

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED,  
BANGKOK BRANCH**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2023**



## Independent Auditor's Report

To the management of The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch.

### My opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch (the Branch) as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the Bank of Thailand notifications in relation to the preparation and presentation of financial reporting as described in the notes to the financial statements no. 2.

### What I have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in head office and other branches of the same juristic person 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 Branch in accordance with the Code of Ethics for Professional Accountants including Independence Standards issued by the Federation of Accounting Professions (TFAC Code) that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with the TFAC Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### 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 the Bank of Thailand notifications in relation to the preparation and presentation of financial reporting as described in the notes to the financial statements no. 2, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch 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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch'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 the 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 Branch'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 Branch 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 blue ink, appearing to read 'Sinsiri Thangsombat'.

**Sinsiri Thangsombat**  
Certified Public Accountant (Thailand) No. 7352  
Bangkok  
27 February 2024

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**

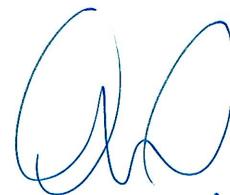
**Statement of Financial Position**

**As at 31 December 2023**

|  |    | 2023<br>Notes | 2022<br>Thousand<br>Baht | 2022<br>Thousand<br>Baht |
|--|----|---------------|--------------------------|--------------------------|
| <b>Assets</b>  |    |               |                          |                          |
| Cash   |    |               | 38,793                   | 63,522                   |
| Interbank and money market items, net                    | 8  |               | 87,053,983               | 70,447,301               |
| Financial assets measured at fair value                  |    |               |                          |                          |
| through profit or loss                                   | 9  |               | 22,795,635               | 10,491,759               |
| Derivative assets  | 10 |               | 30,512,702               | 38,648,017               |
| Investments, net   | 11 |               | 58,943,499               | 51,442,673               |
| Loans to customers and accrued interest receivables, net | 12 |               | 66,118,853               | 71,921,026               |
| Leasehold improvements and equipment, net                |    |               | 44,537                   | 53,837                   |
| Intangible asset, net                                    |    |               | -                        | 47                       |
| Right-of-use assets, net                                 | 14 |               | 78,319                   | 102,213                  |
| Deferred tax assets, net                                 | 15 |               | 163,400                  | 145,336                  |
| Other assets   | 16 |               | <u>5,536,682</u>         | <u>5,929,105</u>         |
| <b>Total assets</b>                                      |    |               | <u>271,286,403</u>       | <u>249,244,836</u>       |



Li Yifan  
Chief Financial Officer  
Bangkok Branch



Giorgio Gamba  
Chief Executive Officer  
Bangkok Branch

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

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**

**Statement of Financial Position (Cont'd)**

**As at 31 December 2023**

|   | Notes | 2023<br>Thousand<br>Baht | 2022<br>Thousand<br>Baht |
|---|-------|--------------------------|--------------------------|
| <b>Liabilities and accounts with head office and other branches of the same juristic person</b>       |       |                          |                          |
| <b>Liabilities</b>  |       |                          |                          |
| Deposits  | 17    | 147,179,919              | 134,289,966              |
| Interbank and money market items  | 18    | 25,977,686               | 21,644,698               |
| Liabilities payable on demand   |       | 1,688,735                | 1,488,132                |
| Financial liabilities measured at fair value through profit or loss                                   | 19    | 8,173,824                | 7,997,874                |
| Derivative liabilities  | 10    | 35,984,909               | 44,217,971               |
| Employee benefit obligations  | 20    | 440,366                  | 410,015                  |
| Provisions  | 21    | 87,665                   | 70,669                   |
| Other liabilities   | 22    | <u>13,314,337</u>        | <u>2,066,609</u>         |
| <b>Total liabilities</b>  |       | <u>232,847,441</u>       | <u>212,185,934</u>       |
| <b>Accounts with head office and other branches of the same juristic person</b>                       |       |                          |                          |
| Net funds brought in to maintain assets under the Act   | 7     | 25,700,000               | 22,600,000               |
| Net balance of inter-office accounts with head office and other branches of the same juristic person  | 24    | 3,448,716                | 5,956,463                |
| Other components of accounts with head office and other branches of the same juristic person          |       | 1,451                    | 46,198                   |
| Retained earnings   |       | <u>9,288,795</u>         | <u>8,456,241</u>         |
| <b>Total accounts with head office and other branches of the same juristic person</b>                 |       | <u>38,438,962</u>        | <u>37,058,902</u>        |
| <b>Total liabilities and accounts with head office and other branches of the same juristic person</b> |       | <u>271,286,403</u>       | <u>249,244,836</u>       |

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

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2023**

|   | Notes | 2023<br>Thousand<br>Baht | 2022<br>Thousand<br>Baht |
|---|-------|--------------------------|--------------------------|
| Interest income   | 28    | 5,695,664                | 2,906,262                |
| Interest expenses   | 29    | 1,751,694                | 560,796                  |
| <b>Net interest income</b>  |       | <b>3,943,970</b>         | <b>2,345,466</b>         |
| Fees and service income   |       | 1,194,470                | 1,271,112                |
| Fees and service expenses   |       | 214,039                  | 229,693                  |
| <b>Net fees and service income</b>  | 30    | <b>980,431</b>           | <b>1,041,419</b>         |
| Gains on financial instruments measured at fair value through profit or loss  | 31    | 2,722,616                | 3,073,308                |
| Net gains on investments  |       | 23,467                   | -                        |
| Other operating income  |       | 108,020                  | 55,406                   |
| <b>Total operating income</b>   |       | <b>7,778,504</b>         | <b>6,515,599</b>         |
| <b>Other operating expenses</b>   |       |                          |                          |
| Employee expenses   | 33    | 1,375,300                | 1,266,867                |
| Premises and equipment expenses   |       | 139,409                  | 266,443                  |
| Taxes and duties  |       | 127,236                  | 82,462                   |
| Other expenses  | 34    | 1,284,600                | 1,055,086                |
| <b>Total other operating expenses</b>   |       | <b>2,926,545</b>         | <b>2,670,858</b>         |
| Reversal of expected credit losses  | 32    | (70,740)                 | (139,046)                |
| <b>Operating profit before income tax expenses</b>  |       | <b>4,922,699</b>         | <b>3,983,787</b>         |
| Income tax expenses   | 35    | 990,145                  | 790,906                  |
| <b>Net profit for the year</b>  |       | <b>3,932,554</b>         | <b>3,192,881</b>         |
| <b>Other comprehensive income</b>   |       |                          |                          |
| <b>Items that will be reclassified subsequently to profit or loss</b>   |       |                          |                          |
| Losses on debt instruments measured at fair value through other comprehensive income  |       | (4,376)                  | (206,366)                |
| Income taxes relating to items that will be reclassified subsequently to profit or loss   | 35    | 875                      | 41,273                   |
| <b>Items that will not be reclassified subsequently to profit or loss</b>   |       |                          |                          |
| Change in fair value attributable to change in credit risk of financial liabilities designated at fair value through profit or loss |       | (44,855)                 | 45,949                   |
| Actuarial losses  | 20    | (782)                    | (67,380)                 |
| Income taxes on items that will not be reclassified subsequently to profit or loss  | 35    | 9,127                    | 4,286                    |
| <b>Other comprehensive income for the year, net of income tax</b>   |       | <b>(40,011)</b>          | <b>(182,238)</b>         |
| <b>Total comprehensive income for the year</b>  |       | <b>3,892,543</b>         | <b>3,010,643</b>         |

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

The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch  
 Statement of Changes in Head Office and Other Branches of the Same Juristic Person  
 For the year ended 31 December 2023

|   | Note | Net funds brought in to maintain assets under the Act | Net balance of inter-office accounts with head office and other branches of the same juristic person | Other components of accounts with head office and other branches of the same juristic person |   |                |                  | Retained earnings | Total     |
|---|------|---|--|--|---|----------------|------------------|-------------------|-----------|
|   |      |   |  | Gains (losses) on debt instruments measured at fair value through other comprehensive income | Change in fair value attributable to change in credit risk of financial liabilities designated at fair value through profit or loss | Other reserves |                  |                   |           |
|   |      |   |  | Thousand Baht  | Thousand Baht   | Thousand Baht  | Thousand Baht    |                   |           |
| <b>Balance at 1 January 2022</b>  |      | 22,600,000  | 18,170,653   | 97,535   | 60,941  | 72,743         | 5,263,360        | 46,265,232        |           |
| <b>Comprehensive income for the year</b>  |      |   |  |  |   |                |                  | 3,192,881         | 3,192,881 |
| Net profit  |      | -   | -  | -  | -   | -              | -                | 3,192,881         | 3,192,881 |
| Other comprehensive income  |      |   |  |  |   |                |                  |                   |           |
| Losses on remeasurement of debt instruments measured at fair value through other comprehensive income, net of income tax            |      | -   | -  | (165,093)  | -   | -              | -                | (165,093)         |           |
| Change in fair value attributable to change in credit risk of financial liabilities designated at fair value through profit or loss |      | -   | -  | -  | 36,759  | -              | -                | 36,759            |           |
| Actuarial losses net of income tax  |      | -   | -  | -  | -   | (53,904)       | -                | (53,904)          |           |
| Total other comprehensive income  |      | -   | -  | (165,093)  | 36,759  | (53,904)       | -                | (182,238)         |           |
| <b>Total comprehensive income for the year</b>  |      | -   | -  | (165,093)  | 36,759  | (53,904)       | 3,192,881        | 3,010,643         |           |
| Movement in balance of inter-office accounts with head office and other branches of the same juristic person                        |      | -   | (12,214,190)   | -  | -   | -              | -                | (12,214,190)      |           |
| Other reserves  |      | -   | -  | -  | -   | (2,783)        | -                | (2,783)           |           |
| <b>Balance at 31 December 2022</b>  |      | <b>22,600,000</b>                                     | <b>5,956,463</b>   | <b>(67,558)</b>  | <b>97,700</b>   | <b>16,056</b>  | <b>8,456,241</b> | <b>37,058,902</b> |           |
| <b>Balance at 1 January 2023</b>  |      | 22,600,000  | 5,956,463  | (67,558)   | 97,700  | 16,056         | 8,456,241        | 37,058,902        |           |
| <b>Comprehensive income for the year</b>  |      |   |  |  |   |                |                  |                   |           |
| Net profit  |      | -   | -  | -  | -   | -              | 3,932,554        | 3,932,554         |           |
| Other comprehensive income  |      |   |  |  |   |                |                  |                   |           |
| Losses on remeasurement of debt instruments measured at fair value through other comprehensive income, net of income tax            |      | -   | -  | (3,501)  | -   | -              | -                | (3,501)           |           |
| Change in fair value attributable to change in credit risk of financial liabilities designated at fair value through profit or loss |      | -   | -  | -  | (35,884)  | -              | -                | (35,884)          |           |
| Actuarial losses net of income tax  |      | -   | -  | -  | -   | (626)          | -                | (626)             |           |
| Total other comprehensive income  |      | -   | -  | (3,501)  | (35,884)  | (626)          | -                | (40,011)          |           |
| <b>Total comprehensive income for the year</b>  |      | -   | -  | (3,501)  | (35,884)  | (626)          | 3,932,554        | 3,892,543         |           |
| Movement in balance of inter-office accounts with head office and other branches of the same juristic person                        |      | -   | (2,507,747)  | -  | -   | -              | -                | (2,507,747)       |           |
| Fund brought in to maintain assets under the Act transferred from retained earnings which remitted profit to head office            | 7    | 3,100,000   | -  | -  | -   | -              | (3,100,000)      | -                 |           |
| Other reserves  |      | -   | -  | -  | -   | (4,736)        | -                | (4,736)           |           |
| <b>Balance at 31 December 2023</b>  |      | <b>25,700,000</b>                                     | <b>3,448,716</b>   | <b>(71,059)</b>  | <b>61,816</b>   | <b>10,694</b>  | <b>9,288,795</b> | <b>38,438,962</b> |           |

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

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**

**Statement of Cash Flows**

**For the year ended 31 December 2023**

|  | <b>2023</b>       | <b>2022</b>      |
|--|-------------------|------------------|
|  | Thousand<br>Baht  | Thousand<br>Baht |
| <b>Cash flows from operating activities</b>  |                   |                  |
| Operating profit before income tax expenses  | 4,922,699         | 3,983,787        |
| <b>Adjustments to reconcile profit from operations before<br/>income tax expenses to cash received from operating activities</b> |                   |                  |
| Depreciation and amortisation  | 47,406            | 47,946           |
| Expected credit losses   | 109,260           | 40,954           |
| Reversal of bad debt, doubtful accounts expense and impairment loss  | (180,000)         | (180,000)        |
| Unrealised gains on revaluation of financial assets<br>measured at fair value through profit or loss                             | (294,594)         | (136,468)        |
| Net gains on sales of investment   | (23,467)          | -                |
| Employee benefit expenses  | 39,468            | 35,137           |
| Unrealised (gains) losses on change in foreign exchange  | (168,191)         | 96,778           |
| Unrealised (gains) losses on derivative assets and liabilities   | (97,747)          | 1,607,433        |
| (Decrease) increase in other reserves  | (426)             | 50               |
| Net interest income  | (3,943,970)       | (2,345,466)      |
| Proceeds from interest income  | 5,321,350         | 2,855,626        |
| Interest paid  | (1,702,053)       | (547,241)        |
| Income tax paid  | (780,135)         | (702,329)        |
| Net profit from operations before change in<br>operating assets and liabilities  | 3,249,600         | 4,756,207        |
| <b>(Increase) decrease in operating assets</b>   |                   |                  |
| Interbank and money market items   | (16,556,424)      | 480,402          |
| Financial assets measured at fair value through profit or loss   | (12,009,283)      | 6,193,489        |
| Loans to customers   | 6,005,610         | (10,684,027)     |
| Other assets   | 763,262           | (3,761,207)      |
| <b>Increase (decrease) in operating liabilities</b>  |                   |                  |
| Deposits   | 12,986,163        | 14,212,907       |
| Interbank and money market items   | 4,334,841         | 785,967          |
| Liabilities payable on demand  | 200,603           | 48,627           |
| Debt issued and borrowings   | 171,787           | (1,003,354)      |
| Employee benefit obligations   | (9,900)           | (29,033)         |
| Provisions   | 11,427            | (8,393)          |
| Other liabilities  | 10,975,136        | (1,417,763)      |
| <b>Net cash provided by operating activities</b>   | <b>10,122,822</b> | <b>9,573,822</b> |

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

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**

**Statement of Cash Flows (Cont'd)**

**For the year ended 31 December 2023**

|  | 2023<br>Thousand<br>Baht | 2022<br>Thousand<br>Baht |
|--|--------------------------|--------------------------|
| <b>Cash flows from investing activities</b>  |                          |                          |
| Purchases of debt securities measured at fair value through other comprehensive income                                   | (39,841,228)             | (35,702,188)             |
| Purchases of debt securities measured at amortised cost  | (10,080,049)             | (17,535,990)             |
| Proceeds from sales and maturity of debt securities measured at fair value through other comprehensive income            | 28,659,067               | 55,628,000               |
| Proceeds from maturity of debt securities measured at amortised cost   | 13,636,000               | -                        |
| Purchases of equipment   | <u>(8,854)</u>           | <u>(12,646)</u>          |
| <b>Net cash (used in) provided by investing activities</b>   | <u>(7,635,064)</u>       | <u>2,377,176</u>         |
| <b>Cash flows from financing activities</b>  |                          |                          |
| Payment of lease liabilities   | (4,740)                  | (5,585)                  |
| Decrease in net balance of inter-office accounts with head office and other branches of the same juristic person         | <u>(2,507,747)</u>       | <u>(11,917,006)</u>      |
| <b>Net cash used in financing activities</b>   | <u>(2,512,487)</u>       | <u>(11,922,591)</u>      |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | <u>(24,729)</u>          | <u>28,407</u>            |
| Cash and cash equivalents at the beginning of the year   | <u>63,522</u>            | <u>35,115</u>            |
| <b>Cash and cash equivalents at the end of the year</b>  | <u>38,793</u>            | <u>63,522</u>            |
| <b>Non-cash transactions</b>   |                          |                          |
| Addition in right-of-use assets and lease liabilities  | 5,312                    | 1,936                    |
| Fund brought in to maintain assets under the Act transferred from retained earnings which remitted profit to head office | 3,100,000                | -                        |

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

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2023**

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## **1 General information**

References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries.

The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch ('the Branch') has its registered office at 968 Rama IV Road, Silom, Bangrak, Bangkok 10500.

The head office of the Branch is The Hongkong and Shanghai Banking Corporation Limited ('the Head Office'), which is incorporated in the Hong Kong Special Administrative Region of the People's Republic of China, with limited liability.

The principal activities of the Branch are to provide a wide range of banking services to corporate customers.

The Branch's financial statements have been approved for issue by the Branch's management on 27 February 2024.

## **2 Significant accounting policies**

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

### **2.1 Basis of preparation**

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' and BoT circular letter No.TorPorTor ForNorSor (2) Wor 802/2564 dated 3 September 2022, regarding to Covid-19 (Measures to enhance the existing debt restructuring facilities to be more sustainable).

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

The preparation of financial statements in conformity with Thai Financial Reporting Standard requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch'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 2.

An English version of the financial statements have 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.

