

**RHB BANK BERHAD - BANGKOK BRANCH**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2020**



## **Independent auditor's report**

To the Management of RHB Bank Berhad

### **My opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of RHB Bank Berhad - Bangkok Branch (the Bank) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### **What I have audited**

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in head office's equity and other branches under the same entity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### **Basis for opinion**

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

### **Responsibilities of management for the financial statements**

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

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



### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

I communicate with management 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.

PricewaterhouseCoopers ABAS Ltd.

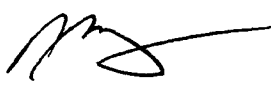
A handwritten signature in black ink, appearing to read 'Sinsiri'.

**Sinsiri Thangsombat**  
Certified Public Accountant (Thailand) No. 7352  
Bangkok  
13 May 2021

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Financial Position**  
**As at 31 December 2020**

	<b>Notes</b>	<b>2020 Baht</b>	<b>2019 Baht</b>
<b>Assets</b>			
Cash		11,656,526	9,253,932
Interbank and money market items, net	8	1,064,264,605	1,236,731,230
Derivative assets	9	42,417,947	2,534,778
Investments, net	10	8,276,817,646	7,546,711,481
Loans and accrued interest receivables, net	11	9,670,663,878	10,847,682,869
Leasehold improvements and equipment, net	14	18,460,285	24,074,356
Right-of-use assets	15	33,879,167	-
Intangible assets, net	16	19,865,746	23,426,462
Deferred tax assets, net	17	-	4,247,378
Other assets	18	76,416,731	67,371,765
<b>Total assets</b>		<b><u>19,214,442,531</u></b>	<b><u>19,762,034,251</u></b>


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

  
**Piyanat Aranyakasemsuke**  
**Chief Executive Officer**  
**RHB BANK THAILAND**

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2020**

	Notes	2020 Baht	2019 Baht
<b>Liabilities and Head Office's equity and balances with other branches under the same entity</b>			
<b>Liabilities</b>			
Deposits	19	6,449,722,591	7,072,798,101
Interbank and money market items	20	9,625,901,564	9,604,649,172
Demand liabilities		2,085,679	1,184,714
Derivative liabilities	9	40,035,858	1,588,687
Lease liabilities	15	33,028,018	-
Provisions	21	53,312,305	11,340,118
Deferred tax liabilities	17	5,984,591	-
Other liabilities	22	130,978,058	173,597,041
<b>Total liabilities</b>		<b>16,341,048,664</b>	<b>16,865,157,833</b>
<b>Head Office's equity and balances with other branches under the same entity</b>			
Fund remitted into Thailand for maintaining assets under law	23	2,000,000,000	2,000,000,000
Net balance of inter-office accounts with Head Office and other branches under the same entity		35,044,249	115,491,180
Others component of accounts with head office and other branches under the same entity		152,165,230	104,407,841
Retained earnings		686,184,388	676,977,397
<b>Total Head Office's equity and balances with other branches under the same entity</b>		<b>2,873,393,867</b>	<b>2,896,876,418</b>
<b>Total liabilities and Head Office's equity and balances with other branches under the same entity</b>		<b>19,214,442,531</b>	<b>19,762,034,251</b>

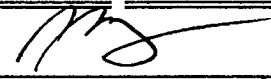
The accompanying notes are an integral part of the financial statements.

  
**Piyanat Aranyakasemsuke**  
**Chief Executive Officer**  
**RHB BANK THAILAND**

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2020**

	Notes	2020 Baht	2019 Baht
Interest income	29	528,633,129	489,610,300
Interest expense	30	(226,099,341)	(324,860,751)
<b>Net interest income</b>		<u>302,533,788</u>	<u>164,749,549</u>
Fees and service incomes		12,098,886	11,411,184
Fees and services expenses		(1,654,498)	(1,732,597)
<b>Net fee and service income</b>	31	<u>10,444,388</u>	<u>9,678,587</u>
Net gain on financial instruments measured at fair value through profit or loss	32	22,062,612	-
Net gains on trading and foreign exchange	32	-	41,409,649
Net gain on investment		14,128,990	18,953,810
Other operating income		34,642,065	14,251,474
<b>Total operating income</b>		<u>383,811,843</u>	<u>249,043,069</u>
<b>Other operating expenses</b>			
Employee expenses		104,464,239	112,073,345
Premises and equipment expenses		50,733,707	51,746,769
Taxes and duties		14,827,764	22,830,549
Others		19,120,249	18,028,238
<b>Total other operating expenses</b>		<u>189,145,959</u>	<u>204,678,901</u>
Expected credit losses	33	124,654,849	-
Bad debt and doubtful accounts	34	-	10,151,222
<b>Profit before income tax</b>		70,011,035	34,212,946
Income tax	35	(23,115,622)	(6,857,851)
<b>Net profit for the year</b>		<u>46,895,413</u>	<u>27,355,095</u>
<b>Other comprehensive income (expense)</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit plans	21	(2,408,752)	681,845
Income tax on items that will not be subsequently reclassified to profit or loss	17	481,750	(136,369)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<u>(1,927,002)</u>	<u>545,476</u>
Items that will be reclassified subsequently to profit or loss			
Gain on debt instruments classified at fair value through other comprehensive income	10	57,676,045	-
Gain on remeasuring available-for-sale securities	10	-	128,583,091
Income tax relating to item that will be reclassified subsequently to profit or loss	17	(9,918,656)	(25,716,618)
<b>Total items that will be reclassified subsequently to profit or loss</b>		<u>47,757,389</u>	<u>102,866,473</u>
<b>Total other comprehensive income, net of tax</b>		<u>45,830,387</u>	<u>103,411,949</u>
<b>Total comprehensive income for the year</b>		<u>92,725,800</u>	<u>130,767,044</u>

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

  
 Piyanat Ar  
 Chief Executive Officer  
 RHB BANK THAILAND

RHB Bank Berhad - Bangkok Branch

Statement of Changes in Head Office's Equity and Other Branches Under the Same Entity  
For the year ended 31 December 2020

	Note	Fund remitted into Thailand for maintaining assets under law	Net balance of inter-office accounts with Head Office and other branches under the same entity	Other component of balance of inter-office accounts with the same entity	Retained earnings	Total
		Baht	Baht	Baht	Baht	Baht
<b>Opening balances as at 1 January 2019</b>		2,000,000,000	2,725,984,822	1,541,368	649,076,826	5,376,603,016
Decrease during the year		-	(2,610,493,642)	-	-	(2,610,493,642)
Net profit for the year		-	-	-	27,355,095	27,355,095
Unrealised gain on changes in fair value of available-for-sale securities		-	-	128,583,091	-	128,583,091
Remeasurements of provision for employment benefit plan		-	-	-	681,845	681,845
Income tax relating to other component of other comprehensive income for the year		-	-	(25,716,618)	(136,369)	(25,852,987)
<b>Closing balances as at 31 December 2019</b>		<b>2,000,000,000</b>	<b>115,491,180</b>	<b>104,407,841</b>	<b>676,977,397</b>	<b>2,896,876,418</b>
<b>Opening balances as at 1 January 2020 as reported</b>		2,000,000,000	115,491,180	104,407,841	676,977,397	2,896,876,418
Impact of first-time adoption of new accounting standards	5	-	-	-	(35,761,420)	(35,761,420)
<b>Opening balances as at 1 January 2020 restated</b>		2,000,000,000	115,491,180	104,407,841	641,215,977	2,861,114,998
Decrease during the year		-	(80,446,931)	-	-	(80,446,931)
Net profit for the year		-	-	-	46,895,413	46,895,413
Unrealised gain on changes in investments in debt instruments measured at FVOCI		-	-	57,676,045	-	57,676,045
Remeasurements of provision for employment benefit plan		-	-	-	(2,408,752)	(2,408,752)
Income tax relating to other component of other comprehensive income for the year		-	-	(9,918,656)	481,750	(9,436,906)
<b>Closing balances as at 31 December 2020</b>		<b>2,000,000,000</b>	<b>35,044,249</b>	<b>152,165,230</b>	<b>686,184,388</b>	<b>2,873,393,867</b>

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

Piyanat Aranyakasemsuke


Chief Executive Officer

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RHB BANK THAILAND

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Cash Flows**  
**For the year ended 31 December 2020**

	<b>Notes</b>	<b>2020 Baht</b>	<b>2019 Baht</b>
<b>Cash flows from operating activities</b>			
Net profit before income tax		70,011,035	34,212,946
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:			
Depreciation and amortisation	14, 15, 16	23,859,957	12,929,634
Fixed assets written-of	14	128,518	4,564
Amortisation of discount and premium in investment in securities		(5,512,883)	(64,532,191)
Expected credit losses	33	124,654,849	-
Bad debt and doubtful accounts	34	-	10,151,222
Provisions for employee benefits	21	3,918,511	3,995,378
Unrealised (gain) loss on change in fair value of derivative financial instruments		(1,435,998)	3,647,216
Interest income	29	(528,633,129)	(489,610,300)
Interest expense	30	226,099,341	324,860,751
Interest paid		(209,981,595)	(307,673,770)
Interest received		470,159,676	496,030,114
Income tax paid		(2,033,061)	(25,554,650)
Net profit (loss) from operating activities before changes in operating assets and liabilities		171,235,221	(1,539,086)
Decrease (Increase) in operating assets			
Interbank and money market items		189,000,000	(50,000,000)
Loans		1,103,730,722	(655,875,141)
Other assets		(5,394,795)	7,680,594
(Decrease) increase in operating liabilities			
Deposits		(623,075,510)	1,628,763,642
Interbank and money market items		21,252,392	1,584,370,506
Demand liabilities		900,965	1,029,129
Other liabilities		(66,760,507)	9,587,521
Provision for employee benefits obligation	21	(6,281,224)	(3,712,586)
Head Office's equity and balances with other branches under the same entity		(80,341,600)	(2,610,537,014)
<b>Net cash generated from (used in) operating activities</b>		<b>704,265,664</b>	<b>(90,232,435)</b>

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

  
**Piyanat Aranyakasemsuke**  
**Chief Executive Officer**  
**RHB BANK THAILAND**



**RHB Bank Berhad - Bangkok Branch**  
**Statement of Cash Flows (Cont'd)**  
**For the year ended 31 December 2020**

	<u>Note</u>	<u>2020</u> <u>Baht</u>	<u>2019</u> <u>Baht</u>
<b>Cash flows from investing activities</b>			
Cash paid for purchases of investments in debt instruments measured at fair value through other comprehensive income		(15,857,000,000)	-
Proceeds from disposals and maturity of investments in debt instruments measured at fair value through other comprehensive income		15,182,000,000	-
Purchases of investments in securities		-	(20,973,000,000)
Proceeds on sale of investments in securities		-	19,613,000,000
Maturity of investments in securities		-	1,390,000,000
Purchases of leasehold improvements and equipment		(3,060,718)	(9,517,601)
Purchases of intangible assets		(2,379,952)	(2,669,963)
<b>Net cash (used in) generated from investing activities</b>		<u>(680,440,670)</u>	<u>17,812,436</u>
<b>Cash flows from financing activities</b>			
Cash paid for lease liabilities	15	(10,489,783)	-
<b>Net cash used in financing activities</b>		<u>(10,489,783)</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalent</b>		13,335,211	(72,419,999)
Cash and cash equivalents at the beginning of the year		240,520,460	312,940,459
<b>Cash and cash equivalents at the end of the year</b>		<u><u>253,855,671</u></u>	<u><u>240,520,460</u></u>
<b>Cash and cash equivalents</b>			
Cash		11,656,526	9,253,932
Interbank and money market items, assets		240,683,832	229,828,844
Head Office's equity and balances with other branches under the same entity		1,515,313	1,437,684
		<u><u>253,855,671</u></u>	<u><u>240,520,460</u></u>

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



## **1 General information**

RHB Bank Berhad - Bangkok Branch ("the Bank") is a segment of RHB Bank Berhad incorporated in Malaysia and is not a separately incorporated legal entity. The address of the Bank's registered office is as follows:

Level 15 and 18, All Season Place, 87 Wireless Road, Lumpini, Pathumwan, Bangkok 10330.

