in million Baht)</i> | Elimination | Total |
|-------------------|-----------------------|-------------------|---|-------------|-----------|
| Loan to customers | 499,560 | 833,910 | 42,221 | 427 | 1,376,118 |
| Deposits | 397,928 | 1,002,150 | - | (831) | 1,399,247 |

| | Commercial Banking | Retail Banking | Consolidated 2021 Other segments <i>(in million Baht)</i> | Elimination | Total |
|-------------------|-----------------------|-------------------|---|-------------|-----------|
| Loan to customers | 529,960 | 802,326 | 39,720 | (702) | 1,371,304 |
| Deposits | 367,072 | 976,657 | - | (4,534) | 1,339,195 |

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Notes to the financial statements

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37 Financial position and results of operations classified by domestic and foreign business

37.1 As at 31 December 2022 and 2021, the financial position classified by domestic and foreign business was as follows:

| | Consolidated | | | | | |
|---|--------------------------|---------------------|-----------|----------------------|---------------------|-----------|
| | 2022 | | 2021 | | | |
| | Domestic business | Foreign business | Total | Domestic business | Foreign business | Total |
| | <i>(in million Baht)</i> | | | | | |
| Total assets | 1,826,204 | 75 | 1,826,279 | 1,757,806 | 364 | 1,758,170 |
| Interbank and money market items, net (assets) | 187,497 | 66 | 187,563 | 158,534 | 339 | 158,873 |
| Financial assets measured at fair value through profit or loss | 1,533 | - | 1,533 | 1,421 | - | 1,421 |
| Investments, net | 211,432 | - | 211,432 | 180,229 | - | 180,229 |
| Investments in subsidiaries and associates, net | 8,574 | - | 8,574 | 8,620 | - | 8,620 |
| Loans to customers and accrued interest receivables, net | 1,326,505 | - | 1,326,505 | 1,324,201 | - | 1,324,201 |
| Deposits | 1,399,247 | - | 1,399,247 | 1,339,195 | - | 1,339,195 |
| Interbank and money market items (liabilities) | 84,770 | - | 84,770 | 84,966 | - | 84,966 |
| Debts issued and borrowings | 51,153 | 8,491 | 59,644 | 55,031 | 13,367 | 68,398 |

37.2 The results of operations classified by domestic and foreign business for the year ended 31 December 2022 and 2021 were as follows:

| <i>For the year ended 31 December</i> | Consolidated | | | | | |
|---|--------------------------|---------------------|---------------|----------------------|---------------------|---------------|
| | 2022 | | 2021 | | | |
| | Domestic business | Foreign business | Total | Domestic business | Foreign business | Total |
| | <i>(in million Baht)</i> | | | | | |
| Interest income | 65,623 | 4 | 65,627 | 64,239 | - | 64,239 |
| Interest expenses | (13,366) | (644) | (14,010) | (12,415) | (824) | (13,239) |
| Net interest income (expenses) | 52,257 | (640) | 51,617 | 51,824 | (824) | 51,000 |
| Net fees and service income | 10,400 | (9) | 10,391 | 11,249 | (1) | 11,248 |
| Total other operating income | 3,329 | 515 | 3,844 | 3,377 | (88) | 3,289 |
| Total other operating expenses | (29,947) | (5) | (29,952) | (31,214) | (5) | (31,219) |
| Profit (loss) from operations before expected credit loss and income tax | <u>36,039</u> | <u>(139)</u> | <u>35,900</u> | <u>35,236</u> | <u>(918)</u> | <u>34,318</u> |

38 Interest income

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|---------------------------------------|--------------------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Interbank and money market items | 1,489 | 1,060 | 1,489 | 1,214 |
| Investments and trading transactions | 27 | 66 | 27 | 56 |
| Investments in debt securities | 1,782 | 1,247 | 1,782 | 949 |
| Loans to customers | 39,493 | 39,827 | 39,417 | 33,517 |
| Hire purchase and finance leases | 22,834 | 22,034 | 22,834 | 10,819 |
| Others | 2 | 5 | 2 | 5 |
| Total | <u>65,627</u> | <u>64,239</u> | <u>65,551</u> | <u>46,560</u> |

39 Interest expenses

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|--|--------------------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Deposits | 7,723 | 7,158 | 7,730 | 5,877 |
| Interbank and money market items | 482 | 276 | 482 | 248 |
| Contribution to Deposits Protection Agency and BoT | 3,279 | 3,240 | 3,279 | 2,596 |
| Debt issued | | | | |
| - Subordinated debentures | 2,009 | 1,934 | 2,009 | 1,934 |
| - Others | 460 | 576 | 413 | 563 |
| Borrowings | 27 | 33 | 24 | 32 |
| Others | 30 | 22 | 29 | 234 |
| Total | 14,010 | 13,239 | 13,966 | 11,484 |

40 Net fees and service income

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|--|--------------------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Fees and service income | | | | |
| - Acceptance, avals and guarantees | 617 | 587 | 620 | 526 |
| - ATM, Debit card, Credit card and other banking electronic | 4,087 | 3,881 | 4,091 | 3,283 |
| - Funds and Bancassurance | 7,559 | 8,292 | 6,924 | 7,229 |
| - Others | 1,762 | 2,430 | 1,770 | 2,015 |
| Total | 14,025 | 15,190 | 13,405 | 13,053 |
| Fees and service expenses | | | | |
| - ATM, Debit card, Credit card and other banking electronic | (2,795) | (2,740) | (2,794) | (2,242) |
| - Others | (839) | (1,202) | (1,053) | (729) |
| Total | (3,634) | (3,942) | (3,847) | (2,971) |
| Net | 10,391 | 11,248 | 9,558 | 10,082 |