- 2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2023, the Branch has already assessed that the amended financial reporting standards have no impact to the Branch.
- 2.3 Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2024 and have impacts to the Branch
  - a) **Amendment to IAS 1 - Presentation of financial statements** revised the disclosure from 'significant accounting policies' to 'material accounting policies'. The amendment also provides guidelines on identifying when the accounting policy information is material. Consequently, immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.
  - b) **Amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors** revised to the definition of 'accounting estimates' to clarify how the Branch should distinguish between changes in accounting policies and changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to transactions, other events and conditions from the date of that change. Whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period as if the new accounting policy had always been applied.
  - c) **Amendments to IAS 12 - Income taxes** require the Branch to recognise deferred tax related to assets and liabilities arising from a single transaction that, on initial recognition, gives rise to equal amounts of taxable and deductible temporary differences. Example transactions are leases and decommissioning obligations.

Certain amended TFRSs have been issued that are not mandatory for the current reporting period and have not been early adopted by the Branch. The Branch has already assessed that these amended financial reporting standards have no significant impact to the Branch.

## **2.4 Foreign currency translation**

### **(a) Functional and presentation currency**

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') as Thai Baht.

### **(b) Transactions and balances**

Transactions in foreign currencies are translated to the functional currency at the dates of the transactions or the date of remeasurement. Gains and losses on settlement of foreign currency or translation of monetary assets and liabilities are recognised in profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

## **2.5 Cash**

Cash consists of cash on hand and items in the course of collection from the bank according to the BoT's Notification.

## **2.6 Financial instruments**

### **(a) Recognition and derecognition**

The Branch initially recognises loans to customers, deposits and debts issued on the date of origination. Investment in debt securities are recognised on the settlement date. All other financial instruments are recognised on the trade date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract is discharged, cancelled, or expired.

### **(b) Classification and measurement**

All financial instruments which are not measured at fair value through profit or loss ('FVPL') are initially recognised at fair value, plus (or less) transaction costs that are directly attributable to the acquisition. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price, which is the fair value of the consideration transferred or received. However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Branch recognises the difference as a trading gain or loss at inception ('day one gain or loss'). In all other cases, the entire day one gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction: (1) matures, (2) is closed out, (3) the valuation inputs become observable or (4) the Branch enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Branch manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the TFRS offsetting criteria.

Financial assets

The Branch classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Branch has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ('FVOCI').

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

Financial liabilities and equity instruments

Financial instruments issued by the Branch must be classified as financial liabilities or equity instruments by considering contractual obligations.

- Where the Branch 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 Branch's own equity instruments.
- Where the Branch 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.

The Branch subsequently measured all financial liabilities at amortised cost, except for:

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

**(c) Financial instruments measured at amortised cost**

Financial assets that are held to collect the contractual cash flows and contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans to customers, interbank and money market items and some investments in debt securities. In addition, most financial liabilities are measured at amortised cost. The Branch accounts for amortised cost financial instruments using trade date accounting, except for investments in debt securities which uses settlement date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, the difference is deferred and recognised over the life of the loan through the recognition of interest income.

The Branch may commit to underwriting loans on fixed contractual terms for specified periods of time. When the Branch intends to hold the loan, the loan commitment is included in the impairment calculations set out in Note 2.6 (h).

When debt securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the statement of financial position and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the statement of financial position and an asset is recorded in respect of the initial consideration paid. Repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

**(d) Debt instruments measured at fair value through other comprehensive income**

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at fair value through other comprehensive income ('FVOCI'). These comprise primarily investment in debt securities. They are recognised on the settlement date and are normally derecognised when they are either sold or matured. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold or matured. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains (losses) from investments'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

**(e) Financial instruments designated at fair value through profit or loss**

Financial instruments, other than those held for trading, are classified in this category if they meet one or more criteria set out below and are designated irrevocably at inception:

- The use of the designation removes or significantly reduces an accounting mismatch;
- A group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Branch enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Branch enters into contracts with counterparties, which is generally on origination date, and are normally derecognised when extinguished. Subsequent changes in fair values of designated financial liabilities and related derivatives are recognised in the income statement in 'Net gains (losses) on financial instruments at fair value through profit or loss' except for the effect of changes in the liabilities' credit risk, which is presented in other comprehensive income, unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criterion, the main classes of financial instruments designated by the Branch are:

- Debt instruments for funding purposes that are designated to reduce an accounting mismatch: The interest and/or foreign exchange exposure on certain fixed-rate debt securities issued has been matched with the interest and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.
- Financial liabilities that contain both deposit and derivative components: These financial liabilities are managed and their performance evaluated on a fair value basis.

**(f) Derivatives**

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially at fair value from the date a derivative contract is entered into ('trade date') and are subsequently remeasured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities, which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis.

The Branch designated derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments ('fair value hedge') or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction ('cash flow hedge'). Hedge accounting is applied for derivatives designated as fair value or cash flow hedges, provided certain criteria are met.

*Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used shall be amortised to the profit or loss over the period to maturity.

*Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. Any gain or loss relating to an ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled through profit or loss in the periods in which the hedged item will affect profit or loss.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument existing in other comprehensive income is retained in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is recognised in profit or loss immediately.

**(g) Modification**

Where the terms of contractual cash flows of a financial asset are renegotiated or modified, the Branch assesses whether the new terms are substantially different from the original terms. For instance, the change in cash flows and the change in interest rate.

If the terms are not substantially different, the Branch recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate.

If the terms are substantially different, the Branch derecognises the original financial asset and recognises a new financial asset at fair value and recalculates a new effective interest rate for the asset. At the date of renegotiation, the difference between the carrying amount allocated to the part derecognised and the consideration received for the part derecognised is recognised in profit or loss.

**(h) Impairment of financial assets**

Expected credit losses ('ECL') are recognised for interbank and money market items, loans and advances to customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets that experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or credit impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently.

Credit impaired ('stage 3')

The Branch determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Contractual payments of either principal or interest are past due for more than 90 days or 3 months;
- There are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- The loan is considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or credit impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount.

*Write-off*

Financial assets and the related impairment allowances are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

*Renegotiation*

Loans are identified as renegotiated and classified as credit impaired when the Branch modify the contractual payment terms due to significant credit distress of the borrower. Renegotiated loans remain classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and retain the designation of renegotiated until maturity or derecognition.

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances are considered to be POCI and will continue to be disclosed as renegotiated loans.

Other than originated credit-impaired loans, all other modified loans could be transferred out of stage 3 if they no longer exhibit any evidence of being credit impaired and, in the case of renegotiated loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows over the minimum observation period, and there are no other indicators of impairment. These loans could be transferred to stage 1 or 2 based on the mechanism as described below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed.

*Significant increase in credit risk ('stage 2')*

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list, are included in stage 2.

*Unimpaired and without significant increase in credit risk ('stage 1')*

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

*Purchased or originated credit impaired*

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

*Movement between stages*

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. Renegotiated loans that are not POCI will continue to be in stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period and there are no other indicators of impairment. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

*Measurement of ECL*

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Branch calculates ECL using three main components: a probability of default, a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

*Period over which ECL is measured*

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL ('12-month' or 'lifetime ECL') is the maximum contractual period over which the Branch is exposed to credit risk. For overdrafts, credit risk management actions are taken no less frequently than on an annual basis and therefore this period is to the expected date of the next substantive credit review. The date of the substantive credit review also represents the initial recognition of the new facility. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Branch's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the Branch remains exposed to credit risk that is not mitigated by credit risk management actions.

*Forward-looking economic inputs*

The Branch applies multiple forward-looking economic scenarios determined with reference to external forecast distributions representative of our view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in Note 3 to the financial statements.

*Surplus reserve*

The Branch measures the surplus reserve on the date of adoption for new financial reporting standards related to financial instruments by comparing the difference between allowance for expected credit losses according to requirement under new financial reporting standards related to financial instruments and total reserves that the Branch had on 31 December 2019. In which, the Branch will amortise the surplus reverse using straight-line method by 5 years consecutively in accordance with notification to utilise surplus reserve from Bank of Thailand dated on 6 November 2019.

(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 are measured at the amount of allowance for expected credit losses. The Branch has not provided any commitment at a below-market interest rate, or that can be settled net in cash or by delivering or issuing other financial instruments.

Expected credit losses on loan commitments and financial guarantee contract are recognised as provisions.

(j) **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Branch has 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. The Branch has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract. The offsetting have been presented separately in Note 5.

**2.7 Leasehold improvements and equipment**

All leasehold improvements and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains - net' in profit or loss.

## **2.8 Right-of-use assets**

Right-of-use assets for land and buildings is stated at cost less accumulated amortisation and accumulated impairment losses. The amortisation is charged to profit or loss on a straight-line basis over the lease period of 28 years.

Right-of-use assets for vehicles are initially measured at the amount equal to the lease liability. The depreciation is charged to profit or loss on a straight-line basis over the lease period of 3 years.

## **2.9 Impairment**

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.

## **2.10 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 Accounts with head office and other branches of the same juristic person. In this case the tax is also recognised in other comprehensive income or Accounts with head office and other branches of the same juristic person, 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 Branch 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, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

## **2.11 Employee benefits**

### *Post-employment benefits*

The Branch operates a number of employee benefit plans as follows:

#### *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan where the Branch pays fixed contributions into a separate entity ('provident fund') and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### *Defined benefit plan*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Branch's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Branch's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by an actuary using the projected unit credit method.

Actuarial gains and losses that arise are recognised in other comprehensive income.

#### *Equity compensation plan*

Where shares of HSBC Holdings plc, the ultimate parent company of the Head Office, are awarded to an employee of the Branch, the cost of shares awarded is amortised over the vesting period from the date the shares are awarded.

#### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## **2.12 Share-based payment**

The Branch enters into equity-settled share-based payment arrangements with its employees as compensation for services provided by employees. The cost of equity-settled share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period.

A cancellation that occurs during the vesting period is treated as an acceleration of vesting and is recognised immediately for the amount that would otherwise have been recognised for services over the vesting period.

HSBC Holdings is the grantor of its equity instruments for all share awards across the Group. The credit to 'Other reserves' over the vesting period on expensing an award represents the effective capital contribution from HSBC Holdings. To the extent the Group will be, or has been, required to fund a share-based payment arrangement, this capital contribution is reduced and the fair value of shares expected to be released to employees is recorded within 'Other liabilities'.

### **2.13 Provisions**

Provisions are recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Liabilities under financial guarantee are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

### **2.14 Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised in interest income and interest expense in profit or loss using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Branch that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### **2.15 Non-interest income and expenses**

The Branch recognises fees earned on transaction-based arrangements at a point in time when the Branch has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Non-interest expenses are recognised on an accrual basis.

### **3 Financial risk management**

The Branch has following risks from financial instruments:

#### **3.1 Credit risk**

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending and trade finance but also from other products such as guarantees and derivatives.

The risk is monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities and managed through a robust risk control framework, which outlines clear and consistent policies, principles and guidance for risk managers.

The principal objectives of the Branch's credit risk management function are:

- to maintain a strong culture of responsible lending and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

#### *Concentration of exposure*

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

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

|                            | <b>2023<br/>Million Baht</b> | <b>2022<br/>Million Baht</b> |
|----------------------------|------------------------------|------------------------------|
| Agriculture and mining     | 1,715                        | 500                          |
| Industrial and commercial  | 37,790                       | 45,543                       |
| Property and construction  | 2,089                        | 1,007                        |
| Infrastructure and service | 23,295                       | 23,800                       |
| Home mortgages             | 148                          | 177                          |
| Others                     | 1,138                        | 1,142                        |
| <br>Total                  | <br>66,175                   | <br>72,169                   |

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2023**

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*Expected credit losses*

For details of our impairment policies on financial assets, see Note 2.6 (h) to the financial statements.

Financial instruments to which the impairment requirements in TFRS 9 are applied are summarised as follows:

|   | As at 31 December 2023                             |                                      | As at 31 December 2022                             |                                      |
|---|--|--------------------------------------|--|--------------------------------------|
|   | Gross carrying/<br>notional amount<br>Million Baht | Allowance<br>for ECL<br>Million Baht | Gross carrying/<br>notional amount<br>Million Baht | Allowance<br>for ECL<br>Million Baht |
| Cash  | 39   | -                                    | 64   | -                                    |
| Interbank and money market items                                      | 87,055   | 1                                    | 70,447   | -                                    |
| Investments measured at amortised cost                                | 13,903   | 1                                    | 17,531   | 2                                    |
| Loans to customers and accrued interest receivables                   | 66,503   | 204                                  | 72,383   | 102                                  |
| Other assets  | 5,476  | -                                    | 5,868  | -                                    |
| <b>Total amount on the statement of financial position</b>            | <b>172,976</b>                                     | <b>206</b>                           | <b>166,293</b>                                     | <b>104</b>                           |
| Loan commitments  | 81,976   | 7                                    | 89,116   | 6                                    |
| Financial guarantees and other commitments                            | 42,363   | 6                                    | 45,480   | 1                                    |
| <b>Total amount off balance sheet</b>                                 | <b>124,339</b>                                     | <b>13</b>                            | <b>134,596</b>                                     | <b>7</b>                             |
| <hr/>   |  |                                      |  |                                      |
|   | As at 31 December 2023                             |                                      | As at 31 December 2022                             |                                      |
|   | Fair value<br>Million Baht                         | Allowance<br>for ECL<br>Million Baht | Fair value<br>Million Baht                         | Allowance<br>for ECL<br>Million Baht |
| Investments measured at fair value through other comprehensive income | 45,042   | 3                                    | 33,914   | 4                                    |

The following table provides an overview of the Branch's credit risk by stage, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised;
- Stage 2: a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;
- Stage 3: objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and
- Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the incurred credit losses on which a lifetime ECL is recognised.

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The credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL at 31 December 2023 and 2022 are summarised as follows:

|   | Gross carrying/ notional amount |                         |                         | Allowance for ECL       |                         |                         | ECL coverage % |              |              |
|---|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------|--------------|--------------|
|   | Stage 1<br>Million Baht         | Stage 2<br>Million Baht | Stage 3<br>Million Baht | Stage 1<br>Million Baht | Stage 2<br>Million Baht | Stage 3<br>Million Baht | Stage 1<br>%   | Stage 2<br>% | Stage 3<br>% |
|   |                                 |                         |                         |                         |                         |                         |                |              |              |
| Cash  | 39                              | -                       | -                       | -                       | -                       | -                       | -              | -            | -            |
| Interbank and money market items                    | 87,055                          | -                       | -                       | 1                       | -                       | -                       | -              | -            | -            |
| Investments measured at amortised cost              | 13,903                          | -                       | -                       | 1                       | -                       | -                       | -              | -            | -            |
| Loans to customers and accrued interest receivables | 59,866                          | 6,461                   | 176                     | 18                      | 10                      | 176                     | -              | -            | 100          |
| Other assets  | 5,476                           | -                       | -                       | -                       | -                       | -                       | -              | -            | -            |
| Loan commitments                                    | 71,680                          | 10,296                  | -                       | 5                       | 2                       | -                       | -              | -            | -            |
| Financial guarantees and other commitments          | 41,489                          | 874                     | -                       | 2                       | 4                       | -                       | -              | -            | -            |
| <b>As at 31 December 2023</b>                       | <b>279,508</b>                  | <b>17,631</b>           | <b>176</b>              | <b>27</b>               | <b>16</b>               | <b>176</b>              | <b>-</b>       | <b>-</b>     | <b>100</b>   |
| <hr/>   |                                 |                         |                         |                         |                         |                         |                |              |              |
|   | Gross carrying/ notional amount |                         |                         | Allowance for ECL       |                         |                         | ECL coverage % |              |              |
|   | Stage 1<br>Million Baht         | Stage 2<br>Million Baht | Stage 3<br>Million Baht | Stage 1<br>Million Baht | Stage 2<br>Million Baht | Stage 3<br>Million Baht | Stage 1<br>%   | Stage 2<br>% | Stage 3<br>% |
|   |                                 |                         |                         |                         |                         |                         |                |              |              |
| Cash  | 64                              | -                       | -                       | -                       | -                       | -                       | -              | -            | -            |
| Interbank and money market items                    | 70,447                          | -                       | -                       | -                       | -                       | -                       | -              | -            | -            |
| Investments measured at amortised cost              | 17,531                          | -                       | -                       | 2                       | -                       | -                       | -              | -            | -            |
| Loans to customers and accrued interest receivables | 59,762                          | 12,535                  | 86                      | 13                      | 3                       | 86                      | -              | -            | 100          |
| Other assets  | 5,868                           | -                       | -                       | -                       | -                       | -                       | -              | -            | -            |
| Loan commitments                                    | 75,463                          | 13,653                  | -                       | 4                       | 2                       | -                       | -              | -            | -            |
| Financial guarantees and other commitments          | 25,541                          | 19,939                  | -                       | 1                       | -                       | -                       | -              | -            | -            |
| <b>As at 31 December 2022</b>                       | <b>254,676</b>                  | <b>46,127</b>           | <b>86</b>               | <b>20</b>               | <b>5</b>                | <b>86</b>               | <b>-</b>       | <b>-</b>     | <b>100</b>   |

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The recognition and measurement of ECL involves the use of significant judgement and estimation. The Branch forms multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate.

The Branch uses multiple economic scenarios to reflect assumptions about future economic conditions, starting with three economic scenarios based on consensus forecast distributions, supplemented by alternative or additional economic scenarios and/or management adjustments where, in management's judgement, the consensus forecast distribution does not adequately capture the relevant risks.