On 28 August 2013, the banks have been approved from Bank of Thailand to establish 2 branches generally are Sriracha branch, Chonburi and Phra Nakhon Si Ayutthaya branch, Phra Nakhon Si Ayutthaya.

These financial statements have been approved for issue by Chief Executive Officer on 13 May 2021.

## **2 Significant events during the current year**

As a result of the COVID-19 outbreak, the Bank has been assisting customers through various relief measures both from the Bank own measures and those arising from the Bank of Thailand ("BOT"). The relief measures that the Bank has already implemented including loan payment delay for principal/ interest, soft loan as part of BOT liquidity measures for SME customers, the reduction in lending rates, loan term extension and other assistance as appropriate. Additionally, the Bank has continued to communicate with customers in order to provide appropriate financial solutions for the customers post the end of the relief measures.

Although the COVID-19 outbreak situation for Thailand has improved with majority of lock down measures being lifted. However, many aspects of uncertainties remain notably the pace of economic recovery, the on-going spread of the virus in other countries and the possibility of a second outbreak in Thailand. The Bank has been monitoring the situation closely and prudently assessing the portfolio quality while continuing to provide assistance to customers.

As of the end of 2020, the Bank has already provided financial assistance to corporate customers which include the Bank's own relief measures and those as initiated by BOT. Of the loans under financial assistance, relief measures provided to customers totalling approximately 28.89% of the Bank total outstanding loans.

## **3 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **3.1 Basis of preparation**

The financial statements of the Thailand operations of RHB Bank Berhad have been prepared from the records of the Thailand operations and only reflect transactions recorded locally.

The financial statements have been prepared in accordance with Thai Financial Reporting Standards under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547. The primary financial statements are prepared in the full format as required by the Notification of the Bank of Thailand ("BOT"), No. SorNorSor. 21/2561 dated 31 October 2018, "The Preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group".



The Bank's financial statements have been prepared under the historical cost convention except for some transactions as disclosed in the accounting policies below.

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

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

### **3.2 New and amended financial reporting standards**

#### **3.2.1 New financial reporting standards, new accounting standard, and related interpretations that are effective for annual periods beginning on or after 1 January 2020 which are relevant to the Bank**

##### **a) Financial instruments**

The new financial reporting standards, new accounting standard and interpretations related to financial instruments are:

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The new financial reporting standards related to financial instruments introduce new classification and measurement requirements for financial instruments as well as provide derecognition guidance on financial assets and financial liabilities. The new guidance also provides an option for the Bank to apply hedge accounting to reduce accounting mismatch between hedged item and hedging instrument. In addition, the new rule provides detailed guidance on financial instruments issued by the Bank whether it is a liability or an equity. Among other things, they require extensive disclosure on financial instruments and related risks.

The new classification requirements of financial assets require the Bank to assess both i) business model for holding the financial assets; and ii) cash flow characteristics of the asset whether the contractual cash flows represent solely payments of principal and interest (SPPI). The classification also affects the financial assets' measurement. The new guidance requires assessment of allowance for impairment of financial assets as well as contract assets and recognition of expected credit loss from initial recognition.

On 1 January 2020, the Bank has adopted the financial reporting standards related to financial instruments in its financial statements. The impact from the first-time adoption has been disclosed in Note 5 to the financial statements.



**b) TFRS 16, Leases**

TFRS 16 will result in almost all leases where the Bank is a lessee being recognised on the statement of financial position as the distinction between operating and finance lease is removed. An asset (the right to use the leased item) and financial liability to pay rentals are recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Bank has adopted the financial reporting standards related to leases in its financial statements. The impact from the first-time adoption has been disclosed in Note 5 to the financial statements.

**c) Other new/amended standards**

The new and amended financial reporting standards which are relevant to the Bank are:

TAS 12	Income tax
TAS 19	Employee benefits
TFRIC 23	Uncertainty over income tax treatments

**Amendment to TAS 12, Income tax** - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

**Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement)** - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

**TFRIC 23, Uncertainty over income tax treatments** - explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the Bank should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
- that the Bank should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Management has already assessed that those accounting standards have no significant impact on the financial statements.

**3.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2021 and are relevant to the Bank**

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

**a) Revised Conceptual Framework for Financial Reporting** added the following key principals and guidance:

- Measurement basis, including factors in considering difference measurement basis
- Presentation and disclosure, including classification of income and expenses in other comprehensive income
- Definition of a reporting entity, which maybe a legal entity, or a portion of an entity
- Derecognition of assets and liabilities

The amendment also includes the revision to the definition of an asset and liability in the financial statements, and clarification to the prominence of stewardship in the objective of financial reporting.



- b) **Amendment to TFRS 9, Financial instruments and TFRS 7, Financial instruments: disclosures** amended to provide relief from applying specific hedge accounting requirements to the uncertainty arising from interest rate benchmark reform such as IBORs. The amendment also requires disclosure of hedging relationships directly affected by the uncertainty.
- c) **Amendment to TAS 1, Presentation of financial statements and TAS 8, Accounting policies, changes in accounting estimates and errors** amended to definition of materiality. The amendment allows for a consistent definition of materiality throughout the Thai Financial Reporting Standards and the Conceptual Framework for Financial Reporting. It also clarified when information is material and incorporates some of the guidances in TAS 1 about immaterial information.
- d) **Amendment to TFRS 16, Leases** amended to provide a practical expedient where lessees are exempted from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. It applies to rent concessions that reduce lease payments due from 1 June 2020 to 30 June 2021. The amendment is effective for the annual accounting period beginning on or after 1 June 2020 where early application is permitted.

The Bank has not chosen to early apply the exemption for the current reporting period.

The Bank has already assessed that this amendment has no significant impact to the Bank.

### 3.2.3 Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2022 and are relevant to the Bank

The Bank assessed the impact of the amended financial reporting standard that are not mandatory for current reporting period is as follows:

**Amendment to TFRS 16, Leases** amended to include a practical expedient for leases that are modified as a direct consequence of IBOR reform (e.g. replacement of THBFIX as a benchmark interest rate due to the cancellation of LIBOR) for lessee to remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate. An early application of the amendment is permitted.

The Bank has not chosen to early apply the exemption for the current reporting period.

## 3.3 Accounting policies for the year ended 31 December 2020

### 3.3.1 Foreign currency translations

- (a) Functional and presentation currency

Items included in the financial statements of the Bank is measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Baht, which is the Bank's functional and the Bank's presentation currency.

- (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.



### 3.3.2 Financial instruments

#### (a) Classification of financial assets

From 1 January 2020, the Bank classifies its debt instrument financial assets in the following measurement categories depending on i) business model for managing the asset and ii) the cash flow characteristics of the asset whether they represent solely payments of principal and interest (SPPI).

- Those to be measured subsequently at fair value through profit or loss (FVPL) or through other comprehensive income (FVOCI); and
- Those to be measured at amortised cost

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

#### Cash and cash equivalent

Cash and cash equivalents are carried in the statements of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash, net balance of interbank and money market items and net balance of inter-office accounts with Head Office and other branches under the same entity which have maturity of three months or less from the date acquired.

#### Loans

Overdrafts are stated at the principal amounts including interest. Other loans are stated at the principal amount. Unearned discounts received in advance are presented as deduction from the loans.

#### (b) Recognition and derecognition

Regular way purchases, acquires and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

#### (c) Measurement

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether the cash flows are solely payment of principal and interest.

#### (d) Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the financial assets. There are three measurement categories:

- Amortised cost



Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss and other comprehensive income.

- Fair value through other comprehensive income (FVOCI)

FVOCI: Financial assets that are held for i) collection of contractual cash flows; and ii) for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Impairment expenses are presented separately in the statement of profit or loss and other comprehensive income.

- Fair value through profit or loss (FVPL)

FVPL: Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**(e) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The changes in the fair value is recognised to gain (loss) on financial instruments measured at fair value through profit or loss.

**(f) Modification**

The Bank sometimes renegotiates or otherwise modifies the contractual cashflow. When this happens, the Bank assess whether the new terms are substantially different to the original terms or not. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cashflows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial assets and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).



If the terms are substantially different, the Bank derecognises the original financial assets and recognises a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Difference in the carrying amount are also recognised in profit or loss as gain or loss on derecognition.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

- The Bank transfers substantially all the risks and rewards of ownership, or
- The Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

**(g) Impairment**

From 1 January 2020, the Bank assesses expected credit loss on a forward looking basis for its financial assets classified as debt instrument carried at FVOCI and at amortised cost and loan commitments and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk, except other receivables which the Bank applies the simplified approach in determining its expected credit loss.

The Bank measures expected credit losses using the following approach:

General approach

At each reporting date, the Group applies general approach to measure expected credit losses on debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, loan commitments, and financial guarantee contracts except for those that are under simplified approach. The Bank always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

- Stage 1 - from initial recognition of a financial assets to the date on which the credit risk of the asset has not increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 - following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

Under the three-stage expected credit loss impairment model except for significant exposures in loans to customer, the impairment will be assessed by using collective approach model with forward looking information adjustment. The impairment of some significant exposures in loans to customer will be assessed by using individual assessment approach.





### Significant increase in credit risk

At each reporting date, the Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. To make that assessment, the Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available increases in credit risk since initial recognition.

TFRS 9 contains a rebuttable presumption that the risk of financial assets is deemed to have increased significantly when more than 30 days past due. The Bank uses this 30 day backstop for all its products. In addition, the Bank considers a range of qualitative and quantitative events to assess whether a significant increase in credit risk since initial recognition has occurred.

### Definition of default and credit-impaired financial assets

The Bank defines a financial instrument as default or credit-impaired which is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to significantly affect the ability to repay. Exposures are considered to be credit-impaired if they are past due for 90 days or more or possesses signs indicating weaknesses which are likely to impact ability to meet future financial obligations. The default definition is consistent with that used for risk management purposes.

## (h) Financial liabilities

### Classification

Financial instruments issued by the Bank are classified as either financial liabilities or equity securities by considering contractual obligations.

- Where the Bank has an unconditional contractual obligation to deliver cash or another financial asset to another entity, it is considered a financial liability unless there is a predetermined or possible settlement for a fixed amount of cash in exchange of a fixed number of the Bank's own equity instruments.
- Where the Bank has no contractual obligation or has an unconditional right to avoid delivering cash or another financial asset in settlement of the obligation, it is considered an equity instrument.

### Measurement

At initial recognition, the Bank measures financial liabilities at fair value. The Bank reclassifies all financial liabilities as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss This classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gain or losses on financial liabilities designated at fair value through profit or loss are presented gain or losses on financial instruments measured at fair value through profit or loss.
- Financial guarantee contracts and loan commitments.



Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract is discharged, cancelled, or expired.

Where the terms of a financial liability are renegotiated/modified, the Bank assesses whether the renegotiation / modification results in the derecognition of that financial liability. Where the modification results in an extinguishment, the new financial liability is recognised based on fair value of its obligation. The remaining carrying amount of financial liability is derecognised. The difference as well as proceed paid is recognised as other gains/(losses) in profit or loss.

Where the modification does not result in the derecognition of the financial liability, the carrying amount of the financial liability is recalculated as the present value of the renegotiated / modified contractual cash flows discounted at its original effective interest rate. The difference is recognised in other gains/(losses) in profit or loss.

**(i) Financial guarantee contract and loan commitment**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of a) the amount of expected credit loss determined; and b) the amount initially recognised less the cumulative amount of income recognised.

Loan commitments provided by the Bank are measured at the amount of loss allowance. The Bank has not provided any commitment to provide loan at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For the loan commitments and financial guarantee contract, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit loss are recognised as a provision.