41 Net gain (loss) on financial instruments measured at fair value through profit or loss

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|---|--------------------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Gain (loss) on trading and foreign exchange transactions | | | | |
| - Foreign currencies and foreign exchange derivatives | 1,319 | 1,360 | 1,319 | 1,235 |
| - Interest rates derivatives | 57 | 36 | 57 | 30 |
| - Debt securities | (38) | (99) | (38) | (94) |
| - Others | - | 1 | - | - |
| Gain (loss) on financial instruments designated at FVTPL | | | | |
| - Borrowings | (1) | (5) | (1) | (5) |
| Gain on derivative held for risk management | 304 | 91 | 304 | 91 |
| Gain on hedge accounting | - | 94 | - | - |
| Gain on others | | | | |
| - Equity securities | 52 | 2 | 52 | 2 |
| Total | 1,693 | 1,480 | 1,693 | 1,259 |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

42 Net gain (loss) on investments

Net gain (loss) on investments included in profit or loss for the year ended 31 December 2022 and 2021 were as follows:

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|--|--------------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Gain (loss) on sales | | | | |
| - Investment in debt instruments measured at FVOCI | 7 | 182 | (4) | 191 |
| Total | <u>7</u> | <u>182</u> | <u>(4)</u> | <u>191</u> |

43 Expected credit loss

Expected credit loss for the year ended 31 December 2022 and 2021 were as follows:

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|--|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | <i>(in million Baht)</i> | | | |
| Interbank and money market items | 56 | (31) | 56 | (12) |
| Investment in debt instruments measured at FVOCI | 19 | 1,289 | 25 | 958 |
| Investments in debt securities measured at amortised costs | 20 | (1) | 20 | - |
| Loans to customers and accrued interest receivables | 17,636 | 20,671 | 17,755 | 16,536 |
| Loan commitments and financial guarantee contracts | 622 | (414) | 622 | (471) |
| Total | <u>18,353</u> | <u>21,514</u> | <u>18,478</u> | <u>17,011</u> |

44 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the year ended 31 December 2022 and 2021 were based on the profit for the year attributable to equity holders of the Bank and the weighted average number of ordinary shares outstanding during the year as follows:

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Profit for the year attributable to equity holders of the Bank <i>(in million Baht)</i> | <u>14,195</u> | <u>10,474</u> | <u>14,106</u> | <u>7,769</u> |
| Weighted average number of ordinary shares outstanding <i>(in million shares)</i> | <u>96,664</u> | <u>96,464</u> | <u>96,664</u> | <u>96,464</u> |
| Basic earnings per share <i>(in Baht)</i> | <u>0.1469</u> | <u>0.1086</u> | <u>0.1459</u> | <u>0.0805</u> |

TMBThanachart Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2022

Diluted earnings per share

The calculations of diluted earnings per share for the year ended 31 December 2022 and 2021 were based on the profit for the year attributable to equity holders of the Bank and the weighted average number of ordinary shares outstanding during the year after adjusting for the effects of all dilutive potential ordinary shares as follows:

| <i>For the year ended 31 December</i> | Consolidated | | Bank only | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Profit for the year attributable to equity holders of the Bank (<i>in million Baht</i>) | <u>14,195</u> | <u>10,474</u> | <u>14,106</u> | <u>7,769</u> |
| Weighted average number of ordinary shares outstanding (<i>in million shares</i>) | 96,664 | 96,464 | 96,664 | 96,464 |
| Effect of dilutive potential ordinary shares from TTB TSRP 2019, TTB TSRP 2021 and TTB-W1 Warrants (<i>in million shares</i>) | <u>430</u> | <u>278</u> | <u>430</u> | <u>278</u> |
| Weighted average number of diluted ordinary shares outstanding (<i>in million shares</i>) | <u>97,094</u> | <u>96,742</u> | <u>97,094</u> | <u>96,742</u> |
| Diluted earnings per share (<i>in Baht</i>) | <u>0.1462</u> | <u>0.1083</u> | <u>0.1453</u> | <u>0.0803</u> |

45 **Reclassification of accounts**

Certain accounts in the 2021 financial statement, have been reclassified to conform to the presentation in the 2022 financial statements to better reflect the Bank's business. The reclassifications were as follows:

| | Before reclassification | Consolidated | |
|--|-------------------------|---|------------------------|
| | | Reclassification (<i>in million Baht</i>) | After reclassification |
| Statements of financial position | | | |
| As at 31 December 2021 | | | |
| Loans to customers and accrued interest receivables, net | 1,325,212 | (1,011) | 1,324,201 |
| Deferred revenue | 20,175 | (1,011) | 19,164 |
| Bank only | | | |
| Statements of financial position | | | |
| As at 31 December 2021 | | | |
| Loans to customers and accrued interest receivables, net | 1,324,479 | (1,011) | 1,323,468 |
| Deferred revenue | 20,176 | (1,011) | 19,165 |

46 **Events after the reporting period**

Issuances of ordinary shares under the TTB-W1 Warrants Program

The Bank issued ordinary shares under the TTB-W1 Warrants Program of 161,442 ordinary shares with a par value of Baht 0.95 per share. The increase of the issued ordinary shares was registered with the Department of Business Development, Ministry of Commerce on 17 January 2023.