*Maximum exposure to credit risk*

The following table presents our maximum exposure before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). The table excludes financial instruments whose carrying amount best represents the net exposure to credit risk. For the financial assets recognised in the statement of financial position, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and other guarantees granted, it is the maximum amount that the Branch would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the facilities.

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

|  | <b>2023</b><br>Million Baht | <b>2022</b><br>Million Baht |
|--|-----------------------------|-----------------------------|
| Financial assets measured at fair value through profit or loss |                             |                             |
| Investments  | 22,682<br>59,452            | 10,659<br>51,571            |
| <b>Total</b>   | <b>82,134</b>               | <b>62,230</b>               |

*Collateral and other credit enhancements*

Although collateral can be an important mitigant of credit risk, it is the Branch's practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources rather than placing primary reliance on collateral and other credit risk enhancements. Depending on the customer's credit and the type of product, facilities may be provided without any collateral or other credit enhancements. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Branch may utilise the collateral as a source of repayment.

Depending on its form, collateral can have a significant financial effect in mitigating the Branch's exposure to credit risk. Where there is sufficient collateral, an expected credit loss is not recognised. This is the case for reverse repurchase agreements and for certain loans and advances to customers where the loan to value ('LTV') is very low.

The collateral measured in the following tables consists of fixed first charges on real estate, and charges over cash and marketable financial instruments. The values in the tables represent the expected market value on an open market basis. No adjustment has been made to the collateral for any expected costs of recovery. Marketable securities are measured at their fair value.

Other types of collateral such as unsupported guarantees and floating charges over the assets of a customer's business are not measured in the following tables. While such mitigants have value, often providing rights in insolvency, their assignable value is not sufficiently certain and they are therefore assigned no value for disclosure purposes. However, such collaterals are included in the calculation of allowance for expected credit losses.

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|                            | 31 December 2023                      |                              |                        |                                     |
|----------------------------|---------------------------------------|------------------------------|------------------------|-------------------------------------|
|                            | Gross carrying/<br>notional<br>amount | Expected<br>credit<br>losses | Net carrying<br>amount | Fair value<br>of collateral<br>held |
|                            | Million Baht                          | Million Baht                 | Million Baht           | Million Baht                        |
| <b>Stage 1</b>             |                                       |                              |                        |                                     |
| Not collateralised         | 167,963                               | 24                           | 167,939                | -                                   |
| Fully collateralised       | 5,001                                 | 1                            | 5,000                  | 2,174                               |
| Partially collateralised   | 10,052                                | 1                            | 10,051                 | 2,784                               |
| <b>Total</b>               | <b>183,016</b>                        | <b>26</b>                    | <b>182,990</b>         | <b>4,958</b>                        |
| <b>Stage 2</b>             |                                       |                              |                        |                                     |
| Not collateralised         | 17,230                                | 16                           | 17,214                 | -                                   |
| Fully collateralised       | 8                                     | -                            | 8                      | 8                                   |
| Partially collateralised   | 394                                   | -                            | 394                    | 194                                 |
| <b>Total</b>               | <b>17,632</b>                         | <b>16</b>                    | <b>17,616</b>          | <b>202</b>                          |
| <b>Stage 3</b>             |                                       |                              |                        |                                     |
| Not collateralised         | 176                                   | 176                          | -                      | -                                   |
| <b>Total</b>               | <b>176</b>                            | <b>176</b>                   | <b>-</b>               | <b>-</b>                            |
| <b>At 31 December 2023</b> | <b>200,824</b>                        | <b>218</b>                   | <b>200,606</b>         | <b>5,160</b>                        |
|                            |                                       |                              |                        |                                     |
|                            | 31 December 2022                      |                              |                        |                                     |
|                            | Gross carrying/<br>notional<br>amount | Expected<br>credit<br>losses | Net carrying<br>amount | Fair value<br>of collateral<br>held |
|                            | Million Baht                          | Million Baht                 | Million Baht           | Million Baht                        |
| <b>Stage 1</b>             |                                       |                              |                        |                                     |
| Not collateralised         | 157,572                               | 17                           | 157,555                | -                                   |
| Fully collateralised       | 3,020                                 | -                            | 3,020                  | 2,856                               |
| Partially collateralised   | 6,343                                 | 1                            | 6,342                  | 4,092                               |
| <b>Total</b>               | <b>166,935</b>                        | <b>18</b>                    | <b>166,917</b>         | <b>6,948</b>                        |
| <b>Stage 2</b>             |                                       |                              |                        |                                     |
| Not collateralised         | 41,975                                | 4                            | 41,971                 | -                                   |
| Fully collateralised       | 35                                    | -                            | 35                     | 35                                  |
| Partially collateralised   | 4,117                                 | 1                            | 4,116                  | 1,708                               |
| <b>Total</b>               | <b>46,127</b>                         | <b>5</b>                     | <b>46,122</b>          | <b>1,743</b>                        |
| <b>Stage 3</b>             |                                       |                              |                        |                                     |
| Not collateralised         | 86                                    | 86                           | -                      | -                                   |
| <b>Total</b>               | <b>86</b>                             | <b>86</b>                    | <b>-</b>               | <b>-</b>                            |
| <b>At 31 December 2022</b> | <b>213,148</b>                        | <b>109</b>                   | <b>213,039</b>         | <b>8,691</b>                        |

In the Financial institution sector, trading facilities are supported by charges over financial instruments such as cash and debt securities. Financial collateral in the form of marketable securities is used in most of the Branch's over-the-counter ('OTC') derivatives activities and in securities financing transactions ('SFT') such as repos and reverse repos. Netting is used extensively and is a prominent feature of market standard documentation.

The International Swaps and Derivatives Association ('ISDA') master agreement is the preferred agreement for documenting derivatives activity. It is common for the parties involved in a derivative transaction to execute a credit support annex ('CSA') in conjunction with the ISDA master agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions. The majority of CSAs are with financial institution clients.

The Branch manages the counterparty exposure on its OTC derivative contracts by using collateral agreements with counterparties and netting agreements. The Branch places strict policy restrictions on collateral types and as a consequence the types of collateral received and pledged are, by value, highly liquid and of a strong quality, being predominantly cash. The details regarding legally enforceable right of offset in the event of counterparty default and collateral received in respect of derivatives is disclosed on Note 5 to the financial statements.

*Counterparty credit risk*

Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before satisfactorily settling it. It arises principally from over-the-counter ('OTC') derivatives and securities financing transactions and is calculated in both the trading and non-trading books. Transactions vary in value by reference to a market factor such as an interest rate, exchange rate or asset price.

The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment ('CVA'). The details methodology on CVA is disclosed on Note 6 to the financial statements.

**3.2 Market risk**

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce income or the value of the Branch's portfolios

Market risk is measured using sensitivities, value at risk and stress testing, giving a detailed picture of potential gains and losses for a range of market movements and scenarios, as well as tail risks over specified time horizons. The risk is monitored using value at risk, stress testing and other measures, including the sensitivity of net interest income and the sensitivity of structural foreign exchange and managed using risk limits approved by the Regional Market Risk Manager, the risk management meeting in various global businesses.

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates and credit spreads, such as the effect of a one basis point change in yield. The Branch use sensitivity measures to monitor the market risk positions within each risk type. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being one of the principal factors in determining the level of limits set.

*Value at risk*

VaR is a technique that estimates the potential losses in the trading portfolio from movements in market rates and prices over a specified time horizon at a particular level of confidence.

The Branch models are based on historical simulation that incorporate the following features:

- historical market rates and prices are calculated with reference to foreign exchange and interest rates, commodity prices, equity prices and the associated volatilities;
- potential market movements utilised for VaR are calculated with reference to data from the past two years (500 working days); and
- VaR measures are calculated at 99 percent confidence level and use a one-day holding period.

The models also incorporate the effect of option features on the underlying exposures. The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

*Stress testing*

Stress testing is an important procedure that is integrated into the Branch's market risk management framework to evaluate the potential impact on portfolio values in the case of extreme but plausible events or movements in a set of financial variables. In such scenarios, losses can be greater than those predicted by VaR model. The Branch also performs stress testing using the scenarios as specified by the BoT, covering parallel and non-parallel shifts in interest rate yield curves and depreciation and appreciation in major currencies.

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*Back-testing*

The Branch routinely validates the accuracy of our VaR models by back-testing them against both actual and hypothetical profit and loss. Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenues of intra-day transactions.

The actual number of profits or losses in excess of VaR over this period can therefore be used to gauge how well the models are performing.

According to BoT notification No. 94/2551 dated 27 November 2008 Re: Guideline on Supervision of Market Risk and Capital Requirement for Market Risk of Financial Institutions, VaR back-testing exceptions, on Hypothetical loss, are counted towards the multiplier determined by the BoT for the purposes of the capital requirement calculation for market risk. The additional capital multiplier will be added if the exceptions are greater than 4 times over the past 250 business days.

**(a) Interest rate risk**

Interest rate risk arises from the potential for a change in interest rates which may have an adverse effect on the value of the Branch's financial instruments or Branch's earnings or cost of funds, both in the current reporting period and future years. Interest rate risk arises from the structure and characteristic of the Branch's assets, liabilities and accounts with head office and other branches of the same juristic person, and from the mismatch in repricing dates of its assets and liabilities. The Branch mitigates this risk by using derivative financial instruments, principally interest rate swaps, to manage its exposure to fluctuations in interest rates on specific financial instruments.

As at 31 December 2023, significant financial assets and liabilities classified by type of interest rate were as follows:

|  | <b>2023</b>  |   |  |                               |
|--|--|---|--|-------------------------------|
|  | <b>Floating<br/>interest rate<br/>Million Baht</b> | <b>Fixed<br/>interest rate<br/>Million Baht</b> | <b>Non -<br/>interest<br/>bearing<br/>Million Baht</b> | <b>Total<br/>Million Baht</b> |
| <b>Financial assets</b>  |  |   |  |                               |
| Cash   | -  | -   | 39   | 39                            |
| Interbank and money market items, net                                  | 1,385  | 71,382  | 14,287   | 87,054                        |
| Financial assets measured at fair<br>value through profit or loss      | 1,027  | 21,769  | -  | 22,796                        |
| Investments, net   | 35,012   | 23,932  | -  | 58,944                        |
| Loans to customers <sup>(1)</sup>                                      | 25,177   | 40,883  | 443  | 66,503                        |
| Other assets   | 4,886  | -   | 590  | 5,476                         |
| <b>Total financial assets</b>  | <b>67,487</b>                                      | <b>157,966</b>                                  | <b>15,359</b>  | <b>240,812</b>                |
| <b>Financial liabilities</b>   |  |   |  |                               |
| Deposits   | 115,031  | 13,537  | 18,612   | 147,180                       |
| Interbank and money market items                                       | 10,222   | 10,752  | 5,004  | 25,978                        |
| Liabilities payable on demand  | -  | -   | 1,689  | 1,689                         |
| Financial liabilities measured at fair<br>value through profit or loss | -  | 8,174   | -  | 8,174                         |
| Other liabilities  | 802  | -   | 526  | 1,328                         |
| <b>Total financial liabilities</b>                                     | <b>126,055</b>                                     | <b>32,463</b>                                   | <b>25,831</b>  | <b>184,349</b>                |

<sup>(1)</sup> Loans to customers and accrued interest receivable net of deferred revenue

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

|   | 2022  |  |   |                          |
|---|---|--|---|--------------------------|
|   | Floating<br>interest<br>rate<br>Million<br>Baht | Fixed<br>interest<br>rate<br>Million<br>Baht | Non -<br>interest<br>bearing<br>Million<br>Baht | Total<br>Million<br>Baht |
| <b>Financial assets</b>   |   |  |   |                          |
| Cash  | -   | -  | 64  | 64                       |
| Interbank and money market items, net                               | 8,237   | 58,362                                       | 3,848   | 70,447                   |
| Financial assets measured at fair value through profit or loss      | 510   | 9,982  | -   | 10,492                   |
| Investments, net  | 25,385  | 26,058                                       | -   | 51,443                   |
| Loans to customers <sup>(1)</sup>                                   | 37,726  | 34,218                                       | 439   | 72,383                   |
| Other assets  | 5,657   | -  | 211   | 5,868                    |
| <b>Total financial assets</b>                                       | <b>77,515</b>                                   | <b>128,620</b>                               | <b>4,562</b>                                    | <b>210,697</b>           |
| <b>Financial liabilities</b>  |   |  |   |                          |
| Deposits  | 92,889  | 7,801  | 33,600  | 134,290                  |
| Interbank and money market items                                    | 14,872  | 330  | 6,443   | 21,645                   |
| Liabilities payable on demand                                       | -   | -  | 1,488   | 1,488                    |
| Financial liabilities measured at fair value through profit or loss | -   | 7,998  | -   | 7,998                    |
| Other liabilities   | 635   | -  | 334   | 969                      |
| <b>Total financial liabilities</b>                                  | <b>108,396</b>                                  | <b>16,129</b>                                | <b>41,865</b>                                   | <b>166,390</b>           |

<sup>(1)</sup> Loans to customers and accrued interest receivable net of deferred revenue

Details of the Branch's interest rate risk based on the period to the earlier of the contractual repricing date or maturity at 31 December 2023 were as follows:

|   | 2023                                     |  |                                    |                                    |  |   |
|---|--|--|------------------------------------|------------------------------------|--|---|
|   | Less than<br>3 months<br>Million<br>Baht | 3 months<br>to 1 year<br>Million<br>Baht | 1 to 5<br>years<br>Million<br>Baht | Over<br>5 years<br>Million<br>Baht | Non-<br>interest<br>bearing<br>Million<br>Baht | Average<br>interest<br>rate<br>(% per<br>annum) |
| <b>Financial assets</b>   |  |  |                                    |                                    |  |   |
| Cash  | -  | -  | -                                  | -                                  | 39   | 39  |
| Interbank and money market items, net                                       | 66,886                                   | 5,877                                    | 4                                  | -                                  | 14,287   | 87,054  |
| Financial assets measured at fair value through profit or loss              | 20                                       | 5,543                                    | 1,859                              | 15,374                             | -  | 22,796  |
| Investments, net  | 2,000                                    | 42,166                                   | 11,381                             | 3,397                              | -  | 58,944  |
| Loans to customers and accrued interest receivable, net of deferred revenue | 52,591                                   | 10,742                                   | 2,583                              | 144                                | 443  | 66,503  |
| Other assets  | 4,886                                    | -  | -                                  | -                                  | 590  | 5,476   |
| <b>Total financial assets</b>   | <b>126,383</b>                           | <b>64,328</b>                            | <b>15,827</b>                      | <b>18,915</b>                      | <b>15,359</b>                                  | <b>240,812</b>                                  |
| <b>Financial liabilities</b>  |  |  |                                    |                                    |  |   |
| Deposits  | 124,918                                  | 3,650                                    | -                                  | -                                  | 18,612   | 147,180   |
| Interbank and money market items  | 20,974                                   | -  | -                                  | -                                  | 5,004  | 25,978  |
| Liabilities payable on demand   | -  | -  | -                                  | -                                  | 1,689  | 1,689   |
| Financial liabilities measured at fair value through profit or loss         | -  | 670                                      | 6,236                              | 1,268                              | -  | 8,174   |
| Other liabilities   | 802                                      | -  | -                                  | -                                  | 526  | 1,328   |
| <b>Total financial liabilities</b>  | <b>146,694</b>                           | <b>4,320</b>                             | <b>6,236</b>                       | <b>1,268</b>                       | <b>25,831</b>                                  | <b>184,349</b>                                  |
| <b>Effect of derivatives held for risk Management<sup>(1)</sup></b>         | <b>14,288</b>                            | <b>(20,763)</b>                          | <b>9,993</b>                       | <b>(3,518)</b>                     | <b>312,682</b>                                 | <b>312,682</b>                                  |

<sup>(1)</sup> This presents at notional amount

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Details of the Branch's interest rate risk based on the period to the earlier of the contractual repricing date or maturity at 31 December 2022 were as follows:

|   | 2022                               |                                    |                              |                              |                                      |                       | Average interest rate (% per annum) |
|---|------------------------------------|------------------------------------|------------------------------|------------------------------|--------------------------------------|-----------------------|-------------------------------------|
|   | Less than 3 months<br>Million Baht | 3 months to 1 year<br>Million Baht | 1 to 5 years<br>Million Baht | Over 5 years<br>Million Baht | Non-interest bearing<br>Million Baht | Total<br>Million Baht |                                     |
| <b>Financial assets</b>   |                                    |                                    |                              |                              |                                      |                       |                                     |
| Cash  | -                                  | -                                  | -                            | -                            | 64                                   | 64                    | -                                   |
| Interbank and money market items, net                                       | 61,306                             | 5,226                              | 67                           | -                            | 3,848                                | 70,447                | 0.93                                |
| Financial assets measured at fair value through profit or loss              | 63                                 | 770                                | 1,231                        | 8,428                        | -                                    | 10,492                | 1.65                                |
| Investments, net  | 14,963                             | 22,970                             | 13,510                       | -                            | -                                    | 51,443                | 0.86                                |
| Loans to customers and accrued interest receivable, net of deferred revenue | 60,550                             | 6,661                              | 4,567                        | 166                          | 439                                  | 72,383                | 2.22                                |
| Other assets  | 5,657                              | -                                  | -                            | -                            | 211                                  | 5,868                 | 1.64                                |
| <b>Total financial assets</b>   | <b>142,539</b>                     | <b>35,627</b>                      | <b>19,375</b>                | <b>8,594</b>                 | <b>4,562</b>                         | <b>210,697</b>        |                                     |
| <b>Financial liabilities</b>  |                                    |                                    |                              |                              |                                      |                       |                                     |
| Deposits  | 97,309                             | 3,381                              | -                            | -                            | 33,600                               | 134,290               | 0.27                                |
| Interbank and money market items  | 15,202                             | -                                  | -                            | -                            | 6,443                                | 21,645                | 0.77                                |
| Liabilities payable on demand   | -                                  | -                                  | -                            | -                            | 1,488                                | 1,488                 | -                                   |
| Financial liabilities measured at fair value through profit or loss         | 2,351                              | 1,771                              | 3,876                        | -                            | -                                    | 7,998                 | 6.07                                |
| Other liabilities   | 635                                | -                                  | -                            | -                            | 334                                  | 969                   | 0.75                                |
| <b>Total financial liabilities</b>  | <b>115,497</b>                     | <b>5,152</b>                       | <b>3,876</b>                 | <b>-</b>                     | <b>41,865</b>                        | <b>166,390</b>        |                                     |
| <b>Effect of derivatives held for risk Management<sup>(1)</sup></b>         | <b>61,843</b>                      | <b>(55,280)</b>                    | <b>(6,815)</b>               | <b>252</b>                   | <b>484,995</b>                       | <b>484,995</b>        |                                     |

<sup>(1)</sup> This presents at notional amount

The Branch manages interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels.