**(j) Interest income and interest expense recognition**

From 1 January 2020, there will be no longer reversal concept for accrued interest income on loan when its principal or interest payment has become over three months past due.

Interest income is calculated by applying the effective interest rate to the gross carrying is applied to the amortised cost of the financial asset, except for:

- Purchased or originated credit-impaired financial asset (POCI), for which the original credit-adjusted effective interest rate is applied to the amortised cost of financial asset.
- Financial assets that are not (POCI) but have subsequently becomes credit-impaired (a stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (net of the expected credit loss provision).

**(k) Offset**

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



### 3.3.3 Leasehold improvements and equipment

Leasehold improvements and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life of the related assets, as follows:

Leasehold improvements	Period of the lease
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

The Bank includes costs of dismantling and restoring the item and restoring the site on which it is located, when the Bank has obligation to do, with Building improvement. The Bank calculates the depreciation using straight line method, estimated useful life is equivalent to the residual life of rental contract.

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset or the amount obtainable from the sale of the asset less any costs of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

### 3.3.4 Intangible assets

#### Computer software

Intangible assets represent computer software licences. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs which are recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of 10 years.



### **3.3.5 Impairment of assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where the reasons for previously recognised impairments no longer exist, the impairment losses on the assets concerned other than goodwill is reversed.

### **3.3.6 Demand liabilities**

The Bank records the demand liabilities as of the date of transaction equivalents to amount of cash received. When demand liabilities are recalled and repaid, the Bank reverses the outstanding.

### **3.3.7 Provisions**

Provisions (except provision for post-employment benefit) are recognised in the statements of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when it is virtually certain after provision has been settled.

### **3.3.8 Employee benefits**

#### **a) Provident Fund**

The Bank established a contributory registered provident fund, being a defined contribution plan, in accordance with the Provident Fund Act B.E. 2530. Under the plan, the employees must pay 5 or 10 or 15 percent of their basic salary to the fund depending on their decisions and the Bank contributes 10 percent of employees' salary. The Bank appointed a fund manager to manage the fund in accordance with the terms and conditions prescribed in the Ministerial Regulation No. 2 (B.E. 2532) issued under the Provident Fund Act B.E. 2530. The Bank's contributions to the provident fund are charged to the statement of profit or loss and other comprehensive income.

#### **b) Post retirement benefits**

The Bank provides for post employment benefits, payable to employees under the Thai Labour Law. The liability in respect of employee's benefits is measured, using the Projected Unit Credit method which is calculated by an independent actuary in accordance with the Actuarial Technique. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yield on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and others. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to head office's equity and balances with other branches under the same entity in other comprehensive income in the period in which they arise and are included in retained earnings in the statement of changes in head office's equity and balances with other branches under the same entity.

Past service costs are recognised immediately in profit or loss.

In determining the appropriate discount rate, the Bank considers the interest rates in which the benefits will be paid to the staff in every year.



### 3.3.9 Recognition of other income and expenses

#### Other income

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised over the period during which the related service is provided.

#### Other expenses

Other expenses are recognised on an accrual basis.

### 3.3.10 Leases - where the Bank is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

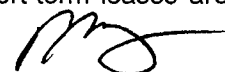
Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

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



### 3.3.11 Current and deferred income taxes

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

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

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

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

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

## 3.4 Accounting policies prior to 1 January 2020

### 3.4.1 Investment in securities

Purchase and sales of investments are recognised on the trade date, which is the date that the Bank commits to purchase or sell the investments.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment (if any).

Debt securities which are classified as available-for-sale securities are carried at fair value. Fair value of debt securities which have been traded on the Thai Bond Market Association are calculated by reference to last quoted bid prices at the close of business on the date of statement of financial position. Fair value of other debt securities is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium. Unrealised gain and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in other comprehensive income.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to profit or loss.



### 3.4.2 Allowance for doubtful accounts

The Bank classifies its loan portfolios into categories and sets allowance for doubtful accounts for loans in accordance with the BOT's Notification dated 29 June 2016 and with the management estimation over the allowance for doubtful accounts from the ending balance of loans. The period of time that a loan is past due and the ability to repay the debt are the principal criteria utilised in classifying a loan. The value of collateral used depends on each type of collateral. The Bank categorises their loan portfolios into six categories and determines allowance for doubtful accounts subject to different levels of provisioning.

### 3.4.3 Interest income

Interest income on loans and receivable is recognised on an accrual basis, when it is determined that such income will accrue except for interest on loans classified as overdue in excess of three months where regardless of whether the loans are covered by collateral, the cash basis is then adopted and interest accrued in arrears for three months is reversed against interest income to comply with the Bank of Thailand guideline.

### 3.4.4 Lease - where the Bank is the lessee

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease period.

## 4 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

### 4.1 Critical accounting estimates and assumptions for the year ended 31 December 2020

#### 4.1.1 Allowance for expected credit losses ('ECL')

The Bank assesses expected credit loss on a forward-looking basis for its financial assets classified as debt instrument carried at FVOCI and at amortised cost, loan commitments, and financial guarantee contracts.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

#### 4.1.2 Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Bank uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.



#### 4.1.3 Deferred tax income

Deferred tax liabilities are provided in full on all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The Bank considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing whether to recognise deferred tax assets. The Bank assumptions regarding the future profitability and the anticipated timing of utilisation of deductible temporary differences and significant changes in these assumptions from period to period may have a material impact on the Bank's reported financial position and results of operations.

#### 4.1.4 Determination of lease terms

Critical judgement in determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the most relevant factors are historical lease durations, the costs and conditions of leased assets.

Most extension options on offices and vehicles leases have not been included in the lease liability, because the Bank considers i) the underlying asset condition and/or ii) insignificant cost to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstance affecting this assessment occur, and that it is within the control of the Bank.

#### 4.1.5 Determination of discount rate applied to leases

The Bank determines the incremental borrowing rate as follows:

- Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusting to reflect changes in its financing conditions.
- Make adjustments specific to the lease, e.g. term.

### 4.2 Critical accounting estimates and assumptions for the year ended 31 December 2019

#### 4.2.1 Impairment of investments in securities

The Bank assesses the impairment of investments where objective evidence of impairment exists and determines that the investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires the Bank's judgment. In making this judgment, the Bank evaluates the volatility in the investment fair value and other factors which include the estimated future cash flows, the deterioration in the financial position of the issuer of the securities and the operating environment in the industry sector of the issuer.

#### 4.2.2 Allowance for doubtful accounts

The Bank maintains an allowance for doubtful accounts to reflect impairment of loans and accrued interest receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Bank's assessment of future cash flows, such assessment being based on consideration of collection experience identified, instances of default and consideration of market trends. In addition, the Bank has additional allowance set up according to the Branch's internal policy which refers to the Head Office.



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Notes to the Financial Statements  
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**5 Adoption of new financial reporting standards and changes in accounting policies**

The Bank has adopted financial reporting standards relating to financial instruments (TAS 32, TFRS 7 and TFRS 9) and leases standard (TFRS 16) retrospectively from 1 January 2020, but has not restated comparatives for the 2019 reporting period, as permitted in the standards. The reclassifications and adjustments arising from the new requirements are therefore recognised in the opening statement of financial position on 1 January 2020.

The following tables show the adjustments made to the amounts recognised in each line item in the statement of financial position upon adoption of the financial reporting standards relate to financial instruments (TAS 32 and TFRS 9) and leases standard (TFRS 16):

	TAS 32 and TFRS 9			TFRS 16				
	As at 31 December 2019 (As previously reported) Baht'000	Adjustment from reclassification of financial instrument Baht'000	Adjustment from remeasurement of financial instrument Baht'000	Total adjustments of financial instruments Baht'000	Adjustment from reclassification of leases Baht'000	Adjustment from remeasurement of leases Baht'000	Total adjustments of leases Baht'000	As at 1 January 2020 Restated Baht'000
<b>Assets</b>								
Interbank and money market items, net	1,236,731	-	(2,904)	(2,904)	-	-	-	1,233,827
Investments, net	7,546,711	-	(5,280)	(5,280)	-	-	-	7,541,431
Loans to customers and accrued interest receivables, net	10,847,683	-	15,681	15,681	-	-	-	10,863,364
Deferred tax assets, net	4,247	-	13,356	13,356	-	103	103	17,706
Property, plant and equipment	24,074	-	-	-	(1,317)	-	(1,317)	22,757
Right-of-use assets	-	-	-	-	1,317	43,252	44,569	44,569
<b>Total assets</b>	<b>19,659,446</b>	<b>-</b>	<b>20,853</b>	<b>20,853</b>	<b>-</b>	<b>43,355</b>	<b>43,355</b>	<b>19,723,654</b>
<b>Liabilities and Head Office's equity and balances with other branches under the same entity</b>								
<b>Liabilities</b>								
Lease liabilities	-	-	-	-	-	42,738	42,738	42,738
Provisions	11,340	-	57,231	57,231	-	-	-	68,571
<b>Total Liabilities</b>	<b>11,340</b>	<b>-</b>	<b>57,231</b>	<b>57,231</b>	<b>42,738</b>	<b>42,738</b>	<b>42,738</b>	<b>111,309</b>
<b>Head Office's equity and balances with other branches under the same entity</b>								
Retained earnings	676,977	-	(36,378)	(36,378)	617	617	617	641,216
<b>Total Head Office's equity and balances with other branches under the same entity</b>	<b>676,977</b>	<b>-</b>	<b>(36,378)</b>	<b>(36,378)</b>	<b>617</b>	<b>617</b>	<b>617</b>	<b>641,216</b>



## 5.1 Financial reporting standards related to financial instruments

The total impact on the retained earnings as at 1 January 2020 is as follows:

	<u>Baht'000</u>
Retained earnings as at 31 December 2019 (As previously reported)	676,977
Increase in allowance for expected credit losses of interbank and money market items	(2,904)
Increase in allowance for expected credit losses of investment in debt securities	(5,280)
Decrease in allowance for expected credit losses of loans to customers	15,681
Increase in deferred tax assets	13,356
Increase in allowance for expected credit losses of loan commitments and financial guarantee contracts	(57,231)
Adjustment to retained earnings from adoption of TFRS 9 on 1 January 2020	(36,378)
Retained earnings as at 1 January 2020 (TFRS 9) before restatement of TFRS 16	<u>640,599</u>

On 1 January 2020, the date of initial application, the measurement categories and carrying amounts of financial assets and financial liabilities were as follows.

	Measurement categories		Carrying amounts		Difference Baht'000
	Previously reported (TAS 105 and other TAS)	New (TFRS 9)	Previously reported Baht'000	New Baht'000	
<b>Financial assets</b>					
Cash	Amortised cost	Amortised cost	9,254	9,254	-
Interbank and money markets items	Amortised cost	Amortised cost	1,236,731	1,233,827	(2,904)
Derivative assets	FVPL	FVPL	2,535	2,535	-
Investments, net	Available for sale	FVOCI	7,546,711	7,541,431	(5,280)
Loans and accrued interest receivable	Amortised cost	Amortised cost	10,847,683	10,863,364	15,681
<b>Financial liabilities</b>					
Deposits	Amortised cost	Amortised cost	7,072,798	7,072,798	-
Interbank and money market items	Amortised cost	Amortised cost	9,604,649	9,604,649	-
Demand liabilities	Amortised cost	Amortised cost	1,185	1,185	-
Derivative liabilities	FVPL	FVPL	1,589	1,589	-



## 5.2 Financial reporting standards related to leases

On adoption of TFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 2.04%.

	<u>Baht'000</u>
Operating lease commitments disclosed as at 31 December 2019	15,699
(Less) discounted using the lessee's incremental borrowing rate of at the date of initial application	(2,041)
(Less) contracts reassessed as service agreements / service portion included in leases	(10,548)
(Less) adjustments as a result of a different treatment of extension and termination options	<u>39,628</u>
Lease liability recognised as at 1 January 2020	<u>42,738</u>

The right-of-use assets for property leases were measured on a retrospective basis as if the TFRS 16 had always been applied in which the incremental borrowing rate for the whole lease term as of 1 January 2020 is applied and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Practical expedients applied

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and

## 6 Capital risk management

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for Head Office and to maintain an optimal capital structure to reduce the cost of capital. Moreover, the Bank is required to manage its capital funds in accordance with the Act on Undertaking of Banking business B.E. 2551. The Bank's capital fund is presented in Note 23.

## 7 Fair value

### 7.1 Fair value estimate

The fair value of the financial instruments are defined into the following three different levels by valuation method as follows:

- (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date.



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(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (over-the-counter) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 31 December 2020 and 2019, the Bank's financial assets and financial liabilities measured at fair value are as follows:

	2020				
	Carrying amount	Fair value			Total
	Baht'000	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	Baht'000
<b>Assets</b>					
Derivative assets	42,418	-	42,418	-	42,418
Financial assets measured at fair value through other comprehensive income					
Government and state enterprises securities	7,120,493	-	7,122,482	-	7,122,482
Private enterprises debt securities	1,148,242	-	1,154,336	-	1,154,336
<b>Total assets</b>	<b>8,311,153</b>	<b>-</b>	<b>8,319,236</b>	<b>-</b>	<b>8,319,236</b>
<b>Liabilities</b>					
Derivative liabilities	40,036	-	40,036	-	40,036
<b>Total Liabilities</b>	<b>40,036</b>	<b>-</b>	<b>40,036</b>	<b>-</b>	<b>40,036</b>
	2019				
	Carrying amount	Fair value			Total
	Baht'000	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	Baht'000
<b>Assets</b>					
Available-for-sale investments					
Government and state enterprises securities	6,545,941	-	6,545,941	-	6,545,941
Private enterprises debt securities	1,000,770	-	1,000,770	-	1,000,770
Derivative assets	2,535	-	2,535	-	2,535
<b>Total assets</b>	<b>7,549,246</b>	<b>-</b>	<b>7,549,246</b>	<b>-</b>	<b>7,549,246</b>
<b>Liabilities</b>					
Derivative liabilities	1,589	-	1,589	-	1,589
<b>Total Liabilities</b>	<b>1,589</b>	<b>-</b>	<b>1,589</b>	<b>-</b>	<b>1,589</b>

There were no transfers between levels during the year.

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As at 31 December 2020 and 2019, the Bank's financial assets and liabilities that are not specified to measure at fair value are as follows:

	2020				Total Baht'000
	Carrying amount Baht'000	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
<b>Assets</b>					
Interbank and money market items, net	1,064,265	-	1,064,265	-	1,064,265
Loans to customers and accrued interest receivables, net	10,016,121	-	9,618,233	-	9,618,233
<b>Total assets</b>	<b>11,080,386</b>	<b>-</b>	<b>10,682,498</b>	<b>-</b>	<b>10,682,498</b>
<b>Liabilities</b>					
Deposits	6,449,723	-	6,449,723	-	6,449,723
Interbank and money market items	9,625,902	-	9,625,902	-	9,625,902
Demand liabilities	2,086	-	2,086	-	2,086
<b>Total liabilities</b>	<b>16,077,711</b>	<b>-</b>	<b>16,077,711</b>	<b>-</b>	<b>16,077,711</b>
	2019				
	Carrying amount Baht'000	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	Total Baht'000
<b>Assets</b>					
Interbank and money market items, net	1,236,731	-	1,236,731	-	1,236,731
Loans to customers and accrued interest receivables, net	11,062,938	-	10,995,329	-	10,995,329
<b>Total assets</b>	<b>12,299,669</b>	<b>-</b>	<b>12,232,060</b>	<b>-</b>	<b>12,232,060</b>
<b>Liabilities</b>					
Deposits	7,072,798	-	7,072,798	-	7,072,798
Interbank and money market items	9,604,649	-	9,604,649	-	9,604,649
Demand liabilities	1,185	-	1,185	-	1,185
<b>Total liabilities</b>	<b>16,678,632</b>	<b>-</b>	<b>16,678,632</b>	<b>-</b>	<b>16,678,632</b>

Fair value of the following assets and liabilities estimated for the purpose of disclosure are as follows:

**Interbank and money market items, net**

The interbank and money market items (assets) are deposits at the BOT and other financial institutions and loans to financial institutions which are short-term or at call. Accordingly, their carrying amount is a reasonable approximation of fair value.

The interbank and money market items (liabilities) are deposits and borrowing from other financial institutions, which are short-term or at call and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

**Loans to customers and accrued interest receivable, net**

The fair value is the outstanding balance of loans and accrued interest for floated rate loans. The fair value of fixed rate loans was calculated based on the market effective rate.



## Deposits

Deposits are saving deposits, current accounts, fixed or certificate of deposits. These deposits are typically short-term in nature. The management has assessed the existing effective rate of the deposit is a reasonable approximation of market effective rate. Accordingly, carrying amounts of saving deposits, current accounts and fixed or certificate of deposits with the 1 year maturity or less are reasonable approximation of their fair values.

## Liabilities payable on demand

Liabilities payable on demand are at call liabilities. Accordingly, their carrying amount is a reasonable approximation of fair value.

## 7.2 Valuation techniques used to derive Level 2 fair values

The fair values of debt securities measured at fair value through other comprehensive income (2019: available-for-sale investments) are based on the yield curve of ThaiBMA or other financial institutions at the last business day of the year.

The fair value of derivative assets and liabilities have been valued at their current market values, which are obtained from quoted market prices or applying discounted cash flow model or other widely used calculation methods.

## 8 Interbank and money market item, net - assets

Interbank and money market items as at 31 December 2020 and 2019 consist of the followings:

	2020		2019	
	Total Baht	Demand Baht	Term Baht	Total Baht
<b>Domestic items</b>				
The Bank of Thailand	155,206,183	141,170,816	-	141,170,816
Commercial banks	9,992,255	6,993,917	-	6,993,917
Other financial institutions	830,000,000	1,019,000,000	-	1,019,000,000
<b>Total</b>	<b>995,198,438</b>	<b>1,167,164,733</b>	<b>-</b>	<b>1,167,164,733</b>
<u>Add</u> Interest receivable	74,164	131,970	-	131,970
<u>Less</u> Allowance for expected credit losses	(6,439,422)	-	-	-
<u>Less</u> Allowance for doubtful accounts	-	(12,229,584)	-	(12,229,584)
<b>Total domestic items</b>	<b>988,833,180</b>	<b>1,155,067,119</b>	<b>-</b>	<b>1,155,067,119</b>
<b>Foreign items</b>				
US Dollars	52,761,493	60,304,649	-	60,304,649
Euro	4,225,838	3,386,457	-	3,386,457
Pounds sterling	640,639	622,524	-	622,524
Japanese Yen	11,345,545	10,783,269	-	10,783,269
Australia Dollars	4,628,706	4,295,008	-	4,295,008
Hong Kong Dollars	1,802,076	2,170,593	-	2,170,593
New Zealand Dollars	81,097	101,611	-	101,611
<b>Total</b>	<b>75,485,394</b>	<b>81,664,111</b>	<b>-</b>	<b>81,664,111</b>
<u>Less</u> Allowance for expected credit losses	(53,969)	-	-	-
<b>Total foreign items</b>	<b>75,431,425</b>	<b>81,664,111</b>	<b>-</b>	<b>81,664,111</b>
<b>Total interbank and money market items</b>	<b>1,064,264,605</b>	<b>1,236,731,230</b>	<b>-</b>	<b>1,236,731,230</b>

## 9 Derivative financial instruments

Fair value and notional amount classified by type of risks as at 31 December 2020 and 2019 comprise of the followings:

Types of risks	2020		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	42,417,947	40,035,858	2,329,675,729

Types of risks	2019		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	2,534,778	1,588,687	4,992,005,732

Proportion of derivative contract balance as at 31 December 2020 and 2019 classified by counterparties comprise of the followings:

Counterparties	2020	2019
	%	%
Financial institution	83	88
Affiliated companies	1	11
Third parties	16	1
Total	100	100

## 10 Investments, net

Investments in securities as at 31 December 2020 and 2019 comprised of the following:

	2020 Fair value Baht
<b>Investment in debt securities measured at fair value</b>	
<b>through other comprehensive income</b>	
Government and state enterprise securities	7,122,482,099
Private enterprises debt securities	1,154,335,547
<b>Total investments</b>	<b>8,276,817,646</b>
<b>Allowance for expected credit losses</b>	<b>(8,082,765)</b>



	2019
	Fair value Baht
<b>Available-for-sale securities</b>	
Government and state enterprise securities	6,545,941,594
Private enterprises debt securities	1,000,769,887
<b>Total investments, net</b>	<b>7,546,711,481</b>

Recognition of transaction in statement of other comprehensive income for investments in debt instrument measured at FVOCI and available-for-sale securities for the years ended 31 December 2020 and 2019 is as follows:

	2020 Baht	2019 Baht
Gain from changes in value of investments in debt instruments measured at FVOCI	75,640,456	-
Gain realised from sale of investments in debt instruments measured at FVOCI	(17,964,411)	-
Changes in value of available-for-sale investments	-	147,536,901
Realised gain from sale of available-for-sale investments transferred to profit or loss	-	(18,953,810)
<b>Total</b>	<b>57,676,045</b>	<b>128,583,091</b>

## 11 Loans to customers and accrued interest receivables, net

### 11.1 Classified by loan type

	2020 Baht	2019 Baht
Overdrafts	134,216,715	123,182,873
Loans	2,121,800,632	2,386,778,313
Trade finance loans	513,065,943	695,750,840
Promissory notes	7,169,989,205	7,837,091,191
<b>Total loans</b>	<b>9,939,072,495</b>	<b>11,042,803,217</b>
<u>Less</u> Unearned interest	(410,956)	(250,668)
<u>Less</u> Deferred income	(7,045,080)	(10,677,618)
<b>Total loans net of deferred income</b>	<b>9,931,616,459</b>	<b>11,031,874,931</b>
<u>Add</u> Accrued interest receivables	84,504,979	31,063,076
<b>Total loans and accrued interest receivables net of deferred revenue</b>	<b>10,016,121,438</b>	<b>11,062,938,007</b>
<u>Less</u> Allowance for expected credit losses	(345,457,560)	-
<u>Less</u> Allowance for doubtful accounts	-	(192,521,945)
Minimum allowance per BOT guideline	-	(22,733,193)
Surplus reserve	-	(22,733,193)
<b>Total</b>	<b>9,670,663,878</b>	<b>10,847,682,869</b>





11.2 Classified by customer's residence:

	2020	
	Domestic Baht	Total Baht
Total loans	9,931,616,459	9,931,616,459
<u>Add</u> Accrued interest receivables	84,504,979	84,504,979
Total loans and accrued interest receivables	10,016,121,438	10,016,121,438
	2019	
	Domestic Baht	Total Baht
Total loans	11,031,874,931	11,031,874,931
<u>Add</u> Accrued interest receivables	31,063,076	31,063,076
Total loans and accrued interest receivables	11,062,938,007	11,062,938,007

11.3 Classified by type of classification

	2020
	Loans to customers and accrued interest receivables Baht
Financial assets with an insignificant increase in credit risk	8,050,556,330
Financial assets with a significant increase in credit risk	1,579,757,985
Credit-impaired financial assets	385,807,123
<b>Total</b>	<b>10,016,121,438</b>

Classification	2019			
	Loans and accrued interest receivables Baht	Net amount used as a basis for setting allowance for doubtful account Baht	Minimum % required BOT guidelines	Total allowance Baht
<b>1. Minimum amount to required by BOT</b>				
Normal	10,674,139,731	10,674,139,731	1	106,741,397
Special mentioned	180,220,771	180,220,771	2	3,604,415
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful loss	177,514,429	81,823,423	100	81,823,423
Total	11,031,874,931	10,936,183,925		192,169,235
<u>Add</u> Accrued interest receivables	31,063,076	31,063,076		352,710
Total loans and accrued interest receivables	11,062,938,007	10,967,247,001		192,521,945
<b>2. Additional allowance set up according to the Branch's internal policy</b>				<b>22,733,193</b>
<b>Total</b>				<b>215,255,138</b>