#### *Sensitivity analysis*

Interest rate risk information by Internal Model Approach at 31 December 2023 and 2022 are as follows:

|                               | 2023<br>Million Baht | 2022<br>Million Baht |
|-------------------------------|----------------------|----------------------|
| Maximum VaR during the period | 171                  | 171                  |
| Average VaR during the period | 109                  | 127                  |
| Minimum VaR during the period | 77                   | 81                   |
| VaR at the end of the period  | 133                  | 107                  |

Remark: The period for Maximum VaR, Minimum VaR and Average VaR is 60 days interval. All figures are based on 10 days VaR as used for market risk capital charge calculation.

#### **(b) Foreign exchange risk**

Foreign exchange rate risk is the risk that occurs from changes in foreign exchange rates which may affect the value of the Branch's financial instruments or may cause volatility in the Branch's earnings or cost of funds. Tools adopted for managing foreign exchange rate risk are for instance, limited open positions and Value at Risk ('VaR').

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As at 31 December 2023 and 2022, the Branch has net open position assets (liabilities) denominated in the various currencies as follows;

|                                       | <b>2023</b><br>Million Baht | <b>2022</b><br>Million Baht |
|---------------------------------------|-----------------------------|-----------------------------|
| <b>Net foreign currency exposure*</b> |                             |                             |
| US Dollar                             | (2,437)                     | 3,264                       |
| Euro                                  | 752                         | 209                         |
| Yen                                   | 75                          | (65)                        |
| Pound                                 | 396                         | 436                         |
| Singapore Dollar                      | (675)                       | (464)                       |
| Others                                | (1,068)                     | (187)                       |

\* No non-performing loans amounting in foreign currency exposure at 31 December 2023 and 2022.

*Sensitivity analysis*

Foreign exchange risk information by Internal Model Approach at 31 December 2023 and 2022 is as follows:

|                               | <b>2023</b><br>Million Baht | <b>2022</b><br>Million Baht |
|-------------------------------|-----------------------------|-----------------------------|
| Maximum VaR during the period | 23                          | 26                          |
| Average VaR during the period | 5                           | 4                           |
| Minimum VaR during the period | 1                           | 1                           |
| VaR at the end of the period  | 5                           | 3                           |

Remark: The period for Maximum VaR, Minimum VaR and Average VaR is 60 days interval. All figures are based on 10 days VaR as used for market risk capital charge calculation.

**(c) Equity price risk**

Equity price risk is any risk arising from changes in the price of equities or common stock that may cause volatility in the Branch's earnings or fluctuations in the value of the Branch's financial assets. The Branch manages its equity price risk by close monitoring of market situations to provide information for management.

At 31 December 2023 and 2022, there is no equity investments.

**3.3 Liquidity risk**

Liquidity risk is the risk that the Branch either does not have sufficient financial resources available to meet the obligations as they fall due, or can only access these financial resources at excessive cost.

The objective of the Branch's liquidity and funding management framework is to ensure that all foreseeable funding commitments can be met when due. Therefore, the Branch is required to maintain strong liquidity positions and to manage the liquidity profiles of assets, liabilities and commitments with the objective of ensuring that cash flows are balanced appropriately and that all anticipated obligations can be met when due.

The Branch monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Branch's operations and to mitigate the effects of fluctuations in cash flows.

The Branch manages its liquidity position under the Bank of Thailand's guideline on Liquidity Coverage Ratio and other applicable regulations. The Treasury Department is accountable for managing the Branch's liquidity position by providing short-term and long-term funding sources as well as investing in highly liquid assets in both domestic and foreign currencies. The Branch also ensures that its liquidity position is suitable and sufficient for the current and foreseeable market conditions. The Assets and Liabilities Management Committee supervises management of liquidity risk.

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|   | 2023                       |  |  |                                    |                                    |                                   |                          |
|---|----------------------------|--|--|------------------------------------|------------------------------------|-----------------------------------|--------------------------|
|   | At call<br>Million<br>Baht | Less than<br>3 months<br>Million<br>Baht | 3 months<br>to 1 year<br>Million<br>Baht | 1 to 5<br>years<br>Million<br>Baht | Over<br>5 years<br>Million<br>Baht | No<br>maturity<br>Million<br>Baht | Total<br>Million<br>Baht |
| <b>Financial assets</b>   |                            |  |  |                                    |                                    |                                   |                          |
| Cash  | -                          | -  | -  | -                                  | -                                  | 39                                | 39                       |
| Interbank and money market items, net                               | 14,212                     | 65,926                                   | 5,885                                    | 1,031                              | -                                  | -                                 | 87,054                   |
| Financial assets measured at fair value through profit or loss      | -                          | 20                                       | 5,543                                    | 1,859                              | 15,374                             | -                                 | 22,796                   |
| Derivative assets   | 74                         | 2,937                                    | 4,655                                    | 15,800                             | 7,047                              | -                                 | 30,513                   |
| Investments, net  | -                          | 2,000                                    | 42,166                                   | 11,381                             | 3,397                              | -                                 | 58,944                   |
| Loans to customers and accrued interest receivable, net             | -                          | 39,498                                   | 11,057                                   | 14,495                             | 1,069                              | -                                 | 66,119                   |
| Other assets  | -                          | 5,476                                    | -  | -                                  | -                                  | -                                 | 5,476                    |
| <b>Total financial assets</b>                                       | <b>14,286</b>              | <b>115,857</b>                           | <b>69,306</b>                            | <b>44,566</b>                      | <b>26,887</b>                      | <b>39</b>                         | <b>270,941</b>           |
| <b>Financial liabilities</b>  |                            |  |  |                                    |                                    |                                   |                          |
| Deposits  | 133,643                    | 9,887                                    | 3,650                                    | -                                  | -                                  | -                                 | 147,180                  |
| Interbank and money market items                                    | 15,226                     | 10,752                                   | -  | -                                  | -                                  | -                                 | 25,978                   |
| Liabilities payable on demand                                       | 1,689                      | -  | -  | -                                  | -                                  | -                                 | 1,689                    |
| Financial liabilities measured at fair value through profit or loss | -                          | -  | 670                                      | 6,236                              | 1,268                              | -                                 | 8,174                    |
| Derivative liabilities  | 332                        | 2,826                                    | 4,393                                    | 21,169                             | 7,265                              | -                                 | 35,985                   |
| Other liabilities   | -                          | 1,318                                    | 2  | 8                                  | -                                  | -                                 | 1,328                    |
| <b>Total financial liabilities</b>                                  | <b>150,890</b>             | <b>24,783</b>                            | <b>8,715</b>                             | <b>27,413</b>                      | <b>8,533</b>                       | <b>-</b>                          | <b>220,334</b>           |
| <b>Liquidity gap, net</b>   | <b>(136,604)</b>           | <b>91,074</b>                            | <b>60,591</b>                            | <b>17,153</b>                      | <b>18,354</b>                      | <b>39</b>                         | <b>50,607</b>            |
|   |                            |  |  |                                    |                                    |                                   |                          |
|   |                            |  |  |                                    |                                    |                                   |                          |
| <b>2022</b>   |                            |  |  |                                    |                                    |                                   |                          |
|   |                            |  |  |                                    |                                    |                                   |                          |
| <b>At call<br/>Million<br/>Baht</b>                                 |                            |  |  |                                    |                                    |                                   |                          |
| <b>Less than<br/>3 months<br/>Million<br/>Baht</b>                  |                            |  |  |                                    |                                    |                                   |                          |
| <b>3 months<br/>to 1 year<br/>Million<br/>Baht</b>                  |                            |  |  |                                    |                                    |                                   |                          |
| <b>1 to 5<br/>years<br/>Million<br/>Baht</b>                        |                            |  |  |                                    |                                    |                                   |                          |
| <b>Over<br/>5 years<br/>Million<br/>Baht</b>                        |                            |  |  |                                    |                                    |                                   |                          |
| <b>No<br/>maturity<br/>Million<br/>Baht</b>                         |                            |  |  |                                    |                                    |                                   |                          |
| <b>Total<br/>Million<br/>Baht</b>                                   |                            |  |  |                                    |                                    |                                   |                          |
| <b>Financial assets</b>   |                            |  |  |                                    |                                    |                                   |                          |
| Cash  | -                          | -  | -  | -                                  | -                                  | 64                                | 64                       |
| Interbank and money market items, net                               | 3,808                      | 61,327                                   | 5,245                                    | 67                                 | -                                  | -                                 | 70,447                   |
| Financial assets measured at fair value through profit or loss      | -                          | 63                                       | 770                                      | 1,231                              | 8,428                              | -                                 | 10,492                   |
| Derivative assets   | 395                        | 5,559                                    | 4,299                                    | 19,903                             | 8,492                              | -                                 | 38,648                   |
| Investments, net  | -                          | 14,963                                   | 22,970                                   | 13,510                             | -                                  | -                                 | 51,443                   |
| Loans to customers and accrued interest receivable, net             | -                          | 39,678                                   | 9,599                                    | 22,478                             | 166                                | -                                 | 71,921                   |
| Other assets  | -                          | 5,866                                    | 2  | -                                  | -                                  | -                                 | 5,868                    |
| <b>Total financial assets</b>                                       | <b>4,203</b>               | <b>127,456</b>                           | <b>42,885</b>                            | <b>57,189</b>                      | <b>17,086</b>                      | <b>64</b>                         | <b>248,883</b>           |
| <b>Financial liabilities</b>  |                            |  |  |                                    |                                    |                                   |                          |
| Deposits  | 126,489                    | 4,420                                    | 3,381                                    | -                                  | -                                  | -                                 | 134,290                  |
| Interbank and money market items                                    | 21,315                     | 330                                      | -  | -                                  | -                                  | -                                 | 21,645                   |
| Liabilities payable on demand                                       | 1,488                      | -  | -  | -                                  | -                                  | -                                 | 1,488                    |
| Financial liabilities measured at fair value through profit or loss | -                          | -  | -  | 6,720                              | 1,278                              | -                                 | 7,998                    |
| Derivative liabilities  | 561                        | 5,481                                    | 5,012                                    | 24,222                             | 8,942                              | -                                 | 44,218                   |
| Other liabilities   | -                          | 960                                      | 3  | 6                                  | -                                  | -                                 | 969                      |
| <b>Total financial liabilities</b>                                  | <b>149,853</b>             | <b>11,191</b>                            | <b>8,396</b>                             | <b>30,948</b>                      | <b>10,220</b>                      | <b>-</b>                          | <b>210,608</b>           |
| <b>Liquidity gap, net</b>   | <b>(145,650)</b>           | <b>116,265</b>                           | <b>34,489</b>                            | <b>26,241</b>                      | <b>6,866</b>                       | <b>64</b>                         | <b>38,275</b>            |

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**4 Classification of financial assets and liabilities**

The following table analyses the carrying amounts of the financial assets and liabilities by category as at 31 December 2023 and 2022.

|   | 2023  |   |   |                                |                       |
|---|---|---|---|--------------------------------|-----------------------|
|   | Fair value through profit or loss<br>Million Baht | Designated at fair value through profit or loss<br>Million Baht | Fair value through other comprehensive income<br>Million Baht | Amortised cost<br>Million Baht | Total<br>Million Baht |
| <b>Financial assets</b>   |   |   |   |                                |                       |
| Cash  | -   | -   | -   | 39                             | 39                    |
| Interbank and money market items, net                               | -   | -   | -   | 87,054                         | 87,054                |
| Financial assets measured at fair value through profit or loss      | 22,796  | -   | -   | -                              | 22,796                |
| Derivatives assets  | 30,513  | -   | -   | -                              | 30,513                |
| Investments, net  | -   | -   | 45,042  | 13,902                         | 58,944                |
| Loans to customers and accrued interest receivables, net            | -   | -   | -   | 66,119                         | 66,119                |
| Other assets  | -   | -   | -   | 5,476                          | 5,476                 |
| <b>Total financial assets</b>                                       | <b>53,309</b>                                     | <b>-</b>  | <b>45,042</b>   | <b>172,590</b>                 | <b>270,941</b>        |
| <b>Financial liabilities</b>  |   |   |   |                                |                       |
| Deposits  | -   | -   | -   | 147,180                        | 147,180               |
| Interbank and money market items                                    | -   | -   | -   | 25,978                         | 25,978                |
| Liabilities payable on demand                                       | -   | -   | -   | 1,689                          | 1,689                 |
| Financial liabilities measured at fair value through profit or loss | -   | 8,174   | -   | -                              | 8,174                 |
| Derivatives liabilities   | 35,985  | -   | -   | -                              | 35,985                |
| Other liabilities   | -   | -   | -   | 1,328                          | 1,328                 |
| <b>Total financial liabilities</b>                                  | <b>35,985</b>                                     | <b>8,174</b>  | <b>-</b>  | <b>176,175</b>                 | <b>220,334</b>        |
|   | 2022  |   |   |                                |                       |
|   | Fair value through profit or loss<br>Million Baht | Designated at fair value through profit or loss<br>Million Baht | Fair value through other comprehensive income<br>Million Baht | Amortised cost<br>Million Baht | Total<br>Million Baht |
| <b>Financial assets</b>   |   |   |   |                                |                       |
| Cash  | -   | -   | -   | 64                             | 64                    |
| Interbank and money market items, net                               | -   | -   | -   | 70,447                         | 70,447                |
| Financial assets measured at fair value through profit or loss      | 10,492  | -   | -   | -                              | 10,492                |
| Derivatives assets  | 38,648  | -   | -   | -                              | 38,648                |
| Investments, net  | -   | -   | 33,914  | 17,529                         | 51,443                |
| Loans to customers and accrued interest receivables, net            | -   | -   | -   | 71,921                         | 71,921                |
| Other assets  | -   | -   | -   | 5,868                          | 5,868                 |
| <b>Total financial assets</b>                                       | <b>49,140</b>                                     | <b>-</b>  | <b>33,914</b>   | <b>165,829</b>                 | <b>248,883</b>        |
| <b>Financial liabilities</b>  |   |   |   |                                |                       |
| Deposits  | -   | -   | -   | 134,290                        | 134,290               |
| Interbank and money market items                                    | -   | -   | -   | 21,645                         | 21,645                |
| Liabilities payable on demand                                       | -   | -   | -   | 1,488                          | 1,488                 |
| Financial liabilities measured at fair value through profit or loss | -   | 7,998   | -   | -                              | 7,998                 |
| Derivatives liabilities   | 44,218  | -   | -   | -                              | 44,218                |
| Other liabilities   | -   | -   | -   | 969                            | 969                   |
| <b>Total financial liabilities</b>                                  | <b>44,218</b>                                     | <b>7,998</b>  | <b>-</b>  | <b>158,392</b>                 | <b>210,608</b>        |

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**5 Offsetting of financial assets and financial liabilities**

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2023 and 2022. The column 'net amount' shows the impact on the Branch's statement of financial position if all set-off rights were exercised. The 'Amounts not set off in the statement of financial position' include transactions where:

- the counterparty has an offsetting exposure with the Branch and a master netting or similar arrangement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- in the case of derivatives and reverse repurchase/repurchase, stock borrowing/lending and similar agreements, and cash and non-cash collateral has been received/pledged.