#### 11.4 Classified by type of business and loan classifications

Business type	2019					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
Manufacturing and commercial	2,937,226,598	170,060,771	-	-	89,231,500	3,196,518,869
Real estate and construction	1,336,560,159	10,160,000	-	-	77,524,561	1,424,244,720
Infrastructure and Service	2,924,988,271	-	-	-	8,000,000	2,932,988,271
Others	3,486,042,321	-	-	-	2,758,368	3,488,800,689
Less Front-end fee	(10,677,618)	-	-	-	-	(10,677,618)
Total loans	10,674,139,731	180,220,771	-	-	177,514,429	11,031,874,931
Add Accrued interest Receivables	26,855,143	4,207,933	-	-	-	31,063,076
Total loans and accrued interest Receivables	10,700,994,874	184,428,704	-	-	177,514,429	11,062,938,007

#### 11.5 Movement in the gross carrying amount of loans that contributed to changes in the expected credit losses

	2020			Total Baht
	Financial assets with an insignificant increase in credit risk Baht	Financial assets with a significant increase in credit risk Baht	Credit-impaired financial assets Baht	
As of 1 January 2020	10,700,997,932	184,425,646	177,514,429	11,062,938,007
Change due to reclassification	(1,308,898,365)	1,134,729,573	174,168,792	-
Newly acquired or purchased financial assets	290,392,762	430,218,226	-	720,610,988
Change due to collection and modification	(1,631,935,999)	(169,615,460)	34,123,902	(1,767,427,557)
As of 31 December 2020	8,050,556,330	1,579,757,985	385,807,123	10,016,121,438

#### 12 Allowance for expected credit losses

	2020			Total Baht
	Financial assets with an insignificant increase in credit risk Baht	Financial assets with a significant increase in credit risk Baht	Credit-impaired financial assets Baht	
<b>Interbank and money market items</b>				
As at 1 January 2020	10,953,994	-	-	10,953,994
Assets derecognised	(4,460,603)	-	-	(4,460,603)
As at 31 December 2020	6,493,391	-	-	6,493,391
<b>Loans</b>				
As at 1 January 2020	112,304,539	2,047,584	85,221,822	199,573,945
Transfer between stages	(13,904,856)	12,080,685	1,824,171	-
Remeasurement	(30,305,095)	6,338,018	163,526,146	139,559,069
Newly acquired or purchased financial assets	2,248,771	4,075,775	-	6,324,546
As at 31 December 2020	70,343,359	24,542,062	250,572,139	345,457,560
<b>Investment in securities</b>				
As at 1 January 2020	5,280,373	-	-	5,280,373
Newly acquired or purchased financial assets	4,262,678	-	-	4,262,678
Remeasurement	(1,246,592)	-	-	(1,246,592)
Assets derecognised	(213,694)	-	-	(213,694)
As at 31 December 2020	8,082,765	-	-	8,082,765

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**13 Allowance for doubtful accounts**

	2019					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
At beginning of year	123,989,039	-	25,000,000	-	71,901,218	220,890,257
<u>Add/less</u> Additional/(Reversal) of allowance for doubtful accounts	5,754,102	3,688,574	(25,000,000)	-	25,135,001	9,577,677
<u>Less</u> Bad debt recovery	-	-	-	-	-	-
<u>Less</u> Bad debt written-of	-	-	-	-	(15,212,796)	(15,212,796)
Allowance for doubtful accounts at end of year	129,743,141	3,688,574	-	-	81,823,423	215,255,138

**14 Leasehold improvements and equipment, net**

	Leasehold improvements Baht	Furniture and fixtures Baht	Office equipment Baht	Motor vehicles Baht	Renovation in progress Baht	Total Baht
<b>As at 1 January 2019</b>						
Cost	30,367,099	10,819,060	42,114,674	6,396,000	180,694	89,877,527
<u>Less</u> Accumulated depreciation	(19,358,154)	(9,932,580)	(33,502,189)	(4,692,470)	-	(67,485,393)
<b>Net book amount</b>	11,008,945	886,480	8,612,485	1,703,530	180,694	22,392,134
<b>For the year ended 31 December 2019</b>						
Opening net book amount	11,008,945	886,480	8,612,485	1,703,530	180,694	22,392,134
Additions	-	19,260	7,901,366	-	1,596,975	9,517,601
Transfer in(out)	-	-	180,694	-	(180,694)	-
Write-off and disposal	-	(4,563)	-	(1)	-	(4,564)
Depreciation charge	(2,443,310)	(655,658)	(3,763,902)	(967,945)	-	(7,830,815)
<b>Closing net book amount</b>	8,565,635	245,519	12,930,643	735,584	1,596,975	24,074,356
<b>As at 31 December 2019 (Before Adjustment)</b>						
Cost	30,367,099	10,823,569	50,196,734	4,839,000	1,596,975	97,823,377
<u>Less</u> Accumulated depreciation	(21,801,464)	(10,578,050)	(37,266,091)	(4,103,416)	-	(73,749,021)
<b>Net book amount</b>	8,565,635	245,519	12,930,643	735,584	1,596,975	24,074,356
<b>Adjustments from change in Accounting policy (Notes 5)</b>						
Cost	(3,320,074)	-	-	-	-	(3,320,074)
<u>Less</u> Accumulated depreciation	2,003,487	-	-	-	-	2,003,487
<b>Net book amount</b>	(1,316,586)	-	-	-	-	(1,316,586)
<b>At 1 January 2020 (After Adjustments)</b>						
Cost	27,047,025	10,823,569	50,196,734	4,839,000	1,596,975	94,503,303
Depreciation charge	(19,797,976)	(10,578,050)	(37,266,091)	(4,103,416)	-	(71,745,533)
<b>Net book amount</b>	7,249,049	245,519	12,930,643	735,584	1,596,975	22,757,770
<b>For the year ended 31 December 2020</b>						
Opening net book amount	7,249,049	245,519	12,930,643	735,584	1,596,975	22,757,770
Additions	108,926	121,980	2,829,812	-	-	3,060,718
Transfer in(out)	-	-	1,596,975	-	(1,596,975)	-
Write-off and disposal	-	(3)	(128,515)	-	-	(128,518)
Depreciation charge	(2,106,929)	(234,372)	(4,348,920)	(539,464)	-	(7,229,685)
<b>Closing net book amount</b>	5,251,046	133,124	12,879,995	196,120	-	18,460,285
<b>As at 31 December 2020</b>						
Cost	27,155,951	10,659,101	48,588,240	4,839,000	-	91,242,292
<u>Less</u> Accumulated depreciation	(21,904,905)	(10,525,977)	(35,708,245)	(4,642,880)	-	(72,782,007)
<b>Net book amount</b>	5,251,046	133,124	12,879,995	196,120	-	18,460,285

**15 Right-of-use assets, net and Lease liabilities**

The statement of financial position included following transactions relating to leases.

	<b>2020 Baht</b>
<b>Right-of-use assets, net</b>	
Building and building improvements	32,904,217
Vehicles	610,233
Office equipment	364,717
<b>Total</b>	<b>33,879,167</b>
<b>Lease liabilities</b>	
Current portion of lease liabilities	9,465,149
Non-current portion of lease liabilities	23,562,869
<b>Total</b>	<b>33,028,018</b>

For the year ended 31 December, amounts charged to profit or loss and cash flows relating to leases are as follows:

	<b>2020 Baht</b>
Depreciation charge of right-of-use assets:	
Building and building improvements	(9,639,430)
Vehicles	(831,344)
Office equipment	(218,830)
<b>Total</b>	<b>(10,689,604)</b>
Total cash outflow for leases	(10,489,783)
Finance cost relating to leases	779,673
Expense relating to short-term leases	-

**16 Intangible assets, net**

	Computer software Baht	Work in progress Baht	Total Baht
<b>As at 1 January 2019</b>			
Cost	58,748,931	248,240	58,997,171
<u>Less</u> Accumulated amortisation	(33,141,853)	-	(33,141,853)
<b>Net book amount</b>	<b>25,607,078</b>	<b>248,240</b>	<b>25,855,318</b>
<b>For the year ended 31 December 2019</b>			
Opening net book amount	25,607,078	248,240	25,855,318
Additions	1,345,500	1,324,463	2,669,963
Transfer in(out)	620,600	(620,600)	-
Amortisation charge	(5,098,819)	-	(5,098,819)
<b>Closing net book amount</b>	<b>22,474,359</b>	<b>952,103</b>	<b>23,426,462</b>
<b>As at 31 December 2019</b>			
Cost	60,715,031	952,103	61,667,134
<u>Less</u> Accumulated amortisation	(38,240,672)	-	(38,240,672)
<b>Net book amount</b>	<b>22,474,359</b>	<b>952,103</b>	<b>23,426,462</b>
<b>For the year ended 31 December 2020</b>			
Opening net book amount	22,474,359	952,103	23,426,462
Additions	2,084,360	295,592	2,379,952
Transfer in(out)	1,247,695	(1,247,695)	-
Write-off and disposal	-	-	-
Amortisation charge	(5,940,668)	-	(5,940,668)
<b>Closing net book amount</b>	<b>19,865,746</b>	<b>-</b>	<b>19,865,746</b>
<b>As at 31 December 2020</b>			
Cost	64,047,086	-	64,047,086
<u>Less</u> Accumulated amortisation	(44,181,340)	-	(44,181,340)
<b>Net book amount</b>	<b>19,865,746</b>	<b>-</b>	<b>19,865,746</b>

**17 Deferred tax assets, net**

The analysis of deferred tax assets and liabilities is as follows:

	2020 Baht	2019 Baht
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered within 12 months	10,136,834	6,794,591
Deferred tax asset to be recovered after more than 12 months	20,545,839	23,743,965
	30,682,673	30,538,556
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be settled within 12 months	(36,461,279)	(3,289,022)
Deferred tax liabilities to be settled after more than 12 months	(205,985)	(23,002,156)
	(36,667,264)	(26,291,178)
<b>Deferred tax liabilities, net</b>	<b>(5,984,591)</b>	<b>4,247,378</b>

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The movement of deferred income tax is as follows:

	2020 Baht	2019 Baht
As at 1 January	4,247,378	28,965,996
Impact of new accounting standards	13,459,062	-
Charges to profit and loss (Note 35)	(14,254,125)	1,134,369
Charges to other comprehensive income	(9,436,906)	(25,852,987)
<b>As at 31 December</b>	<b>(5,984,591)</b>	<b>4,247,378</b>

The movements in deferred tax assets and liabilities during the years are as follows:

	2020				As at 31 December 2020 Baht
	As at 1 January 2020 Baht	Impact of new accounting standards Baht	Recognised in profit and loss Baht	Recognised in other comprehensive income Baht	
<b>Deferred tax assets</b>					
Provisions	28,257,453	13,459,062	(13,070,187)	481,750	29,128,078
Others	2,281,103	-	(726,508)	-	1,554,595
<b>Total</b>	<b>30,538,556</b>	<b>13,459,062</b>	<b>(13,796,695)</b>	<b>481,750</b>	<b>30,682,673</b>
<b>Deferred tax liabilities</b>					
Unrealised gain on remeasuring FVOCI securities	26,291,178	-	287,200	9,918,656	36,497,034
Others	-	-	170,230	-	170,230
<b>Total</b>	<b>26,291,178</b>	<b>-</b>	<b>457,430</b>	<b>9,918,656</b>	<b>36,667,264</b>
<b>Deferred tax liabilities, net</b>	<b>4,247,378</b>	<b>13,459,062</b>	<b>(14,254,125)</b>	<b>(9,436,906)</b>	<b>(5,984,591)</b>
	2019				
	As at 1 January 2019 Baht	Recognised in profit and loss Baht	Recognised in other comprehensive income Baht	As at 31 December 2019 Baht	
<b>Deferred tax assets</b>					
Provisions	29,066,805	(672,983)	(136,369)	28,257,453	
Fair value loss	37,323	-	(37,323)	-	
Others	1,203,194	1,077,909	-	2,281,103	
<b>Total</b>	<b>30,307,322</b>	<b>404,926</b>	<b>(173,692)</b>	<b>30,538,556</b>	
<b>Deferred tax liabilities</b>					
Fair value gain	1,341,326	(729,443)	25,679,295	26,291,178	
<b>Total</b>	<b>1,341,326</b>	<b>(729,443)</b>	<b>25,679,295</b>	<b>26,291,178</b>	
<b>Deferred tax assets, net</b>	<b>28,965,996</b>			<b>4,247,378</b>	