For risk management purposes, the net amounts of loans and advances to customers are subject to limits, which are monitored and the relevant customer agreements are subject to review and updated, as necessary, to ensure the legal right to set off remains appropriate.

| 2023  |                               |                               |   |  |  |                                    |                            |   |                       |
|---|-------------------------------|-------------------------------|---|--|--|------------------------------------|----------------------------|---|-----------------------|
| Amounts subject to enforceable netting arrangements       |                               |                               |   |  |  |                                    |                            |   |                       |
| Amount not set off in the statement of financial position |                               |                               |   |  |  |                                    |                            |   |                       |
|   | Gross amounts<br>Million Baht | Amount offset<br>Million Baht | Net amounts in<br>the statement<br>of financial<br>position<br>Million Baht | Financial<br>instruments<br>Million Baht | Non-cash<br>collateral<br>Million Baht | Cash<br>collateral<br>Million Baht | Net amount<br>Million Baht | Amounts not<br>subject to<br>enforceable<br>netting<br>agreements<br>Million Baht | Total<br>Million Baht |
| <b>Financial assets</b>                                   |                               |                               |   |  |  |                                    |                            |   |                       |
| Reverse repurchase agreements                             | 62,817                        | -                             | 62,817  | 62,792                                   | -                                      | 25                                 | -                          | -   | 62,817                |
| Derivatives assets  | 14,470                        | -                             | 14,470  | -  | -                                      | 106                                | 14,364                     | 16,043  | 30,513                |
| <b>Total financial assets</b>                             | <b>77,287</b>                 | <b>-</b>                      | <b>77,287</b>   | <b>62,792</b>                            | <b>-</b>                               | <b>131</b>                         | <b>14,364</b>              | <b>16,043</b>   | <b>93,330</b>         |
| <b>Financial liabilities</b>                              |                               |                               |   |  |  |                                    |                            |   |                       |
| Repurchase agreements                                     | 7,000                         | -                             | 7,000   | 7,000                                    | -                                      | -                                  | -                          | -   | 7,000                 |
| Derivatives liabilities                                   | 29,249                        | -                             | 29,249  | -  | -                                      | 3,923                              | 25,326                     | 6,736   | 35,985                |
| <b>Total financial liabilities</b>                        | <b>36,249</b>                 | <b>-</b>                      | <b>36,249</b>   | <b>7,000</b>                             | <b>-</b>                               | <b>3,923</b>                       | <b>25,326</b>              | <b>6,736</b>  | <b>42,985</b>         |

As at 31 December 2023, collateral received from reverse repurchase agreements with fair value of Baht 7,072 million were used as collateralised to other parties under repurchase agreements.

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| 2022   |                                  |                                  |   |  |  |                                    |                            |   |                       |
|--|----------------------------------|----------------------------------|---|--|--|------------------------------------|----------------------------|---|-----------------------|
| Amounts subject to enforceable netting arrangements          |                                  |                                  |   |  |  |                                    |                            |   |                       |
| Amount not set off in the statement<br>of financial position |                                  |                                  |   |  |  |                                    |                            |   |                       |
|  | Gross<br>amounts<br>Million Baht | Amount<br>offset<br>Million Baht | Net amounts in<br>the statement<br>of financial<br>position<br>Million Baht | Financial<br>instruments<br>Million Baht | Non-cash<br>collateral<br>Million Baht | Cash<br>collateral<br>Million Baht | Net amount<br>Million Baht | Amounts not<br>subject to<br>enforceable<br>netting<br>agreements<br>Million Baht | Total<br>Million Baht |
| <b>Financial assets</b>                                      |                                  |                                  |   |  |  |                                    |                            |   |                       |
| Reverse repurchase agreement                                 | 60,438                           | -                                | 60,438  | 60,265                                   | -                                      | 173                                | -                          | -   | 60,438                |
| Derivatives assets   | 17,168                           | -                                | 17,168  | -  | -                                      | 462                                | 16,706                     | 21,480  | 38,648                |
| <b>Total financial assets</b>                                | <b>77,606</b>                    | <b>-</b>                         | <b>77,606</b>   | <b>60,265</b>                            | <b>-</b>                               | <b>635</b>                         | <b>16,706</b>              | <b>21,480</b>   | <b>99,086</b>         |
| <b>Financial liabilities</b>                                 |                                  |                                  |   |  |  |                                    |                            |   |                       |
| Derivatives liabilities                                      | 35,083                           | -                                | 35,083  | -  | -                                      | 5,624                              | 29,459                     | 9,135   | 44,218                |
| <b>Total financial liabilities</b>                           | <b>35,083</b>                    | <b>-</b>                         | <b>35,083</b>   | <b>-</b>                                 | <b>-</b>                               | <b>5,624</b>                       | <b>29,459</b>              | <b>9,135</b>  | <b>44,218</b>         |

## **6 Fair value of financial instruments**

### ***Fair values hierarchy***

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that the Branch can access at the measurement date.
- Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk-taker. For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. In inactive markets, the Branch will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the models logic, inputs, model output and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

### ***Fair value adjustments***

Fair value adjustments are adopted when the Branch takes into consideration additional factors not incorporated within the valuation model that would otherwise be considered by a market participant. The Branch classifies fair value adjustments as either 'risk-related' or 'model-related'. The majority of these adjustments relate to Global Banking and Markets.

#### ***Risk-related adjustments***

##### ***Bid-offer***

TFRS 13 requires the use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of, or unwinding the position.

##### ***Uncertainty***

Certain model inputs may be less readily determinable from market data, and/or the choice of model itself may be more subjective. In these circumstances, an adjustment may be necessary to reflect the likelihood that market participants would adopt more conservative values for uncertain parameters and/or model assumptions than those used in the valuation model.

##### ***Credit valuation adjustment***

The credit valuation adjustment is an adjustment to the valuation of over-the-counter ('OTC') derivative contracts to reflect the possibility that the counterparty may default and the Branch may not receive the full market value of the transactions.

*Debit valuation adjustment*

The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that the Branch may default, and that the Branch may not pay full market value of the transactions.

*Funding fair value adjustment*

The funding fair value adjustment is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio. The expected future funding exposure is calculated by a simulation methodology, where available, and is adjusted for events that may terminate the exposure such as the default of the Branch or the counterparty. The funding fair value adjustment and debit valuation adjustment are calculated independently.

***Model-related adjustments***

*Model limitation*

Models used for portfolio valuation purposes may be based upon a simplified set of assumptions that do not capture all current and future material market characteristics. In these circumstances, model limitation adjustments are adopted.

*Inception profit (Day 1 profit or loss reserves)*

Inception profit adjustments are adopted when the fair value estimated by a valuation model is based on one or more significant unobservable inputs.

***Credit valuation adjustment/debit valuation adjustment methodology***

The Group calculates a separate credit valuation adjustment ('CVA') and debit valuation adjustment ('DVA') for each Group legal entity, and within each entity for each counterparty to which the entity has exposure. The Branch calculates the CVA by applying the probability of default ('PD') of the counterparty, conditional on the non-default of the Branch, to the expected positive exposure of the Branch to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Branch calculates the DVA by applying the PD of the Branch, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Branch and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

For most products, the Branch uses a simulation methodology, which incorporates a range of potential exposures over the life of the portfolio, to calculate the expected positive exposure to a counterparty. The simulation methodology includes credit mitigants, such as counterparty netting agreements and collateral agreements with the counterparty.

The methodologies do not, in general, account for 'wrong-way risk'. Wrong-way risk is an adverse correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction. The risk can either be general, perhaps related to the currency of the issuer country, or specific to the transaction concerned. When there is significant wrong-way risk, a trade-specific approach is applied to reflect the wrong-way risk within the valuation.

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**6.1 Fair values of financial instruments carried at fair value**

The following table presents the Branch's financial assets and liabilities carried at fair value by fair values hierarchy at 31 December 2023.

|  | <b>2023</b>                         |                                     |                                     |                                   |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
|  | <b>Level 1<br/>Million<br/>Baht</b> | <b>Level 2<br/>Million<br/>Baht</b> | <b>Level 3<br/>Million<br/>Baht</b> | <b>Total<br/>Million<br/>Baht</b> |
| <b>Financial assets</b>  |                                     |                                     |                                     |                                   |
| <b>Financial assets at fair value through profit or loss</b>             |                                     |                                     |                                     |                                   |
| Trading investments  | 17,022                              | 5,774                               | -                                   | 22,796                            |
| Derivatives  | 23                                  | 30,306                              | 184                                 | 30,513                            |
| <b>Financial assets at fair value through other comprehensive income</b> |                                     |                                     |                                     |                                   |
| Debt securities  | 4,363                               | 40,679                              | -                                   | 45,042                            |
| <b>Total financial assets</b>  | <b>21,408</b>                       | <b>76,759</b>                       | <b>184</b>                          | <b>98,351</b>                     |
| <b>Financial liabilities</b>   |                                     |                                     |                                     |                                   |
| <b>Financial liabilities at fair value through profit or loss</b>        |                                     |                                     |                                     |                                   |
| Financial liabilities designated at fair value through profit or loss    | -                                   | 8,174                               | -                                   | 8,174                             |
| Derivatives  | 142                                 | 35,664                              | 179                                 | 35,985                            |
| <b>Total financial liabilities</b>                                       | <b>142</b>                          | <b>43,838</b>                       | <b>179</b>                          | <b>44,159</b>                     |

Transfers between Level 1 and Level 2 fair values during the year 2023 can be summarised as follows:

| <b>At 31 December 2023</b>        | <b>Assets</b>   |   |
|-----------------------------------|---|---|
|                                   | <b>Fair value<br/>through other<br/>comprehensive<br/>income<br/>Million Baht</b> | <b>Fair value<br/>through profit or loss<br/>Million Baht</b> |
| Transfers from Level 1 to Level 2 | 206   | 2,483   |
| Transfers from Level 2 to Level 1 | 1,822   | 1,295   |

Transfers between levels of the fair values hierarchy are primarily attributable to observability of valuation inputs.

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The following table presents the Branch's financial assets and liabilities carried at fair value by fair values hierarchy at 31 December 2022.

|  | <b>2022</b>                         |                                     |                                     |                                   |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
|  | <b>Level 1<br/>Million<br/>Baht</b> | <b>Level 2<br/>Million<br/>Baht</b> | <b>Level 3<br/>Million<br/>Baht</b> | <b>Total<br/>Million<br/>Baht</b> |
| <b>Financial assets</b>  |                                     |                                     |                                     |                                   |
| <b>Financial assets at fair value through profit or loss</b>             |                                     |                                     |                                     |                                   |
| Trading investments  | 8,108                               | 2,384                               | -                                   | 10,492                            |
| Derivatives  | 12                                  | 38,636                              | -                                   | 38,648                            |
| <b>Financial assets at fair value through other comprehensive income</b> |                                     |                                     |                                     |                                   |
| Debt securities  | 9,587                               | 24,327                              | -                                   | 33,914                            |
| <b>Total financial assets</b>  | <b>17,707</b>                       | <b>65,347</b>                       | <b>-</b>                            | <b>83,054</b>                     |
| <b>Financial liabilities</b>   |                                     |                                     |                                     |                                   |
| <b>Financial liabilities at fair value through profit or loss</b>        |                                     |                                     |                                     |                                   |
| Financial liabilities designated at fair value through profit or loss    | -                                   | 7,998                               | -                                   | 7,998                             |
| Derivatives  | 16                                  | 44,202                              | -                                   | 44,218                            |
| <b>Total financial liabilities</b>                                       | <b>16</b>                           | <b>52,200</b>                       | <b>-</b>                            | <b>52,216</b>                     |

Transfers between Level 1 and Level 2 fair values during the year 2022 can be summarised as follows:

|                                   | <b>Assets</b>   |   |
|-----------------------------------|---|---|
|                                   | <b>Fair value<br/>through other<br/>comprehensive<br/>income<br/>Million Baht</b> | <b>Fair value<br/>through profit or loss<br/>Million Baht</b> |
| <b>At 31 December 2022</b>        |   |   |
| Transfers from Level 1 to Level 2 | 30  | -   |
| Transfers from Level 2 to Level 1 | 1,802   | 696   |

Transfers between levels of the fair values hierarchy are primarily attributable to observability of valuation inputs.

***Fair value valuation of financial instruments carried at fair value***

*Financial investments*

The fair value of the financial investment is determined as the quoted bid curve at the reporting date by reference to the Thai Bond Market Association.

*Derivatives*

OTC (i.e. non-exchange traded) derivatives are valued using valuation models. Valuation models calculate the present value of expected future cash flows, based upon 'no-arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Derivative products valued using valuation techniques with significant unobservable inputs included certain types of correlation products, such as foreign exchange basket options, equity basket options, foreign exchange interest rate hybrid transactions and long-dated option transactions. Examples of the latter are equity options, interest rate and foreign exchange options.

*Structured notes*

Structured notes, presented as debt issued and borrowings, are trading liabilities and are measured at fair value.

The fair value of structured notes valued using a valuation technique with significant unobservable inputs is derived from the fair value of the underlying debt security and the fair value of the embedded derivative is determined as described in the above paragraph on derivatives. The fair value includes the effect of applying the credit spread which is appropriate to the Branch's liabilities. The change in fair value of issued debt securities attributable to the Branch's own credit spread is computed as follows: for each security at each reporting date, an externally verifiable price is obtained or a price is derived using credit spreads for similar securities for the same issuer. Then, using discounted cash flow, each security is valued using a Fallback THBFIIX or SOFR based discount curve. The difference in the valuations is attributable to the Branch's own credit spread.

***Reconciliation of fair value measurements in Level 3 of the fair values hierarchy***

The following table presents the movement between opening and closing balance of Level 3 financial instruments, measured at fair value using a valuation technique with significant unobservable inputs for the year ended 31 December 2023.

|                            | <b>Derivatives assets</b><br>Million Baht | <b>Derivatives liabilities</b><br>Million Baht |
|----------------------------|---|--|
| <b>At 1 January 2023</b>   | -   | -  |
| Transfers in               | 184                                       | 179  |
| <b>At 31 December 2023</b> | 184                                       | 179  |

At 31 December 2023, the fair values hierarchy of derivative assets and derivative liabilities transfers from Level 2 to Level 3 principally certain model inputs become unobservable and no additional unrealised gains and losses in profit or loss for assets/liabilities under Level 3 held.

The following table presents the movement between opening and closing balance of Level 3 financial instruments, measured at fair value using a valuation technique with significant unobservable inputs for the year ended 31 December 2022.

|                            | <b>Derivatives assets</b><br>Million Baht | <b>Derivatives liabilities</b><br>Million Baht |
|----------------------------|---|--|
| <b>At 1 January 2022</b>   | 2   | -  |
| Transfers out              | (2)                                       | -  |
| <b>At 31 December 2022</b> | -   | -  |

Transfers out of Level 3 derivative assets principally certain model inputs become observable.

***Effect of changes in significant unobservable assumptions to reasonably possible alternatives***

The following table shows the sensitivity of Level 3 fair values to reasonably possible alternative assumptions:

|                            | <b>Reflected in profit or loss</b> |                           |
|----------------------------|------------------------------------|---------------------------|
|                            | <b>Favorable change</b>            | <b>Unfavorable change</b> |
|                            | <b>Million Baht</b>                | <b>Million Baht</b>       |
| Other derivatives          | 0.08                               | (0.08)                    |
| <b>At 31 December 2023</b> | 0.08                               | (0.08)                    |

Favourable and unfavourable changes are determined on the basis of sensitivity analysis. The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data. When the available data is not amenable to statistical analysis, the quantification of uncertainty is judgemental, but remains guided by the 95% confidence interval.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

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***Key unobservable inputs to Level 3 financial instruments***

The table below lists key unobservable inputs to Level 3 financial instruments and provides the range of those inputs as at 31 December 2023. The core range of inputs is the estimated range within which 90% of the inputs fall. A further description of the categories of key unobservable inputs is given as follows:

***Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements***

|                          | Fair value   |              | Valuation technique                | Key unobservable inputs | Full range of inputs |        | Core range of inputs |        |
|--------------------------|--------------|--------------|------------------------------------|-------------------------|----------------------|--------|----------------------|--------|
|                          | Assets       | Liabilities  |                                    |                         | Lower                | Higher | Lower                | Higher |
|                          | Million Baht | Million Baht |                                    |                         |                      |        |                      |        |
| <b>Other derivatives</b> |              |              |                                    |                         |                      |        |                      |        |
| Cross currency swap      | 184          | 179          | Price - Market comparable approach | IR Basis                | 6.50%                | 40.00% | 6.50%                | 40.00% |
| FX option                | -            | -            | Model - Option model               | FX volatility           | 5.52%                | 18.42% | 5.52%                | 18.42% |
| At 31 December 2023      | 184          | 179          |                                    |                         |                      |        |                      |        |

### **Volatility**

Volatility is a measure of the anticipated future variability of a market price. It varies by underlying reference market price, and by strike and maturity of the option. Certain volatilities, typically those of a longer-dated nature, are unobservable and are estimated from observable data. The range of unobservable volatilities reflects the wide variation in volatility inputs by reference market price. The core range is significantly narrower than the full range because these examples with extreme volatilities occur relatively rarely within the Branch portfolio.

### **Correlation**

Correlation is a measure of the inter-relationship between two market prices and is expressed as a number between minus one and plus one. It is used to value more complex instruments where the payout is dependent upon more than one market price. There is a wide range of instruments for which correlation is an input, and consequently a wide range of both same-asset correlations and cross-asset correlations used. In general, the range of same-asset correlations will be narrower than the range of cross-asset correlations.

Correlation may be unobservable. Unobservable correlations may be estimated based upon a range of evidence, including consensus pricing services, the Branch trade prices, proxy correlations and examination of historical price relationships. The range of unobservable correlations quoted in the table reflects the wide variation in correlation inputs by market price pair.

### **6.2 Fair values of financial instruments not carried at fair value**

The following table presents the Branch's financial assets and liabilities not carried at fair value by fair values hierarchy at 31 December 2023.

|  | <b>2023</b>                         |                                     |                                     |                                   |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
|  | <b>Level 1<br/>Million<br/>Baht</b> | <b>Level 2<br/>Million<br/>Baht</b> | <b>Level 3<br/>Million<br/>Baht</b> | <b>Total<br/>Million<br/>Baht</b> |
| <b>Financial assets</b>                                |                                     |                                     |                                     |                                   |
| Cash   | 39                                  | -                                   | -                                   | 39                                |
| Interbank and money market items, net                  | -                                   | 77,073                              | 9,981                               | 87,054                            |
| Investments measured at amortised cost                 | 9,849                               | 4,063                               | -                                   | 13,912                            |
| Loans to customers and<br>accrued interest receivables | -                                   | -                                   | 66,279                              | 66,279                            |
| <b>Total financial assets</b>                          | <b>9,888</b>                        | <b>81,136</b>                       | <b>76,260</b>                       | <b>167,284</b>                    |
| <b>Financial liabilities</b>                           |                                     |                                     |                                     |                                   |
| Deposits   | -                                   | 147,180                             | -                                   | 147,180                           |
| Interbank and money market items                       | -                                   | 25,978                              | -                                   | 25,978                            |
| <b>Total financial liabilities</b>                     | <b>-</b>                            | <b>173,158</b>                      | <b>-</b>                            | <b>173,158</b>                    |

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The following table presents the Branch's financial assets and liabilities not carried at fair value by fair values hierarchy at 31 December 2022.

|   | <b>2022</b>                         |                                     |                                     |                                   |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
|   | <b>Level 1<br/>Million<br/>Baht</b> | <b>Level 2<br/>Million<br/>Baht</b> | <b>Level 3<br/>Million<br/>Baht</b> | <b>Total<br/>Million<br/>Baht</b> |
| <b>Financial assets</b>                             |                                     |                                     |                                     |                                   |
| Cash  | 64                                  | -                                   | -                                   | 64                                |
| Interbank and money market items, net               | -                                   | 64,779                              | 5,668                               | 70,447                            |
| Investments measured at amortised cost              | 1,604                               | 15,983                              | -                                   | 17,587                            |
| Loans to customers and accrued interest receivables | -                                   | -                                   | 72,289                              | 72,289                            |
| <b>Total financial assets</b>                       | <b>1,668</b>                        | <b>80,762</b>                       | <b>77,957</b>                       | <b>160,387</b>                    |
| <b>Financial liabilities</b>                        |                                     |                                     |                                     |                                   |
| Deposits  | -                                   | 134,290                             | -                                   | 134,290                           |
| Interbank and money market items                    | -                                   | 21,645                              | -                                   | 21,645                            |
| <b>Total financial liabilities</b>                  | <b>-</b>                            | <b>155,935</b>                      | <b>-</b>                            | <b>155,935</b>                    |

***Fair value valuation of financial instruments not carried at fair value***

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash, interbank and money market items (assets and liabilities), all of which are measured at amortised cost.

***Investments measured at amortised cost***

Investments in debt securities measured at amortised cost are calculated based on yield curve of the Thai Bond Market Association under discounted cash flow model.

***Loans and advances to customers***

The fair value of loans to customers are considered to be materially consistent with the carrying value as the majority of loans are at the market variable rate of interest and allowance for doubtful accounts for certain non-performing loans are considered to materially reflect the credit risk inherent in the portfolio at the statement of financial position date.

Floating rate loans to customers that reprice frequently and have no significant change in credit risk, fair value approximates its carrying value at the reporting date. The fair value of fixed rate loans to customers that reprice within one year of the reporting date approximates the carrying value at the reporting date. The fair value of other fixed interest loans to customers is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar credit quality.

***Deposits***

Fair value of deposit repayable on demand and its carrying amount of deposit repricing within one year are approximated by their carrying value at the reporting date. The fair value of other fixed interest deposits is estimated using discounted cash flows, applying current rates being offered for deposits of similar remaining maturity.

## 7 Maintenance of capital fund

The Branch maintains its capital funds in accordance with Section 32 of the Financial Institution Business Act, B.E. 2551 by maintaining its capital fund as a proportion of risk assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2023 and 2022, can be summarised as follows:

|  | <b>2023</b><br>Million Baht | <b>2022</b><br>Million Baht |
|--|-----------------------------|-----------------------------|
| <b>Assets maintained under Section 32</b>  |                             |                             |
| <b>Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts</b>  | 26,298                      | 24,078                      |
| Net fund brought in to maintenance assets under Section 32   | 25,700                      | 22,600                      |
| Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office | 3,706                       | 6,348                       |
| <b>Total</b>   | <b>29,406</b>               | <b>28,948</b>               |
| <b>Regulatory Capital (in million Baht)</b>  | 25,700                      | 22,600                      |
| <b>Regulatory Capital after deducting capital add-on from Single Lending Limit (in million Baht)</b>   | 25,700                      | 22,600                      |
| <b>Capital Adequacy Ratio (%)</b>  | 20.33                       | 16.94                       |
| <b>Capital Adequacy Ratio after deducting capital add-on from Single Lending Limit (%)</b>   | 20.33                       | 16.94                       |

The Branch has applied the Standardised Approach ('SA') for credit risk and operational risk and the Combined Approach between Standardised Approach and Internal Model for market risk as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification.

As at 31 December 2023 and 2022, the Branch met the minimum Capital Adequacy Ratio requirements set down by the Bank of Thailand, which is in compliance with the Basel III for Capital Adequacy Ratio at minimum of 8.5% plus capital conservation buffer of 2.5%.

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 4/2556 dated 2 May 2013, Re: 'The Public Disclosure of Capital Maintenance for Commercial Banks' and Sor Nor Sor 2/2561 dated 25 January 2018, Re: 'Liquidity Coverage Ratio Disclosure Standards', the Branch intends to disclose Capital Maintenance and Liquidity Coverage Ratio information as at 31 December 2023 within 4 months after the year end date as indicated in the notification through the Branch's website [www.hsbc.co.th](http://www.hsbc.co.th).

In 2023, the Bank of Thailand approved the increase in capital of the Branch amounting from Baht 22,600 million to Baht 25,700 million being effective on 30 May 2023. The Branch transferred the amount from retained earnings with the approval from head office.

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**8 Interbank and money market items, net (assets)**

|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| <b>Domestic</b>  |                      |                      |
| The Bank of Thailand and Financial Institutions Development Fund     | 2,188                | 1,405                |
| Commercial banks   | 69,826               | 60,299               |
| Other financial institutions   | 1,590                | 3,801                |
| <u>Add</u> Accrued interest receivable and undue interest receivable | 76                   | 40                   |
| <u>Less</u> Deferred revenue   | -                    | (1)                  |
| <u>Less</u> Allowance for expected credit losses                     | (1)                  | -                    |
| <b>Total domestic</b>  | <b>73,679</b>        | <b>65,544</b>        |
| <b>Foreign</b>   |                      |                      |
| US Dollar  | 12,390               | 3,747                |
| Euro   | 806                  | 1,150                |
| Other currencies   | 227                  | 67                   |
| <u>Less</u> Deferred revenue   | (48)                 | (61)                 |
| <b>Total foreign</b>   | <b>13,375</b>        | <b>4,903</b>         |
| <b>Total domestic and foreign</b>                                    | <b>87,054</b>        | <b>70,447</b>        |

**9 Financial assets measured at fair value through profit or loss**

|  | 2023<br>Fair value<br>Million Baht | 2022<br>Fair value<br>Million Baht |
|--|------------------------------------|------------------------------------|
| <b>Trading assets</b>                      |                                    |                                    |
| Government and state enterprise securities | 21,584                             | 10,105                             |
| Private debt instruments                   | 1,212                              | 387                                |
| <b>Total</b>                               | <b>22,796</b>                      | <b>10,492</b>                      |

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## 10 Derivatives

### Derivatives held for trading

As at 31 December 2023 and 2022, fair value and notional amount of derivatives classified by type of risks are as follows:

| Type of risk        | 2023                   |                             |                              |                             |                       |
|---------------------|------------------------|-----------------------------|------------------------------|-----------------------------|-----------------------|
|                     | Fair value             |                             | Notional amount              |                             |                       |
|                     | Assets<br>Million Baht | Liabilities<br>Million Baht | Up to 1 year<br>Million Baht | Over 1 year<br>Million Baht | Total<br>Million Baht |
| Exchange rate       | 15,082                 | 16,851                      | 360,585                      | 253,876                     | 614,461               |
| Interest rate       | 15,077                 | 18,769                      | 850,439                      | 1,040,319                   | 1,890,758             |
| Others              |                        |                             |                              |                             |                       |
| - Bond              | 308                    | 324                         | 5,811                        | 6,703                       | 12,514                |
| - Credit derivative | 5                      | -                           | 1,369                        | -                           | 1,369                 |
| - Commodity         | 41                     | 41                          | 1,921                        | -                           | 1,921                 |
| <b>Total</b>        | <b>30,513</b>          | <b>35,985</b>               | <b>1,220,125</b>             | <b>1,300,898</b>            | <b>2,521,023</b>      |
| <hr/>               |                        |                             |                              |                             |                       |
| Type of risk        | 2022                   |                             |                              |                             |                       |
|                     | Fair value             |                             | Notional amount              |                             |                       |
|                     | Assets<br>Million Baht | Liabilities<br>Million Baht | Up to 1 year<br>Million Baht | Over 1 year<br>Million Baht | Total<br>Million Baht |
| Exchange rate       | 20,269                 | 23,289                      | 504,886                      | 291,312                     | 796,198               |
| Interest rate       | 18,207                 | 20,724                      | 470,135                      | 835,817                     | 1,305,952             |
| Others              |                        |                             |                              |                             |                       |
| - Bond              | 157                    | 194                         | 2,945                        | 3,707                       | 6,652                 |
| - Credit derivative | 4                      | -                           | -                            | 1,382                       | 1,382                 |
| - Commodity         | 11                     | 11                          | 2,770                        | -                           | 2,770                 |
| <b>Total</b>        | <b>38,648</b>          | <b>44,218</b>               | <b>980,736</b>               | <b>1,132,218</b>            | <b>2,112,954</b>      |

As at 31 December 2023 and 2022, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

| Counterparty           | 2023       |            | 2022 |    |
|------------------------|------------|------------|------|----|
|                        | %          | %          | %    | %  |
| Financial institutions |            |            |      |    |
| Related parties        | 71         | 61         | 23   | 30 |
| Third parties          | 6          | 9          |      |    |
| <b>Total</b>           | <b>100</b> | <b>100</b> |      |    |

## 11 Investments, net

### 11.1 Classification of investment in securities

|  | 2023           | 2022           |
|--|----------------|----------------|
|  | Amortised cost | Amortised cost |
|  | Million Baht   | Million Baht   |
| <b>Investments in debt instruments measured at amortised cost</b>  |                |                |
| Government and state enterprise securities   | 13,903         | 17,531         |
| Total  | 13,903         | 17,531         |
| <u>Less</u> Allowance for expected credit losses   | (1)            | (2)            |
| Total  | 13,902         | 17,529         |
| <b>Investments in debt instruments measured at fair value through other comprehensive income</b>                                   |                |                |
| Government and state enterprise securities   | 45,042         | 33,914         |
| Total  | 45,042         | 33,914         |
| <b>Total investments, net</b>  | <b>58,944</b>  | <b>51,443</b>  |
| Allowance for expected credit losses for investments in debt instruments measured at fair value through other comprehensive income | 3              | 4              |

As at 31 December 2023 and 2022, investments in debt instruments were pledged as follows:

|   | 2023         | 2022         |
|---|--------------|--------------|
|   | Million Baht | Million Baht |
| Maintained as capital fund under the Bank of Thailand's regulation  | 26,298       | 24,078       |
| Pledged with the Bank of Thailand for intraday liquidity facilities and securities requirement for settlement | 14,208       | 15,435       |

### 11.2 Losses on remeasurement of investments in debt instruments measured at fair value through other comprehensive income as follows:

|   | 2023         | 2022         |
|---|--------------|--------------|
|   | Fair value   | Fair value   |
|   | Million Baht | Million Baht |
| Losses from changes in value of investments in debt instruments measured at FVOCI | (89)         | (84)         |
| Total   | (89)         | (84)         |
| <u>Less</u> Deferred tax  | 18           | 17           |
| <b>Net</b>  | <b>(71)</b>  | <b>(67)</b>  |

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**12 Loans to customers and accrued interest receivables, net**

**12.1 Classified by type of loans**

|   | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|---|------------------------------------|------------------------------------|
| Overdrafts  | 1,262                              | 824                                |
| Loans   | 60,016                             | 65,115                             |
| Bills   | 4,929                              | 6,263                              |
| <br>Total loans to customers  | <br>66,207                         | <br>72,202                         |
| <u>Less</u> Deferred revenue  | (32)                               | (33)                               |
| <br>Total loans to customers net of deferred revenue                          | <br>66,175                         | <br>72,169                         |
| <u>Add</u> Accrued interest receivables and<br>undue interest receivable      | 328                                | 214                                |
| <br>Total loans to customers and accrued interest receivables                 | <br>66,503                         | <br>72,383                         |
| <u>Less</u> Surplus reserve   | (180)                              | (360)                              |
| Allowance for expected credit losses  | (204)                              | (102)                              |
| <br><b>Total loans to customers and accrued<br/>interest receivables, net</b> | <br>66,119                         | <br>71,921                         |

**12.2 Classified by currencies and residencies of debtors**

|                     | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|---------------------|------------------------------------|------------------------------------|
| <br><b>Domestic</b> |                                    |                                    |
| Baht                | 55,972                             | 48,853                             |
| US Dollar           | 8,513                              | 20,208                             |
| Other currencies    | 1,544                              | 985                                |
| <br>Total domestic  | <br>66,029                         | <br>70,046                         |
| <br><b>Foreign</b>  |                                    |                                    |
| US Dollar           | 146                                | 2,123                              |
| <br>Total foreign   | 146                                | 2,123                              |
| <br><b>Total*</b>   | 66,175                             | 72,169                             |

\* Loans to customers net of deferred revenue

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**12.3 Classified by loan classification**

| Loan classification  | 2023<br>Loans to<br>customers and<br>accrued<br>interest<br>receivables<br>Million Baht | 2022<br>Loans to<br>customers and<br>accrued<br>interest<br>receivables<br>Million Baht |
|--|---|---|
| Financial assets with an insignificant increase in credit risk ('Performing')    | 59,866  | 59,762  |
| Financial assets with a significant increase in credit risk ('Under-performing') | 6,461   | 12,535  |
| Credit-impaired financial assets ('Non-performing')                              | 176   | 86  |
| <b>Total*</b>  | <b>66,503</b>   | <b>72,383</b>   |

\* Loans to customers net of deferred revenue included accrued interest receivables

**12.4 Non-performing loans**

As at 31 December 2023 and 2022, the Branch had non-performing loans gross ('NPLs Gross') (including financial institutions) based on the BoT's notification as follows:

|   | 2023    | 2022    |
|---|---------|---------|
| NPLs, gross ( <i>in million Baht</i> )  | 176     | 86      |
| Loans used for NPLs ratio calculation <sup>(1)</sup> ( <i>in million Baht</i> ) | 138,970 | 138,768 |
| Percentage of total loans <sup>(2)</sup>  | 0.13%   | 0.06%   |

<sup>(1)</sup> Total loans used for NPLs ratio calculation are loans to customers as presented in the statement of financial position and loans to financial institutions as included in inter-bank and money market items.

<sup>(2)</sup> The ratio of NPLs Gross to total loans before allowance for doubtful accounts of non-performing loans.

As at 31 December 2023, allowance for expected credit losses of Baht 176 million have been provided against the Branch's non-performing loans being those classified credit-impaired financial assets (Stage 3).

As at 31 December 2022, allowance for expected credit losses of Baht 86 million have been provided against the Branch's non-performing loans being those classified credit-impaired financial assets (Stage 3).