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**18 Other assets**

	2020 Baht	2019 Baht
Account receivable - court order	21,011,779	21,011,779
Accrued interest receivables	31,275,418	29,658,312
Deposits	2,288,271	2,424,271
Prepaid income taxes	14,827,803	9,649,242
Others	7,013,460	4,628,161
<b>Total</b>	<b>76,416,731</b>	<b>67,371,765</b>

**19 Deposits**

**19.1 Grouped by products**

	2020 Baht	2019 Baht
On demand	152,429,635	84,963,237
Savings	753,600,375	2,112,266,414
Term	5,543,692,581	4,665,568,450
NCD	-	210,000,000
<b>Total deposits</b>	<b>6,449,722,591</b>	<b>7,072,798,101</b>

**19.2 Grouped by currencies and residencies of customers:**

	2020		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	6,444,049,268	82,600	6,444,131,868
US Dollar	5,585,431	-	5,585,431
EURO	5,292	-	5,292
<b>Total deposits</b>	<b>6,449,639,991</b>	<b>82,600</b>	<b>6,449,722,591</b>
	2019		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	7,071,022,559	92,583	7,071,115,142
US Dollar	1,677,661	-	1,677,661
EURO	5,298	-	5,298
<b>Total deposits</b>	<b>7,072,705,518</b>	<b>92,583</b>	<b>7,072,798,101</b>



**20 Interbank and money market items - liabilities**

	<b>2020</b>		
	<b>Total</b>		
	<b>Baht</b>		
<b>Domestic items</b>			
Bank of Thailand			21,200,000
Commercial banks			3,700,000,000
Special purpose financial institutions			2,300,000,000
Other financial institutions			3,544,374,127
<b>Total domestic items</b>			<b>9,565,574,127</b>
<b>Foreign items</b>			
USD			45,055,650
Thai Baht			15,271,787
<b>Total foreign items</b>			<b>60,327,437</b>
<b>Total</b>			<b>9,625,901,564</b>
	<b>2019</b>		
	<b>On demand</b>	<b>Term</b>	<b>Total</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Domestic items</b>			
Commercial banks	700,000,000	3,200,000,000	3,900,000,000
Special purpose financial institutions	-	1,300,000,000	1,300,000,000
Other financial institutions	1,641,006,473	2,760,000,000	4,401,006,473
<b>Total domestic items</b>	<b>2,341,006,473</b>	<b>7,260,000,000</b>	<b>9,601,006,473</b>
<b>Foreign items</b>			
Thai Baht	3,642,699	-	3,642,699
<b>Total foreign items</b>	<b>3,642,699</b>	<b>-</b>	<b>3,642,699</b>
<b>Total</b>	<b>2,344,649,172</b>	<b>7,260,000,000</b>	<b>9,604,649,172</b>



## 21 Provisions

	2020 Baht	2019 Baht
Expected credit loss of financial guarantee contracts and loan commitments	41,926,148	-
Post-employment benefits obligation	11,386,157	11,340,118
<b>Total</b>	<b>53,312,305</b>	<b>11,340,118</b>

	2020			Total Baht
	Financial assets with an insignificant increase in credit risk Baht	Financial assets with a significant increase in credit risk Baht	Credit-impaired financial assets Baht	
<b>Financial guarantee contracts and loan commitments</b>				
As at 1 January 2020	61,499,077	-	-	61,499,077
Transfer between stages	(1,935,052)	1,867,233	67,819	-
Remeasurement	(7,231,360)	(1,820,826)		(9,120,005)
Newly acquired or purchased financial assets	271,589	72,971	-	344,560
Assets derecognised	(10,797,484)	-	(67,819)	(10,797,484)
<b>As at 31 December 2020</b>	<b>41,806,770</b>	<b>119,378</b>	<b>-</b>	<b>41,926,148</b>

### Provision for employee benefits obligation

The Bank has post-employment benefit plans in accordance with the Labour Protection Law which are unfunded defined benefit plans and presented as provision on the statements of financial positions.

The reconciliation of the present value of defined benefit obligations are as follows:

	2020 Baht	2019 Baht
Beginning balance	11,340,118	11,739,171
Current service costs	3,788,839	3,661,113
Interest costs	129,672	106,776
Past service costs	-	227,489
<u>Less</u> Benefits paid for the year	(6,281,224)	(3,712,586)
Remeasurements from actuarial (gain) loss		
- change in demographic assumptions	938,542	3,112
- change in financial assumptions	277,490	90,943
- change in experience assumptions	1,192,720	(775,900)
<b>Ending balance</b>	<b>11,386,157</b>	<b>11,340,118</b>

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Employee benefits under defined benefit plans recognised in the statements of profit or loss and other comprehensive income are as follows:

	2020 Baht	2019 Baht
Current service costs	3,788,839	3,661,113
Interest costs	129,672	106,776
Past service costs	-	227,489
Remeasurements of provision for employee benefits obligation	2,408,752	(681,845)
<b>Total</b>	<b>6,327,263</b>	<b>3,313,533</b>

Significant assumptions used in the actuarial calculation are summarised as follows:


	2020	2019
Discount rate	1.04%	1.41%
Salary increase rate	5.0%	5.0%
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2017	100% of Thai Mortality Ordinary Table 2017
Disability rate	5% of Thai Mortality Ordinary Table 2017	5% of Thai Mortality Ordinary Table 2017
Pre-retirement withdrawal rate	From 3 years historical data	From 3 years historical data
Retirement age		
- Male	55 years old	55 years old
- Female	55 years old	55 years old

**Sensitivity analysis**

	Increase (decrease) in provision on employee benefit	
	2020 Baht	2019 Baht
Discount rate		
Increase 1%	(743,166)	(498,075)
Decrease 1%	831,961	546,584
Salary income rate		
Increase 1%	830,170	564,168
Decrease 1%	(757,785)	(524,740)
Average life expectancy		
Increase 1 year	39,253	25,411
Decrease 1 year	(39,045)	(25,323)

Expected maturity analysis of undiscounted retirement benefits:

	Less than a year Baht	Between 1 - 2 years Baht	Between 3 - 5 years Baht	Over 5 years Baht	Total Baht
As at 31 December 2020	-	3,974,179	8,320,258	142,567,338	154,861,775
As at 31 December 2019	605,746	4,516,164	8,559,229	140,547,508	154,228,647

  
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## 22 Other liabilities

	2020 Baht	2019 Baht
Account payable - court order	37,508,887	37,508,887
Account payable - other	17,789,912	28,352,287
Unearned income	1,834,838	1,219,818
Accrued interest payables	41,888,320	53,216,207
Accrued bonus	8,095,884	15,004,330
Income tax payables	6,828,436	-
Withholding tax payables	240,003	5,404,815
Others	16,791,778	32,890,697
<b>Total</b>	<b>130,978,058</b>	<b>173,597,041</b>

## 23 Capital fund and assets maintained in Thailand

Capital Fund and assets maintained in Thailand under section 32 of the Financial Institution Act B.E. 2551 as at 31 December 2020 and 2019 comprise of the following:

	2020 Baht	2019 Baht
Total assets maintained in Thailand	2,129,955,136	2,073,846,329
Total funds and capital loans remitted into Thailand for maintaining assets	2,000,000,000	2,000,000,000
Net balance of inter-office accounts with Head Office and balances with other branches under the same entity	(2,369,566)	78,077,365
Total funds and capital loans remitted into Thailand for maintaining assets	1,997,630,434	2,078,077,365
Total capital funds	2,000,000,000	2,000,000,000
	<b>2020</b>	<b>2019</b>
Total capital funds to risk assets ratio (%)	15.39	14.26

The Bank will disclose capital maintenance information as at 31 December 2020 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at [www.rhbgroup.com](http://www.rhbgroup.com) within April 2021.

Moreover, the Bank has disclosed information related to Liquidity Coverage Ratio as at 31 December 2020 under the Notification of Bank of Thailand, no. Sor Nor Sor 2/2561, as the above location and date disclosure.



**24 Commitments and contingent liabilities**

	2020		
	Thai Baht Baht	Other currencies Baht	Total Baht
Guarantees	296,734,203	57,597,967	354,332,170
Letters of credit	-	49,202,122	49,202,122
Other commitments			
- Spot and forward contracts - bought	326,650,012	65,549,704	392,199,716
- Spot and forward contracts - sold	65,721,079	318,856,379	384,577,458
- Foreign exchange swap contracts - bought	860,899,610	1,078,959,418	1,939,859,028
- Foreign exchange swap contracts sold	1,119,146,251	825,952,020	1,945,098,271
	2019		
	Thai Baht Baht	Other currencies Baht	Total Baht
Guarantees	247,310,845	11,947,774	259,258,619
Letters of credit	-	17,746,097	17,746,097
Liabilities under unmatured import bills	-	678,827	678,827
Other commitments			
- Spot and forward contracts - bought	564,941,122	52,903,620	617,844,742
- Spot and forward contracts - sold	52,879,602	563,458,044	616,337,646
- Foreign exchange swap contracts - bought	1,916,516,996	2,458,591,496	4,375,108,492
- Foreign exchange swap contracts sold	2,459,740,388	1,915,927,698	4,375,668,086

As at 31 December 2020 and 2019, the Bank has the following commitments which were incurred in the normal course of business as follows:

	2020		
	Thai Baht Baht	Other currencies Baht	Total Baht
Unused overdraft credit line	199,593,808	-	199,593,808
Unused credit facilities	5,566,647,613	-	5,566,647,613
Total commitments	5,766,241,421	-	5,766,241,421
	2019		
	Thai Baht Baht	Other currencies Baht	Total Baht
Unused overdraft credit line	300,079,127	-	300,079,127
Unused credit facilities	6,454,087,419	-	6,454,087,419
Total commitments	6,754,166,546	-	6,754,166,546



## 25 Commitments

### Capital commitments

As at 31 December 2020 and 2019, the Bank does not have the commitments arising from capital expenditure contracted for at the statement of financial position.

### Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	2020 Baht	2019 Baht
Not later than 1 year	-	9,122,084
Later than 1 year but not later than 5 years	-	6,577,100
	-	15,699,184

## 26 Related party transactions

Enterprises and individuals that, directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank, including its Head Office and other branches under the same entity, holding companies, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

A number of banking transactions are entered into with related parties in the normal course of banking business. These transactions have been priced at and contained similar conditions with the Bank's general customers, and are conformed to normal banking practice.

The registered provident fund established by the Bank for its own employees. Such registered provident fund is managed by appointed fund manager, a financial institution. Fund manager has deposited such provident fund with the Bank at interest rate 0.65% per annum (2019: 1.00% per annum).