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**13 Allowance for expected credit losses**

The following tables show reconciliations from the opening to the closing balance of expected credit loss ('ECL') analysed by class of financial instruments at 31 December 2023.

|   | 2023   |  |  |                              |                    |
|---|--|--|--|------------------------------|--------------------|
|   | Allowance for expected credit losses   |  |  |                              |                    |
|   | Financial assets with a significant increase in credit risk (Lifetime ECL-not credit impaired) (12-mth ECL) Million Baht | Financial assets with an insignificant increase in credit risk (Lifetime ECL-not credit impaired) Million Baht | Credit-impaired financial assets (Lifetime ECL-credit impaired) Million Baht | Surplus reserve Million Baht | Total Million Baht |
| <b>Financial assets held at amortised cost <sup>(1)</sup></b>                     |  |  |  |                              |                    |
| As at 1 January 2023  | 20   | 5  | 86   | 360                          | 471                |
| Transfer between stages   | 3  | (3)  | -  | -                            | -                  |
| Remeasurement   | (2)  | 14   | 90   | -                            | 102                |
| Newly acquired or purchased financial assets                                      | 9  | 1  | -  | -                            | 10                 |
| Assets derecognised (including final repayments)                                  | (3)  | (1)  | -  | -                            | (4)                |
| Amortisation of surplus reserve   | -  | -  | -  | (180)                        | (180)              |
| As at 31 December 2023  | 27   | 16   | 176  | 180                          | 399                |
| <b>Financial assets measured at fair value through other comprehensive income</b> |  |  |  |                              |                    |
| As at 1 January 2023  | 4  | -  | -  | -                            | 4                  |
| Remeasurement   | (1)  | -  | -  | -                            | (1)                |
| Newly acquired or purchased financial assets                                      | 2  | -  | -  | -                            | 2                  |
| Assets derecognised (including final repayments)                                  | (2)  | -  | -  | -                            | (2)                |
| As at 31 December 2023  | 3  | -  | -  | -                            | 3                  |

<sup>(1)</sup> Includes ECL on investments measured at amortised cost, financial guarantees and loan commitments

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The following tables show reconciliations from the opening to the closing balance of expected credit loss ('ECL') analysed by class of financial instruments at 31 December 2022.

|   | 2022   |   |  |                              |                    |
|---|--|---|--|------------------------------|--------------------|
|   | Allowance for expected credit losses   |   |  |                              |                    |
|   | Financial assets with an insignificant increase in credit risk (12-mth ECL) Million Baht | Financial assets with a significant increase in credit risk (Lifetime ECL-not credit impaired) Million Baht | Credit-impaired financial assets (Lifetime ECL-credit impaired) Million Baht | Surplus reserve Million Baht | Total Million Baht |
| <b>Financial assets held at amortised cost <sup>(1)</sup></b>                     |  |   |  |                              |                    |
| As at 1 January 2022  | 26   | 36  | 4  | 540                          | 606                |
| Transfer between stages   | (5)  | 4   | 1  | -                            | -                  |
| Remeasurement   | (1)  | (26)  | 85   | -                            | 58                 |
| Newly acquired or purchased financial assets                                      | 5  | 1   | -  | -                            | 6                  |
| Assets derecognised (including final repayments)                                  | (5)  | (10)  | (4)  | -                            | (19)               |
| Amortisation of surplus reserve   | -  | -   | -  | (180)                        | (180)              |
| As at 31 December 2022  | 20   | 5   | 86   | 360                          | 471                |
| <b>Financial assets measured at fair value through other comprehensive income</b> |  |   |  |                              |                    |
| As at 1 January 2022  | 7  | -   | -  | -                            | 7                  |
| Remeasurement   | (1)  | -   | -  | -                            | (1)                |
| Newly acquired or purchased financial assets                                      | 1  | -   | -  | -                            | 1                  |
| Assets derecognised (including final repayments)                                  | (3)  | -   | -  | -                            | (3)                |
| As at 31 December 2022  | 4  | -   | -  | -                            | 4                  |

<sup>(1)</sup> Includes ECL on investments measured at amortised cost, financial guarantees and loan commitments

#### 14 Right-of-use assets, net

|                                      | 2023<br>Million Baht | 2022<br>Million Baht |
|--------------------------------------|----------------------|----------------------|
| Cost                                 | 985                  | 984                  |
| <u>Less</u> Accumulated amortisation | (638)                | (613)                |
| <u>Less</u> Losses on impairment     | (269)                | (269)                |
| Total                                | 78                   | 102                  |

Addition to Right-of-use assets during 2023 were Baht 5 million (2022: Baht 2 million).

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**15 Deferred tax, net**

Deferred tax assets and liabilities determined after netting off are appropriately included in the statements of financial position as follows:

|                          | 2023<br>Million Baht | 2022<br>Million Baht |
|--------------------------|----------------------|----------------------|
| Deferred tax assets      | 216                  | 225                  |
| Deferred tax liabilities | (53)                 | (80)                 |
| <b>Deferred tax, net</b> | <b>163</b>           | <b>145</b>           |

Movements in deferred tax assets and liabilities during the year ended 31 December 2023 were as follows:

|  | (Charged)/ credited to |                           |                           |                      |
|--|------------------------|---------------------------|---------------------------|----------------------|
|  | At                     | Profit                    | comprehensive             | At                   |
|  | 1 January              | or loss                   | income                    | 31 December          |
|  | 2023<br>Million Baht   | (Note 35)<br>Million Baht | (Note 35)<br>Million Baht | 2023<br>Million Baht |
| <b>Deferred tax assets</b>                                     |                        |                           |                           |                      |
| Financial assets measured at fair value through profit or loss | 21                     | (21)                      | -                         | -                    |
| Investments  | 17                     | -                         | 1                         | 18                   |
| Allowance for expected credit losses                           | 3                      | -                         | -                         | 3                    |
| Provision for impairment                                       | 24                     | (13)                      | -                         | 11                   |
| Others   | 160                    | 24                        | -                         | 184                  |
| <b>Total</b>   | <b>225</b>             | <b>(10)</b>               | <b>1</b>                  | <b>216</b>           |
| <b>Deferred tax liabilities</b>                                |                        |                           |                           |                      |
| Financial assets measured at fair value through profit or loss | -                      | 4                         | -                         | 4                    |
| Borrowings and financial instruments                           | 77                     | (20)                      | (9)                       | 48                   |
| Others   | 3                      | (2)                       | -                         | 1                    |
| <b>Total</b>   | <b>80</b>              | <b>(18)</b>               | <b>(9)</b>                | <b>53</b>            |
| <b>Net</b>   | <b>145</b>             | <b>8</b>                  | <b>10</b>                 | <b>163</b>           |

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

|  | (Charged)/ credited to |                           |                           |                      |
|--|------------------------|---------------------------|---------------------------|----------------------|
|  | At                     | Profit                    | comprehensive             | At                   |
|  | 1 January              | or loss                   | income                    | 31 December          |
|  | 2022<br>Million Baht   | (Note 35)<br>Million Baht | (Note 35)<br>Million Baht | 2022<br>Million Baht |
| <b>Deferred tax assets</b>                                     |                        |                           |                           |                      |
| Financial assets measured at fair value through profit or loss | 6                      | 15                        | -                         | 21                   |
| Investments  | -                      | -                         | 17                        | 17                   |
| Allowance for expected credit losses                           | 5                      | (2)                       | -                         | 3                    |
| Provision for impairment                                       | 18                     | 6                         | -                         | 24                   |
| Others   | 188                    | (41)                      | 13                        | 160                  |
| <b>Total</b>   | <b>217</b>             | <b>(22)</b>               | <b>30</b>                 | <b>225</b>           |
| <b>Deferred tax liabilities</b>                                |                        |                           |                           |                      |
| Investments  | 24                     | -                         | (24)                      | -                    |
| Borrowings and financial instruments                           | 30                     | 38                        | 9                         | 77                   |
| Others   | 6                      | (3)                       | -                         | 3                    |
| <b>Total</b>   | <b>60</b>              | <b>35</b>                 | <b>(15)</b>               | <b>80</b>            |
| <b>Net</b>   | <b>157</b>             | <b>(57)</b>               | <b>45</b>                 | <b>145</b>           |

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**16 Other assets**

|                            | 2023<br>Million Baht | 2022<br>Million Baht |
|----------------------------|----------------------|----------------------|
| Accrued income receivables | 590                  | 211                  |
| Marginal deposit           | 4,886                | 5,657                |
| Others                     | 61                   | 61                   |
| <b>Total</b>               | <b>5,537</b>         | <b>5,929</b>         |

**17 Deposits**

**17.1 Classified by type of deposits**

|   | 2023<br>Million Baht | 2022<br>Million Baht |
|---|----------------------|----------------------|
| Current                                   | 45,058               | 58,701               |
| Saving                                    | 88,585               | 67,788               |
| Term                                      |                      |                      |
| - Less than 6 months                      | 10,930               | 4,516                |
| - More than 6 months but less than 1 year | 2,607                | 3,285                |
| <b>Total</b>                              | <b>147,180</b>       | <b>134,290</b>       |

**17.2 Classified by currencies and residencies of depositors**

|                  | 2023                        |                            |                          | 2022                        |                            |                          |
|------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|----------------------------|--------------------------|
|                  | Domestic<br>Million<br>Baht | Foreign<br>Million<br>Baht | Total<br>Million<br>Baht | Domestic<br>Million<br>Baht | Foreign<br>Million<br>Baht | Total<br>Million<br>Baht |
| Baht             | 121,248                     | 1,331                      | 122,579                  | 102,485                     | 6,602                      | 109,087                  |
| US Dollar        | 20,148                      | 1,394                      | 21,542                   | 18,511                      | 4,486                      | 22,997                   |
| Other currencies | 3,057                       | 2                          | 3,059                    | 2,194                       | 12                         | 2,206                    |
| <b>Total</b>     | <b>144,453</b>              | <b>2,727</b>               | <b>147,180</b>           | <b>123,190</b>              | <b>11,100</b>              | <b>134,290</b>           |

**18 Interbank and money market items (liabilities)**

|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| <b>Domestic</b>                                  |                      |                      |
| Commercial banks                                 | 7,001                | 4                    |
| Finance, securities and credit foncier companies | 5,878                | 9,524                |
| Other financial institutions                     | 8,227                | 5,396                |
| <b>Total domestic</b>                            | <b>21,106</b>        | <b>14,924</b>        |
| <b>Foreign</b>                                   |                      |                      |
| Baht   | 4,847                | 6,665                |
| Other currencies                                 | 25                   | 56                   |
| <b>Total foreign</b>                             | <b>4,872</b>         | <b>6,721</b>         |
| <b>Total domestic and foreign</b>                | <b>25,978</b>        | <b>21,645</b>        |

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**19 Financial liabilities measured at fair value through profit or loss**

|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| <b>Financial liabilities designated at fair value through profit or loss</b> |                      |                      |
| - Bills of exchange  | 8,174                | 7,998                |
| <b>Total</b>   | <b>8,174</b>         | <b>7,998</b>         |

As at 31 December 2023, borrowings were in interest rates between 0.49% - 2.61% per annum. (2022 : 0.49% - 2.61% per annum).

As at 31 December 2023, the carrying amount of financial liabilities designated at fair value through profit or loss was Baht 1,967 million more than the contractual amount at maturity. The cumulative amount of change in fair value attributable to changes in credit risk was a gain of Baht 77 million presented in other comprehensive income.

As at 31 December 2022, the carrying amount of financial liabilities designated at fair value through profit or loss was Baht 1,750 million more than the contractual amount at maturity. The cumulative amount of change in fair value attributable to changes in credit risk was a gain of Baht 122 million presented in other comprehensive income.

**20 Employee benefit obligations**

Statement of financial position obligations for

|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| Long term employment benefits                    |                      |                      |
| - Long service award                             | 15                   | 14                   |
| Post employment benefits                         |                      |                      |
| - Legal severance payment plan and gratuity plan | 425                  | 396                  |
| <b>Total</b>                                     | <b>440</b>           | <b>410</b>           |
|  | 2023<br>Million Baht | 2022<br>Million Baht |
| <b>For the year ended 31 December</b>            |                      |                      |
| <b>Statement of comprehensive income:</b>        |                      |                      |
| <b>Recognised in profit or loss</b>              |                      |                      |
| Long term employment benefits                    |                      |                      |
| - Long service award                             | 3                    | 2                    |
| Post employment benefits                         |                      |                      |
| - Legal severance payment plan and gratuity plan | 36                   | 33                   |
| <b>Recognised in other comprehensive income</b>  |                      |                      |
| Actuarial losses recognised during the year      | 1                    | 67                   |
| <b>Total</b>                                     | <b>40</b>            | <b>102</b>           |

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The Branch operates the following unfunded defined benefit plans for eligible employees in Thailand in accordance with the requirements of the Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

*Legal severance payment plan*

Under this plan, employees are entitled to legal severance payment benefits ranging from 30 days to 400 days of final salary upon retirement or involuntary separation before retirement.

*Gratuity plan*

Under this plan, employees are entitled to one-month final salary for every five year of completed service upon retirement.

*Other long-term benefits*

The Branch gives money rewards to employees when they have worked for the Branch for 10, 20 and 30 years.

The statement of financial position obligations were determined as follows:

|  | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|--|------------------------------------|------------------------------------|
| Present value of unfunded obligations              |                                    |                                    |
| Long service award                                 | 15                                 | 14                                 |
| Legal severance payment plan and gratuity plan     | 425                                | 396                                |
| <b>Statement of financial position obligations</b> | <b>440</b>                         | <b>410</b>                         |

Movement in the present value of the defined benefit obligations:

*Long service award*

|                                      | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|--------------------------------------|------------------------------------|------------------------------------|
| At 1 January                         | 14                                 | 14                                 |
| Expense recognised in profit or loss |                                    |                                    |
| Current service costs                | 1                                  | 1                                  |
| Actuarial losses                     | 2                                  | 1                                  |
| Benefits paid during the year        | (2)                                | (2)                                |
| <b>At 31 December</b>                | <b>15</b>                          | <b>14</b>                          |

*Legal severance payment plan and gratuity plan*

|  | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|--|------------------------------------|------------------------------------|
| At 1 January                                   | 396                                | 323                                |
| Expense recognised in profit or loss           |                                    |                                    |
| Current service costs                          | 28                                 | 28                                 |
| Interest cost on obligation                    | 8                                  | 5                                  |
| Benefits paid during the year                  | (8)                                | (27)                               |
| Actuarial losses in other comprehensive income | 1                                  | 67                                 |
| <b>At 31 December</b>                          | <b>425</b>                         | <b>396</b>                         |

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The expense is recognised in profit or loss:

|                          | 2023<br>Million Baht | 2022<br>Million Baht |
|--------------------------|----------------------|----------------------|
| Other operating expenses |                      |                      |
| - Employee expenses      | 39                   | 35                   |
| <b>Total</b>             | <b>39</b>            | <b>35</b>            |

Actuarial losses recognised in other comprehensive income, net of deferred tax.

|                            | 2023<br>Million Baht | 2022<br>Million Baht |
|----------------------------|----------------------|----------------------|
| At 1 January               | 86                   | 33                   |
| Recognised during the year | 1                    | 53                   |
| <b>At 31 December</b>      | <b>87</b>            | <b>86</b>            |

Principal actuarial assumptions at the reporting date:

|                                 | 2023<br>(%)                        | 2022<br>(%)                        |
|---------------------------------|------------------------------------|------------------------------------|
| Discount rate                   | 2.6                                | 2.4                                |
| Future average salary increases | 2.0                                | 2.0                                |
| Pre-retirement mortality rate   | Thai Mortality Ordinary Table 2017 | Thai Mortality Ordinary Table 2017 |

As at 31 December 2023 and 2022, the impact on defined benefit obligations of key assumption changes are summarised as follows:

|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| Discount rate                          |                      |                      |
| 1.0% decrease                          | 24                   | 23                   |
| 1.0% increase                          | (21)                 | (21)                 |
| Expected rate of salary increase       |                      |                      |
| 1.0% decrease                          | (21)                 | (21)                 |
| 1.0% increase                          | 24                   | 23                   |
| Turnover rate                          |                      |                      |
| 10% decrease in likelihood of turnover | 9                    | 9                    |
| 10% increase in likelihood of turnover | (8)                  | (8)                  |

Maturity analysis of benefits expected to be paid

|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| Benefits expected to be paid within 12 months      | 71                   | 39                   |
| Benefits expected to be paid between 1 and 2 years | 39                   | 55                   |
| Benefits expected to be paid between 2 and 5 years | 208                  | 174                  |
| Benefits expected to be paid in more than 5 years  | 148                  | 191                  |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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**21 Provisions**

|   | 2023<br>Million Baht | 2022<br>Million Baht |
|---|----------------------|----------------------|
| <b>Provisions (excluding contractual commitments)<sup>(1)</sup></b> |                      |                      |
| At 1 January  | 64                   | 72                   |
| Addition  | 42                   | -                    |
| Provision used  | (31)                 | (8)                  |
| <b>At 31 December</b>   | <b>75</b>            | <b>64</b>            |
| <b>Contractual commitments<sup>(2)</sup></b>                        |                      |                      |
| At 1 January  | 7                    | 24                   |
| Net change in expected credit loss provision and other movements    | 6                    | (17)                 |
| <b>At 31 December</b>   | <b>13</b>            | <b>7</b>             |
| <b>Total provisions</b>   | <b>88</b>            | <b>71</b>            |

- (1) The above consists of the restructuring provision relating to disposal of retail portfolio and reinstated provision for leasehold right. During 2023, the Branch set termination provision by Baht 50 million.  
 (2) Contractual commitments include the provision for contingent liabilities in respect of financial guarantees and the expected credit loss provision on off-balance sheet guarantees and loan commitments.

**22 Other liabilities**

|                           | 2023<br>Million Baht | 2022<br>Million Baht |
|---------------------------|----------------------|----------------------|
| Accrued interest expenses | 76                   | 27                   |
| Accrued expenses          | 588                  | 417                  |
| Income tax payable        | 526                  | 308                  |
| Marginal deposit          | 802                  | 635                  |
| Clearing suspense account | 10,622               | 210                  |
| Others                    | 700                  | 470                  |
| <b>Total</b>              | <b>13,314</b>        | <b>2,067</b>         |

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**23 Commitments and contingent liabilities**

|  | 2023                    |  |                          | 2022                    |  |                          |
|--|-------------------------|--|--------------------------|-------------------------|--|--------------------------|
|  | Baht<br>Million<br>Baht | Foreign<br>currency<br>Million<br>Baht | Total<br>Million<br>Baht | Baht<br>Million<br>Baht | Foreign<br>currency<br>Million<br>Baht | Total<br>Million<br>Baht |
| Guarantees of loans  | 3                       | 502                                    | 505                      | 21                      | 618                                    | 639                      |
| Other guarantees   | 27,600                  | 10,316                                 | 37,916                   | 32,028                  | 10,231                                 | 42,259                   |
| Liabilities under unmatured import bills                   | 288                     | 1,305                                  | 1,593                    | 1                       | 1,400                                  | 1,401                    |
| Letters of credit  | 291                     | 2,058                                  | 2,349                    | 2                       | 1,179                                  | 1,181                    |
| Unused credit lines of overdrafts<br>and credit facilities | 57,633                  | 24,343                                 | 81,976                   | 58,613                  | 30,503                                 | 89,116                   |
| <b>Total</b>   | <b>85,815</b>           | <b>38,524</b>                          | <b>124,339</b>           | <b>90,665</b>           | <b>43,931</b>                          | <b>134,596</b>           |

As at 31 December 2023, the Branch has received a claim by one corporate customer claiming that the Branch wrongfully and negligently paid the cheque which was not signed by the Company's authorised persons of approximately Baht 0.7 million (2022: Baht 0.7 million). No provision has been made in the financial statements as the Branch's management does not currently expect that the Branch will incur significant loss from this lawsuit.

During 2023, the pending civil litigation with claim amount of THB 358 million was final without any loss from the lawsuit. The Branch was alleged to negligently or by way of willful misconduct allowed transfers of funds out of the former retail customer's account maintained with the Branch and the closure of such accounts notwithstanding that the transfer and account closure instructions did not comply with the account mandate. The total amount claimed against the Branch at 31 December 2022 was Baht 358 million. No provision was made in the financial statements as the Branch's management did not expect that the Branch would incur significant loss from this lawsuit.

## 24 Related parties

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

Relationships with significant key management personnel and related parties were as follows:

| Name of entities/Personnel                                     | Country of incorporation | Nature of relationships   |
|--|--------------------------|---|
| Key management personnel                                       | Thailand                 | Persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly including any directs (whether executive or otherwise) of the Branch. The Branch's key management personnel consisted of:<br>- Chief Executive Officer<br>- Chief Compliance Officer<br>- Chief Financial Officer<br>- Chief Operating Officer<br>- Chief Risk Officer<br>- Head of Market and Securities Services<br>- Head of Wholesales Banking<br>- Head of Global Private Banking<br>- Head of Asset Management<br>- Head of Legal<br>- Head of Communications<br>- Head of Human Resources |
| HSBC Holdings plc  | England                  | Ultimate parent company of the Head Office  |
| The Hongkong and Shanghai Banking Corporation Limited ('HBAP') | Hong Kong                | Head Office and other branches  |
| <b>Other HSBC Group entities</b>                               |                          |   |
| HSBC Bank plc  | England                  | HSBC Holdings plc's subsidiary  |
| HSBC UK Bank plc   | England                  | HSBC Holdings plc's subsidiary  |
| HSBC Bank USA, N.A.  | United States            | HSBC Holdings plc's subsidiary  |
| HSBC France  | France                   | HSBC Holdings plc's subsidiary  |
| HSBC Germany   | Germany                  | HSBC Holdings plc's subsidiary  |
| HSBC Bank Australia Limited                                    | Australia                | HBAP's subsidiary   |
| HSBC Bank Malaysia Berhad                                      | Malaysia                 | HBAP's subsidiary   |
| HSBC Bank (Singapore) Limited                                  | Singapore                | HBAP's subsidiary   |
| HSBC Bank (Taiwan) Limited                                     | Taiwan                   | HBAP's subsidiary   |
| Hang Seng Bank Limited   | Hong Kong                | HBAP's subsidiary   |

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

| <b>Transactions</b> | <b>Pricing policies</b>    |
|---------------------|----------------------------|
| Interest            | Based on market rate       |
| Services            | Contractually agreed price |
| Derivatives         | Based on market price      |

Significant transactions for the years ended 31 December 2023 and 2022 with the related parties were as follows:

|  | <b>2023</b>         | <b>2022</b>         |
|--|---------------------|---------------------|
|  | <b>Million Baht</b> | <b>Million Baht</b> |
| <b>HBAP</b>                                |                     |                     |
| Interest income on inter-office lending    | 56                  | 33                  |
| Fee and service income                     | 50                  | 71                  |
| Other income                               | 100                 | 55                  |
| Interest expense on inter-office borrowing | 223                 | 94                  |
| Fee and expenses                           | 49                  | 61                  |
| Head office expenses                       | 717                 | 642                 |
| Other expenses                             | 42                  | 22                  |
| <b>Other HSBC Group entities</b>           |                     |                     |
| Interest income                            | 108                 | 32                  |
| Fee and commission income                  | 77                  | 72                  |
| Other income                               | 8                   | -                   |
| Interest expense                           | 14                  | 3                   |
| Fee and commission expenses                | 19                  | 21                  |
| Other expenses                             | 304                 | 295                 |

Significant balances with related parties as at 31 December 2023 and 2022 consisted of:

|   | <b>2023</b>         | <b>2022</b>         |
|---|---------------------|---------------------|
|   | <b>Million Baht</b> | <b>Million Baht</b> |
| <b>Interbank and money market items (assets)</b>      |                     |                     |
| <b>HSBC Group entities</b>                            |                     |                     |
| HSBC Bank USA, N.A.                                   | 10,311              | 9                   |
| HSBC Bank plc   | 1,407               | 2,049               |
| HSBC France   | 61                  | 11                  |
| HSBC Bank Australia Limited                           | 7                   | 23                  |
| Others  | 4                   | 3                   |
| <b>Total</b>  | <b>11,790</b>       | <b>2,095</b>        |
| <b>Interbank and money market items (liabilities)</b> |                     |                     |
| <b>HSBC Group entities</b>                            |                     |                     |
| Hang Seng Bank Limited                                | 184                 | 163                 |
| HSBC France   | 168                 | 30                  |
| HSBC Bank plc   | 160                 | 268                 |
| HSBC Germany  | 127                 | -                   |
| HSBC UK Bank plc                                      | 111                 | 191                 |
| HSBC Bank (Taiwan) Limited                            | 21                  | 195                 |
| HSBC Bank USA, N.A.                                   | 8                   | 87                  |
| HSBC Bank Malaysia Berhad                             | 9                   | 11                  |
| HSBC Bank (Singapore) Limited                         | 8                   | 2                   |
| Others  | 133                 | 120                 |
| <b>Total</b>  | <b>929</b>          | <b>1,067</b>        |

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|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| <b><i>Net balance of inter-office accounts with head office and other branches of the same juristic person</i></b> |                      |                      |
| <b>HBAP</b>  |                      |                      |
| Nostro accounts  | (138)                | (87)                 |
| Vostro accounts  | 512                  | 952                  |
| Lending  | -                    | (2,861)              |
| Borrowings   | 3,080                | 7,949                |
| Accrued expenses   | 66                   | 82                   |
| Other receivables  | (145)                | (122)                |
| Other payables   | 74                   | 43                   |
| <b>Total</b>   | <b>3,449</b>         | <b>5,956</b>         |

The Branch enters into certain treasury transactions, including swap, foreign exchange, and option contracts, with other HSBC Group entities for hedging purposes.

***Significant agreements with related parties***

**(a) Service agreement**

The Branch entered into a services agreement with the Head Office relating to the provision of certain management and other services to the Branch by the Head Office. The fees payable by the Branch to the Head Office under the services agreement are based on an allocation of relevant actual costs.

**(b) Outsourcing services**

The Branch entered into service agreements with related parties for certain banking operation, financial processing activities and information technology support.

**25 Benefits paid to directors and executives**

The Branch has no special benefits given to the directors and executives beyond the general benefits provided such as directors' remuneration, executives' salary and bonus (if any) included ESOP warrants.

|                              | 2023<br>Million Baht | 2022<br>Million Baht |
|------------------------------|----------------------|----------------------|
| Short-term employee benefits | 133                  | 140                  |
| Post-employment benefits     | 14                   | 18                   |
| Share-based payments         | 8                    | 8                    |
| <b>Total</b>                 | <b>155</b>           | <b>166</b>           |

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
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**26 Share-based payments**

**Income statement charge**

|  | <b>2023<br/>Million Baht</b> | <b>2022<br/>Million Baht</b> |
|--|------------------------------|------------------------------|
| <b>Equity-settled share-based payments</b> |                              |                              |
| Restricted share awards                    | 18                           | 10                           |
| ShareMatch                                 | 1                            | 1                            |
| <b>Total</b>                               | <b>19</b>                    | <b>11</b>                    |

**HSBC Share Awards**

| <b>Award</b>  | <b>Policy</b>   | <b>Purpose</b>  |
|---|---|---|
| Restricted share awards                                   | <ul style="list-style-type: none"> <li>An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted.</li> <li>Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date.</li> <li>Deferred share awards generally vest over a period of three, five or seven years.</li> <li>Vested shares may be subject to a retention requirement post-vesting.</li> <li>Awards are subject to malus and clawback provisions</li> </ul> | <ul style="list-style-type: none"> <li>To drive and reward performance consistent with strategy and align to shareholder interests.</li> <li>Deferral provides an incentive for a longer term commitment and the ability to apply malus.</li> </ul> |
| International Employee Share Purchase Plan ('ShareMatch') | <ul style="list-style-type: none"> <li>Employee monthly contributions are used to buy HSBC shares at the end of each quarter. The maximum amount each month is equivalent to GBP250 per month.</li> <li>Matching awards are added at a ratio of one free share for every three purchased.</li> <li>Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.</li> </ul>   | <ul style="list-style-type: none"> <li>To align the interests of all employees with the creation of shareholder value.</li> </ul>   |

**Calculation of fair values**

The fair value of a share award is based on the share price at the date of the grant.

**Movement on HSBC share awards**

|  | <b>2023<br/>Number</b> | <b>2022<br/>Number</b> |
|--|------------------------|------------------------|
| Outstanding at 1 January                             | 115,457                | 117,048                |
| Additions during the year                            | 53,644                 | 62,097                 |
| Forfeited during the year                            | -                      | (7,149)                |
| Released during the year                             | (54,957)               | (56,539)               |
| <b>Outstanding at 31 December</b>                    | <b>114,144</b>         | <b>115,457</b>         |
| Weighted average fair value of awards granted (Baht) | 220.69                 | 198.09                 |

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**27 The financial position and results of operations classified by domestic and foreign business**

The Branch does not present the financial position and results of operations classified by domestic and foreign business in the financial statements since the Branch is engaged in only one domestic business in Thailand.

**28 Interest income**

|                                      | <b>2023</b><br>Million Baht | <b>2022</b><br>Million Baht |
|--------------------------------------|-----------------------------|-----------------------------|
| Interbank and money market items     | 1,628                       | 599                         |
| Investments and trading transactions | 521                         | 222                         |
| Investments in debt securities       | 966                         | 493                         |
| Loans                                | 2,365                       | 1,516                       |
| Others                               | 216                         | 76                          |
| <b>Total interest income</b>         | <b>5,696</b>                | <b>2,906</b>                |

**29 Interest expense**

|   | <b>2023</b><br>Million Baht | <b>2022</b><br>Million Baht |
|---|-----------------------------|-----------------------------|
| Deposits  | 715                         | 94                          |
| Interbank and money market items  | 375                         | 136                         |
| Contributions to Financial Institution Development Fund and Deposit Protection Agency | 627                         | 317                         |
| Others  | 35                          | 14                          |
| <b>Total interest expense</b>   | <b>1,752</b>                | <b>561</b>                  |

**30 Net fees and service income**

|   | <b>2023</b><br>Million Baht | <b>2022</b><br>Million Baht |
|---|-----------------------------|-----------------------------|
| Fees and service income                   |                             |                             |
| - Acceptances, aval and guarantees        | 198                         | 190                         |
| - Remittances                             | 401                         | 380                         |
| - Underwriting, management and consulting | 21                          | 38                          |
| - Custody                                 | 425                         | 482                         |
| - Others                                  | 149                         | 181                         |
| <b>Total</b>                              | <b>1,194</b>                | <b>1,271</b>                |
| Fees and service expenses                 |                             |                             |
| - Remittances                             | 65                          | 68                          |
| - Others                                  | 149                         | 162                         |
| <b>Total</b>                              | <b>214</b>                  | <b>230</b>                  |
| <b>Net</b>                                | <b>980</b>                  | <b>1,041</b>                |

**The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch**  
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**31 Net gains on financial instruments measured at fair value through profit or loss**

|  | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|--|------------------------------------|------------------------------------|
| <b>Gains (losses) on trading and foreign exchange transactions</b>                                       |                                    |                                    |
| - Foreign currencies and foreign currency related derivatives  | 2,228                              | 370                                |
| - Interest rate related derivatives  | 536                                | 2,195                              |
| - Debt instruments   | (70)                               | 70                                 |
| - Others   | 308                                | 97                                 |
| <b>Total gains on trading and foreign exchange transactions</b>  | <b>3,002</b>                       | <b>2,732</b>                       |
| <b>Gains (losses) on financial instruments designated<br/>at fair value through profit or loss</b>       |                                    |                                    |
| Changes in fair value of debt issued and borrowings  | (122)                              | 834                                |
| Net losses on derecognition including interest expenses  | (157)                              | (493)                              |
| <b>Total gains (losses) on financial instruments designated<br/>at fair value through profit or loss</b> | <b>(279)</b>                       | <b>341</b>                         |
| <b>Total</b>   | <b>2,723</b>                       | <b>3,073</b>                       |

**32 Expected credit losses**

|   | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|---|------------------------------------|------------------------------------|
| Interbank and money market items                    | 1                                  | -                                  |
| Investments   | (1)                                | (1)                                |
| Loans to customers and accrued interest receivables | (80)                               | (121)                              |
| Loan commitments                                    | 6                                  | (8)                                |
| Financial guarantees                                | 5                                  | (9)                                |
| <b>Total</b>  | <b>(71)</b>                        | <b>(139)</b>                       |

**33 Employee expenses**

|   | <b>2023</b><br><b>Million Baht</b> | <b>2022</b><br><b>Million Baht</b> |
|---|------------------------------------|------------------------------------|
| Wages, salaries and bonus                             | 1,111                              | 1,050                              |
| Post-employment benefits - defined benefit plans      | 40                                 | 35                                 |
| Post-employment benefits - defined contribution plans | 69                                 | 73                                 |
| Others  | 155                                | 109                                |
| <b>Total</b>  | <b>1,375</b>                       | <b>1,267</b>                       |

The Branch has established contributory provident funds for their employees. Memberships of the funds are on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Branch at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by licensed Fund Managers, therefore, they are not included in the statements of financial position.

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**34 Other expenses**

|                                     | 2023<br>Million Baht | 2022<br>Million Baht |
|-------------------------------------|----------------------|----------------------|
| Expenses allocated from Head Office | 717                  | 642                  |
| Others                              | 568                  | 413                  |
| <b>Total</b>                        | <b>1,285</b>         | <b>1,055</b>         |

**35 Income tax expense**

*Income tax expense recognised in profit or loss*

|  | 2023<br>Million Baht | 2022<br>Million Baht |
|--|----------------------|----------------------|
| <b>Current tax expense</b>                   |                      |                      |
| Current year                                 | 1,004                | 736                  |
| Over provided in the prior year              | (6)                  | (2)                  |
|  | 998                  | 734                  |
| <b>Deferred tax expense</b>                  |                      |                      |
| Movements in temporary differences (Note 15) | (8)                  | 57                   |
| <b>Total income tax expense</b>              | <b>990</b>           | <b>791</b>           |

*Income tax expense recognised in other comprehensive income*

|   | 2023<br>Before<br>tax<br>Million Baht | 2023<br>Tax<br>(expense)<br>benefit<br>Million Baht | 2023<br>Net of tax<br>Million Baht | 2022<br>Before<br>tax<br>Million Baht | 2022<br>Tax<br>(expense)<br>benefit<br>Million Baht | 2022<br>Net of tax<br>Million Baht |
|---|---------------------------------------|---|------------------------------------|---------------------------------------|---|------------------------------------|
| Investments   | (5)                                   | 1   | (4)                                | (206)                                 | 41  | (165)                              |
| Changes in fair value attributable<br>to changes in own credit risk | (45)                                  | 9   | (36)                               | 46                                    | (9)   | 37                                 |
| Defined benefit plans actuarial gains                               | (1)                                   | -   | (1)                                | (67)                                  | 13  | (54)                               |
| <b>Total</b>  | <b>(51)</b>                           | <b>10</b>   | <b>(41)</b>                        | <b>(227)</b>                          | <b>45</b>   | <b>(182)</b>                       |

*Reconciliation of effective tax rate*

|   | 2023<br>Rate<br>(%) | 2023<br>Million Baht | 2022<br>Rate<br>(%) | 2022<br>Million Baht |
|---|---------------------|----------------------|---------------------|----------------------|
| Profit before income tax expense                  |                     | 4,923                |                     | 3,984                |
| Income tax using the Thai<br>corporation tax rate | 20.0                | 985                  | 20.0                | 797                  |
| Expenses not deductible for tax<br>purposes       | 0.2                 | 11                   | (0.1)               | (4)                  |
| Over provided in the prior year                   | (0.1)               | (6)                  | -                   | (2)                  |
| <b>Total</b>                                      | <b>20.1</b>         | <b>990</b>           | <b>19.9</b>         | <b>791</b>           |