### Relationships of related parties

#### Head office

- RHB Bank Berhad (Kuala Lumpur office)

#### Other branches

- RHB Bank Berhad (Singapore office)
- RHB Bank Berhad (Bandar Seri Begawan office)

#### Fellow subsidiaries

- RHB Indochina Bank Limited
- RHB Bank Lao Limited
- RHB Islamic Bank Berhad
- RHB Securities (Thailand) Public Company Limited



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Significant transactions with related parties as of 31 December 2020 and 2019, other than Head Office's equity and balances with other branches under the same entity, consist of the following:

	<b>2020</b>	<b>2019</b>
	<b>Baht</b>	<b>Baht</b>
<b>Statement of financial position</b>		
<b>Head office</b>		
Interbank and money market items, net (assets)	2	2
Derivative assets	31,993	40,984
Other assets	92,155,336	92,155,336
Interbank and money market items (liabilities)	126,854,718	198,596,044
Other liabilities	4,426	32,130
Off - statement of financial position items - contingencies		
- Foreign exchange swap contracts - bought	10,000,000	30,000,000
- Foreign exchange swap contracts - sold	9,983,581	29,956,784
- Foreign exchange swap forward - bought	7,000,000	-
- Foreign exchange swap forward - sold	6,984,212	-
<b>Other branches</b>		
Interbank and money market items, net (assets)	1,515,312	1,437,684
Interbank and money market items (liabilities)	1,855,755	10,457,915
<b>Fellow subsidiaries</b>		
Interbank and money market items, net (assets)	212,143,205	485,295,675
Derivative assets	-	1,567,604
Interbank and money market items (liabilities)	623,719,952	954,018,331
Other liabilities	6,745,411	7,460,274
Off - statement of financial position items - contingencies		
- Forward contracts - bought	-	515,437,455
- Forward contracts - sold	-	524,141,615

Significant transactions with related parties for the years ended 31 December 2020 and 2019, other than Head Office's equity and balances with other branches under the same entity, consist of the following:

	<b>2020</b>	<b>2019</b>
	<b>Baht</b>	<b>Baht</b>
<b>Statements of profit or loss and others comprehensive income</b>		
<b>Head office</b>		
Interest expenses	88,233	425,095
Insurance expenses	154,327	344,535
<b>Other branches</b>		
Interest expenses	-	64,997,337
<b>Fellow subsidiaries</b>		
Interest income	4,679,492	10,779,137
Interest expenses	13,150,935	13,172,643
Human resources service fees	1,377,075	1,284,000



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**27 Benefits paid to directors and executives**

Key management receives benefits which are consist of salary, bonus, allowances and retirement benefits according to the Bank's policy.

	2020 Baht	2019 Baht
Short-term employee benefits	25,207,738	31,363,563
Post-employee benefits	-	82,000
<b>Total</b>	<b>25,207,738</b>	<b>31,445,563</b>

**28 Significant position and performance grouped by type of domestic or foreign transactions**

**28.1 Position grouped by type of transactions**


	2020			2019		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
<b>Assets</b>						
Interbank and money market item, net (assets)	988,833,180	75,431,425	1,064,264,605	1,155,067,119	81,664,111	1,236,731,230
Investment, net	8,276,817,646	-	8,276,817,646	7,546,711,481	-	7,546,711,481
Loans to customers and accrued interest receivables, net	9,670,663,878	-	9,670,663,878	10,847,682,869	-	10,847,682,869
<b>Liabilities</b>						
Deposits	6,449,639,991	82,600	6,449,722,591	7,072,705,518	92,583	7,072,798,101
Interbank and money market item, net (liabilities)	9,610,629,777	15,271,787	9,625,901,564	9,601,006,473	3,642,699	9,604,649,172
Demand liabilities	2,085,679	-	2,085,679	1,184,714	-	1,184,714

**28.2 Performance grouped by type of transactions**

	2020			2019		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
Interest income	528,620,280	12,849	528,633,129	489,461,380	148,920	489,610,300
Interest expenses	(226,011,108)	(88,233)	(226,099,341)	(258,101,208)	(66,759,543)	(324,860,751)
Net interest income	302,609,172	(75,384)	302,533,788	231,360,172	(66,610,623)	164,749,549
Net fee and services income	10,444,388	-	10,444,388	9,678,587	-	9,678,587
Other operating income	70,833,667	-	70,833,667	74,614,933	-	74,614,933
Other operating expenses	(313,800,808)	-	(313,800,808)	(214,830,123)	-	(214,830,123)
Profit (loss) before income tax	70,086,419	(75,384)	70,011,035	110,823,569	(66,610,623)	34,212,946

**29 Interest income**

	2020 Baht	2019 Baht
Interbank and money market items	18,678,532	27,373,427
Investments in debt securities	155,350,615	159,127,205
Loans	354,603,982	303,109,668
<b>Interest income</b>	<b>528,633,129</b>	<b>489,610,300</b>

  
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### 30 Interest expenses

	2020 Baht	2019 Baht
Deposits	101,769,449	101,882,195
Interbank and money market items	96,856,555	181,078,138
Contribution fee to the Deposit Protection Agency	26,693,663	41,900,418
Lease liabilities	779,674	-
Interest expense	226,099,341	324,860,751

### 31 Net fees and service income

	2020 Baht	2019 Baht
Fees and service income		
- Acceptances, aval and guarantees	3,037,038	4,615,951
- Others	9,061,848	6,795,233
Total fees and service income	12,098,886	11,411,184
Fees and service expenses	(1,654,498)	(1,732,597)
Net fees and service income	10,444,388	9,678,587
Fees and service income recognised following timing of revenue recognition as follows:		
- At a point in time	8,809,623	6,590,173
- Over time	3,289,263	4,821,011

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

	2020 Baht	2019 Baht
Gains on trading and foreign exchange transactions		
- Foreign currencies and exchange derivatives	22,062,612	41,409,649
Total	22,062,612	41,409,649

### 33 Expected Credit Losses

	2020 Baht
Interbank and money market items	(4,460,603)
Loans to customers and accrued interest receivables	136,141,561
Investments	2,802,390
Financial guarantees and loan commitments	(19,570,553)
Modification loss	9,742,054
Total	124,654,849



**34 Bad debts and doubtful debts**

	<u>2019</u> <u>Baht</u>
Interbank and money market items	573,545
Loans	<u>9,577,677</u>
<b>Total</b>	<u>10,151,222</u>

**35 Income tax**

	<u>2020</u> <u>Baht</u>	<u>2019</u> <u>Baht</u>
Current tax on profits for the year	8,861,497	7,992,220
Adjustment in respect of current income tax of previous period	9,141,151	-
Deferred tax	<u>5,112,974</u>	<u>(1,134,369)</u>
<b>Total income tax expenses</b>	<u>23,115,622</u>	<u>6,857,851</u>

The income tax on profits before tax of the Bank differs from the theoretical amount that would arise using the basic income tax rate of the home country of the Bank as follows:

	<u>2020</u> <u>Baht</u>	<u>2019</u> <u>Baht</u>
Profit before tax	<u>70,011,035</u>	<u>34,212,946</u>
Tax calculated at a tax rate of 20%	14,002,207	6,842,589
Tax effect of:		
Income not subject to tax	(90,212)	(98,732)
Expenses not deductible for tax purpose	62,476	113,994
Adjustment in respect of current income tax of previous period	<u>9,141,151</u>	<u>-</u>
<b>Tax charge</b>	<u>23,115,622</u>	<u>6,857,851</u>



## 36 Financial risk management

Risks relating to significant financial instruments held by the Bank are summarised below;

### 36.1 Credit risk

Credit risk refers to risk arising from the failure of either debtors to repay principal and interest as agreed, or of counterparties to comply with conditions or contracts. Credit risk covers all types of financial products: transactions on-financial reporting such as loans, overdrafts, bills of exchange, and other types of debts; and those off-financial reporting such as derivatives trading and letters of guarantee.

The Bank has constantly improved its process of credit risk management to appropriately reflect its managed credit risk. Details of such improvement measures are as follows;

#### 36.1.1 Credit risk management

The Bank has placed emphasis on credit risk management both in qualitative and quantitative aspects in order to be well-equipped for prudent credit extension comply with Basel III regulations. This includes credit risk calculation on an acceptable and well-diversified portfolio of assets.

Among the key risk policies, the Bank has set out the policies on lending to related parties, single lending limit, prohibited activities, specialist financing, and industry concentration risk limit. These policies are to comply with prudent lending practices and relevant regulatory requirement to control the associated risks from lending activities include management for provisioning under requirements on the Bank of Thailand.

#### Credit risk monitoring and control

As part of risk monitoring, credit quality as well as credit grade of borrowers is required to be reviewed continuously in order to assess changes in counterparty risk and hence determine an appropriate level of provision if needed. Besides, loan portfolio quality is constantly monitored so that key risks are informed to Management for prompt action. Risk control has been implemented on the basis of setting up maximum lending limits for both a borrower and group of borrowers.



### 36.1.2 Maximum exposure to credit risk

The table below shows the maximum credit risk exposure of the Bank in the event of other parties failing to perform their obligation is detailed below. No account taken of any collateral held and the maximum exposure to loss is considered to be the statement of financial position carrying amount or, for non-derivative off-statement of financial position transaction and financial guarantee, their contractual nominal amounts. The exposure to credit risk of the Bank equals to their carrying amount in the statement of financial position as at reporting date, except the followings:

	2020 Maximum exposure Baht'000
<b>Credit risk exposures of on-statement of financial position assets:</b>	
Investments, net	7,935,000
	<u>7,935,000</u>
<b>Credit risk exposures of off-statement of financial position assets:</b>	
Financial guarantees	403,534
Loan commitment	5,766,417
	<u>6,169,951</u>

### 36.1.3 Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The main collateral type accepted and given value by the Bank are:

- Mortgage over residential;
- Charges over commercial real estate or vehicles financed
- Charges over business assets such as properties, equipment, fixed deposit, debentures, personal guarantees and corporate guarantees; and
- Charges over financial instruments such as marketable securities
- Others

Term loan financing and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.



The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	2020			Fair value of collateral held Baht'000
	Gross Carrying amount Baht'000	Expected credit losses Baht'000	Net carrying amount Baht'000	
Loans to customers	385,807	250,572	135,235	140,446

#### 36.1.4 Credit exposure by stage

Financial assets of the Bank is classified into three stages as below:

Stage 1 - for credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

Stage 2 - for credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

Stage 3 - financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

#### 36.1.5 Credit quality

The Bank assesses credit quality of financing and advances using internal rating techniques. These techniques have been developed internally and combine statistical analysis with credit officer's judgement.

Credit quality description is summarised as follows:

<u>Credit Quality</u>	<u>Description</u>
Good	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Bank
Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Bank
No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit grading system
Credit impaired	When one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows have occurred



The credit quality of financial assets other than financing and advances are determined based on the ratings of external parties as defined below:

<u>Credit Quality</u>	<u>External Ratings</u>
Good	Aaa to A3
Fair	Baa1 to Baa3
No Rating	Unrated
Credit impaired	Default

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

	2020			Total Baht'000
	Financial assets with an insignificant increase in credit risk (12- mth ECL) Baht'000	Financial assets with a significant increase in credit risk Baht'000	Credit- impaired financial assets Baht'000	
<b>Interbank and money market items</b>				
Sovereigns	155,206	-	-	155,206
Good	44,428	-	-	44,428
Fair	9,991	-	-	9,991
No rating	861,133	-	-	861,133
Credit impaired	-	-	-	-
<u>Less</u> Expected credit losses	(6,493)	-	-	(6,493)
	1,064,265	-	-	1,064,265
<b>Investments</b>				
Sovereigns	7,122,482	-	-	7,122,482
Good	1,154,336	-	-	1,154,336
Fair	-	-	-	-
No rating	-	-	-	-
Credit impaired	-	-	-	-
<u>Less</u> Expected credit losses	(8,083)	-	-	(8,083)
	8,268,375	-	-	8,268,375
<b>Loans and accrued Interest receivables</b>				
Sovereigns	-	-	-	-
Good	5,591,282	458,532	-	6,049,814
Fair	2,451,774	830,285	-	3,282,059
No rating	7,500	290,941	-	298,441
Credit impaired	-	-	385,807	385,807
<u>Less</u> Expected credit losses	(70,343)	(24,542)	(250,572)	(345,457)
	7,980,213	1,555,216	135,235	9,670,664
<b>Loan commitment and financial guarantees</b>				
Sovereigns	-	-	-	-
Good	5,133,906	74,474	-	5,208,380
Fair	517,192	112,486	-	629,678
No rating	5,314	7,887	-	13,201
Credit impaired	-	-	-	-
<u>Less</u> Expected credit losses	(41,807)	(119)	-	(41,926)
	5,614,605	194,728	-	5,809,333

As at 31 December 2020 and 2019, concentrations of credit risk relative to the loans and receivables summarised by industry are as follows;

	2020 Baht'000	2019 Baht'000
Manufacturing and commercial	2,977,973	3,195,910
Real estate and construction	1,499,269	1,421,418
Infrastructure and service	2,695,778	2,931,100
Others	2,758,596	3,483,447
	9,931,616	11,031,875

## 36.2 Market risk

### Interest rate risk

The interest rate risk in the Bank's statements of financial position arises from the mismatch of maturity between the structure of the Bank assets and its liabilities. The Bank has appropriately manages the impact from the interest rate risk with the aim of obtaining the highest returns at an acceptable risk. Moreover, to limit the risk, The Asset and Liabilities Committee (ALCO) has set control limit for the impact from the change of interest rates in each time bucket and accumulated impact up to 1 year. The Bank has a Risk Management Team to closely monitor and control the risk.

Basic information of loans to customers net of deferred revenue classified by fixed versus floating interest rates as at 31 December 2020 and 2019 are as follows:

	2020 Baht'000	2019 Baht'000
Fixed interest rate	7,814,825	8,594,091
Floating interest rate	2,116,791	2,437,784
Total	9,931,616	11,031,875

The Bank has summarised the financial assets and financial liabilities classified by maturity of interest repricing years as at 31 December 2020 and 2019, as follows:

	2020					Total Baht'000
	At call Baht'000	Within 3 Months Baht'000	3 - 12 Months Baht'000	1 - 5 Years Baht'000	Over 5 Years Baht'000	
<b>Financial assets</b>						
Interbank and money market items, net	1,064,265	-	-	-	-	1,064,265
Investments, net	-	-	2,363,476	4,719,579	1,193,763	8,276,818
Loans to customers	1,606,875	4,946,717	1,181,475	536,021	1,745,033	10,016,121
<b>Financial liabilities</b>						
Deposits	906,030	1,510,830	4,032,863	-	-	6,449,723
Interbank and money market items, net	2,189,646	6,505,056	931,200	-	-	9,625,902
Liabilities payable on demand	2,086	-	-	-	-	2,086
Lease liabilities	-	2,476	6,989	23,563	-	33,028

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	2019					
	At call Baht'000	Within 3 Months Baht'000	3 - 12 Months Baht'000	1 - 5 Years Baht'000	Over 5 Years Baht'000	Total Baht'000
<b>Financial assets</b>						
Interbank and money market items, net	1,236,731	-	-	-	-	1,236,731
Investments, net	-	-	633,643	6,575,550	337,518	7,546,711
Loans to customers	2,830,985	4,984,995	1,028,735	900,179	1,318,044	11,062,938
<b>Financial liabilities</b>						
Deposits	2,197,230	900,282	3,975,286	-	-	7,072,798
Interbank and money market items, net	2,344,649	5,480,000	1,780,000	-	-	9,604,649
Liabilities payable on demand	1,185	-	-	-	-	1,185


The Bank has earning financial assets and interest-bearing financial liabilities. The average balances of such financial assets or liabilities are calculated based on outstanding balances and averaged interest rates for the years ended 31 December 2020 and 2019 are as follows:

	2020		
	Average balance 12 months Baht'000	Interest amount Baht'000	Average interest rate %
<b>Earning financial assets</b>			
Interbank and money market items	1,015,644	18,679	1.84
Investments	8,577,170	155,351	1.81
Loans to customers	9,892,549	354,604	3.58
<b>Interest-bearing financial liabilities</b>			
Deposits	7,087,919	101,769	1.44
Interbank and money market items	9,844,490	96,857	0.98
	2019		
	Average balance 12 months Baht'000	Interest amount Baht'000	Average interest rate %
<b>Earning financial assets</b>			
Interbank and money market items	1,023,604	27,373	2.67
Investments	8,199,487	159,127	1.94
Loans to customers	9,444,496	303,110	3.21
<b>Interest-bearing financial liabilities</b>			
Deposits	4,565,613	101,882	2.23
Interbank and money market items	8,869,295	181,078	2.04

**Interest rate/profit rate sensitivity on profit after taxation and Head Office's equity and balances with other branches under the same entity**

The table below shows the interest/profit sensitivity for the financial assets and financial liabilities held as at reporting date.

	2020	
	+ 1 basis point Baht'000	- 1 basis point Baht'000
Impact on profit after taxation	191	(191)
Impact on Head Office's equity and balances with other branches under the same entity	1,558	(1,558)

  
**Piyanat Aranyakasemsuke<sup>54</sup>**  
**Chief Executive Officer**  
**RHB BANK THAILAND**

**Foreign exchange rate risk**

The Bank has strict foreign exchange risk management. The Bank established pre-settlement limits for each counterparty based on its risks. The limits will be approved by the relevant Committee according to the Bank's credit policy. Customers must have clear objectives in the utilisation of limit and with its underlying transactions. The Bank examines the utilisation of limit of each counter party, which includes risk evaluation of each contract.

Foreign exchange rate risk refers to the loss affecting income and/or equity from exchange rate fluctuations that affect foreign currency transactions and foreign currency assets and liabilities.

The Bank sets and controls the risk of trading intent transactions that exposed to foreign exchange rate risk to be within an acceptable level. The transactions include foreign currency bonds, FX spot, FX derivatives. For other assets and liabilities, the Bank regularly hedges against the foreign exchange rate risk by using forward. Therefore, the Bank's overall foreign exchange rate risk is relatively low.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2020 and 2019 are summarised as follows;

	2020				Total Baht'000
	US Dollar Baht'000	Euro Baht'000	Yen Baht'000	Others Baht'000	
<b>Financial assets</b>					
Interbank and money market items, net	52,761	4,226	11,346	7,152	75,485
Derivative assets	42,418	-	-	-	42,418
Investments, net	-	-	-	-	-
Loans to customers	1,734	-	-	-	1,734
<b>Financial liabilities</b>					
Deposits	5,585	5	-	-	5,590
Interbank and money market items, net	45,056	-	-	-	45,056
Derivative liabilities	40,036	-	-	-	40,036
<b>2019</b>					
	US Dollar Baht'000	Euro Baht'000	Yen Baht'000	Others Baht'000	Total Baht'000
<b>Financial assets</b>					
Interbank and money market items, net	60,305	3,386	10,783	7,190	81,664
Derivative assets	2,532	2	-	-	2,534
Investments, net	-	-	-	-	-
Loans to customers	17,980	-	-	-	17,980
<b>Financial liabilities</b>					
Deposits	1,678	5	-	-	1,683
Interbank and money market items, net	-	-	-	-	-
Derivative liabilities	1,589	-	-	-	1,589





### Foreign exchange risk sensitivity analysis

The following table sets out the analysis of the exposure to assess the impact of a 1% change in exchange rate to the profit after taxation.

	2020 Baht'000
<b>+1%</b>	
US Dollar	415,017
EURO	30,718
Yen	72,641
Others	38,183
	<u>556,559</u>
<b>-1%</b>	
US Dollar	(415,017)
EURO	(30,718)
Yen	(72,641)
Others	(38,183)
	<u>(556,559)</u>

### 36.3 Liquidity risks

The Bank has low liquidity risk as we have a large amount of liquid assets in the portfolio. The Bank also maintains liquidity for deposit withdrawals and for daily operations. Most of the daily excess liquidity is usually invested in highly liquid assets such as Government, State Enterprise bonds, and Central Bank Bond. Most of the deposits are renewed on maturity and the Bank can use this amount to support the lending business. Besides, RHB Bank has an Assets and Liabilities Committee (ALCO) to monitor and follow-up the risk and to determine the Liquidity Management Policy.

The following table presents a maturity analysis for monetary assets and liabilities on statements of financial positions as at 31 December 2020 and 2019.

	2020					Total Baht'000
	At call Baht'000	Within 3 months Baht'000	3 to 12 months Baht'000	1 to 5 years Baht'000	Over 5 years Baht'000	
<b>Financial assets</b>						
Interbank and money market items, net	1,064,265	-	-	-	-	1,064,265
Derivative assets	-	38,671	3,747	-	-	42,418
Investments, net	-	-	2,363,476	4,719,579	1,191,763	8,276,818
Loans to customers and accrued interest receivables, net	1,606,875	4,946,717	1,181,475	536,021	1,745,033	10,016,121
<b>Financial liabilities</b>						
Deposits	906,030	1,510,830	4,032,863	-	-	6,449,723
Interbank and money market items	2,189,646	6,505,056	931,200	-	-	9,625,902
Demand liabilities	2,086	-	-	-	-	2,086
Derivative liabilities	-	36,403	3,633	-	-	40,036

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	2019					Total Baht'000
	At call Baht'000	Within 3 months Baht'000	3 to 12 months Baht'000	1 to 5 years Baht'000	Over 5 years Baht'000	
<b>Financial assets</b>						
Interbank and money market items, net	1,236,731	-	-	-	-	1,236,731
Derivative assets	-	2,482	53	-	-	2,535
Investments, net	-	-	633,643	6,575,550	337,518	7,546,711
Loans to customers and accrued interest receivables, net	2,830,985	4,984,995	1,028,735	900,179	1,318,044	11,062,938
<b>Financial liabilities</b>						
Deposits	2,197,230	900,282	3,975,286	-	-	7,072,798
Interbank and money market items	2,344,649	5,480,000	1,780,000	-	-	9,604,649
Demand liabilities	1,185	-	-	-	-	1,185
Derivative liabilities	-	1,584	5	-	-	1,589

The liability items as shown above do not include borrowings from Head Office and other branches under the same entity which are presented under Head Office's equity and balances with other branches under the same entity.

The above table analyses monetary assets and liabilities of the Bank into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date.

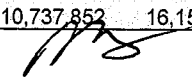
The matching and controlled mismatching of the maturities of monetary assets and liabilities is fundamental to the management of the Bank. It is unusual for the Bank to be completely matched the maturities since business transaction is often of uncertain term and of different types.

### 37 Financial instruments

#### 37.1 Measurement basis of financial assets and liabilities

The accounting policies in Note 3 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category and by statement of financial position heading.

	2020			
	At fair value through profit or loss Baht	At fair value through other comprehensive income Baht	Amortised cost Baht	Total Baht
<b>Financial assets</b>				
Cash	-	-	11,656,526	11,656,526
Interbank and money market items, net	-	-	1,064,264,605	1,064,264,605
Derivatives assets	42,417,947	-	-	42,417,947
Investments, net	-	8,276,817,646	-	8,276,817,646
Loans to customers and accrued interest receivables, net	-	-	9,670,663,878	9,670,663,878
<b>Total financial assets</b>	<b>42,417,947</b>	<b>8,276,817,646</b>	<b>10,746,585,009</b>	<b>19,065,820,602</b>
<b>Financial liabilities</b>				
Deposits	-	-	6,449,722,591	6,449,722,591
Interbank and money market items, net	-	-	9,625,901,564	9,625,901,564
Demand liabilities	-	-	2,085,679	2,085,679
Derivatives liabilities	40,035,858	-	-	40,035,858
Lease liabilities	-	-	33,028,018	33,028,018
<b>Total financial liabilities</b>	<b>40,035,858</b>	<b>-</b>	<b>16,110,737,852</b>	<b>16,150,773,710</b>

  
 Piyanat Aranyakasemsuke 57  
 Chief Executive Officer  
 RHB BANK THAILAND