

**BANK OF AMERICA NATIONAL ASSOCIATION
BANGKOK BRANCH**

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2023



Independent auditor's report

To the Board of Directors of Bank of America National Association

My opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Bank of America National Association - Bangkok Branch ("the Bank") 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 (TFRS) 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 Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and 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 Bank in accordance with the Code of Ethics for Professional Accountants including Independence Standards issued by the Federation of Accounting Professions (TFAC Code) that are relevant to my audit of the 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 TFRS and the Bank of Thailand notifications in relation to the preparation and presentation of financial reporting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with TSAs, I exercise professional judgement 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in blue ink, appearing to read 'Sakuna Yamsakul', written in a cursive style.

Sakuna Yamsakul
Certified Public Accountant (Thailand) No. 4906
Bangkok
3 April 2024

Bank of America National Association - Bangkok Branch
Statement of Financial Position
As at 31 December 2023

	Notes	2023 Thousand Baht	2022 Thousand Baht
Assets			
Cash		7,369	5,601
Interbank and money market items, net	8	7,350,769	18,434,861
Accounts receivables from sales of government bonds		388,857	6,348,342
Financial assets measured at fair value through profit or loss	10	94,787	2,510,753
Financial derivative assets	11	29,110,248	29,854,911
Investments, net	12	50,150,340	40,729,843
Loans to customers and interest receivables, net	13, 14	8,166,147	9,925,945
Leasehold improvement and equipment, net	15	73,665	81,798
Right-of-use assets, net	16	50,884	63,586
Intangible asset, net	17	16,882	15,713
Deferred tax assets, net	18	56,727	49,167
Other assets, net	19	200,287	60,211
Total assets		95,666,962	108,080,731

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

Bank of America National Association - Bangkok Branch

Statement of Financial Position (Cont'd)

As at 31 December 2023

	Notes	2023 Thousand Baht	2022 Thousand Baht
Liabilities and Head Office and other branches of the same juristic person			
Liabilities			
Deposits	20	43,835,978	49,874,079
Interbank and money market items	21	1,231,174	1,425,430
Accounts payables from purchases of government bonds		388,857	6,265,518
Demand liabilities		1,618,363	836,653
Financial derivative liabilities	11	29,613,585	28,170,087
Employee benefit obligations	22	127,267	125,859
Lease liabilities	23	52,594	64,883
Other liabilities	24	573,951	369,256
Total liabilities		77,441,769	87,131,765
Head Office and other branches of the same juristic person			
Fund brought in to maintain assets under the Act	25	14,540,000	14,040,000
Accounts with Head Office and other branches of the same juristic person, net	25	2,927,723	6,280,234
Other components of accounts with Head Office and other branches of the same juristic person		(15,182)	(1,188)
Retained earnings		772,652	629,920
Total Head Office and other branches of the same juristic person		18,225,193	20,948,966
Total liabilities and Head Office and other branches of the same juristic person		95,666,962	108,080,731

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Bank of America National Association - Bangkok Branch
Statement of Profit or Loss and Comprehensive Income
For the year ended 31 December 2023

		2023	2022
	Notes	Thousand Baht	Thousand Baht
Interest incomes	28	1,865,000	631,728
Interest expenses	29	(1,384,840)	(416,986)
Net interest incomes		<u>480,160</u>	<u>214,742</u>
Fees and services incomes		254,232	214,550
Fees and services expenses		(121,420)	(101,850)
Net fees and services incomes	30	<u>132,812</u>	<u>112,700</u>
Gains on financial instruments measured at fair value through profit or loss	31	1,106,593	1,013,771
Other operating incomes		<u>54,822</u>	<u>47,854</u>
Total income from operations		<u>1,774,387</u>	<u>1,389,067</u>
Expense from operations			
Personnel expenses		363,224	381,892
Premises and equipment expenses		82,069	51,066
Taxes and duties		33,400	27,228
Administration support expenses		383,344	325,484
Professional service expenses		5,621	4,917
Other expenses		<u>30,422</u>	<u>51,557</u>
Total expense from operations		<u>898,080</u>	<u>842,144</u>
Expected credit losses	32	<u>9,768</u>	<u>15,541</u>
Income from operations before income tax		866,539	531,382
Income taxes	33	(175,648)	(109,181)
Net income		<u>690,891</u>	<u>422,201</u>
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	22	9,245	2,420
Income tax on items that will not be subsequently reclassified to profit or loss	18	(1,849)	(484)
Total items that will not be subsequently reclassified to profit or loss		<u>7,396</u>	<u>1,936</u>
Items that will be subsequently reclassified to profit or loss			
Change in value of investment in debt securities measured at fair value through other comprehensive income		(17,493)	(3,914)
Income tax relating to items that will be subsequently reclassified to profit or loss	18	<u>3,499</u>	<u>783</u>
Total items that will be subsequently reclassified to profit or loss		<u>(13,994)</u>	<u>(3,131)</u>
Total comprehensive income		<u>684,293</u>	<u>421,006</u>

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Bank of America National Association - Bangkok Branch
Statement of Changes in Head Office and other branches of the same juristic person
For the year ended 31 December 2023

	Notes	Fund brought in to maintain assets under the Act Thousand Baht	Balances with Head Office and other branches of the same juristic person, net Thousand Baht	Other components of accounts with Head Office and other branches of the same juristic person Thousand Baht	Retained earnings Thousand Baht	Total Thousand Baht
Beginning balance 2022		14,040,000	24,515,137	1,943	205,783	38,762,863
Net decrease in balance with Head Office and other branches of the same juristic person		-	(18,234,903)	-	-	(18,234,903)
Change in value of investment in debt securities measured at fair value through other comprehensive income		-	-	(3,914)	-	(3,914)
Remeasurements of post-employment benefit obligations		-	-	-	2,420	2,420
Income tax relating to item in other comprehensive incomes	18	-	-	783	(484)	299
Net income		-	-	-	422,201	422,201
Ending balance 2022		14,040,000	6,280,234	(1,188)	629,920	20,948,966
Beginning balance 2023		14,040,000	6,280,234	(1,188)	629,920	20,948,966
Capital increase from reversal of retained earnings		500,000	-	-	(555,555)	(55,555)
Net decrease in balance with Head Office and other branches of the same juristic person	25	-	(3,352,511)	-	-	(3,352,511)
Change in value of investment in debt securities measured at fair value through other comprehensive income		-	-	(17,493)	-	(17,493)
Remeasurements of post-employment benefit obligations		-	-	-	9,245	9,245
Income tax relating to item in other comprehensive incomes	18	-	-	3,499	(1,849)	1,650
Net income		-	-	-	690,891	690,891
Ending balance 2023		14,540,000	2,927,723	(15,182)	772,652	18,225,193

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Bank of America National Association - Bangkok Branch
Statement of Cash Flows
For the year ended 31 December 2023

		2023	2022
	Notes	Thousand Baht	Thousand Baht
Cash flows provided from (used in) operating activities			
Profits from operating activities before income tax		866,539	531,382
Adjustments to reconcile income from operating before income tax for the year to net cash received from operating activities:			
Depreciation and amortisation	15, 16, 17	41,592	38,031
Expected credit losses	32	9,768	15,541
Employee benefit obligations	22	14,348	13,568
Group equity-settled share-based payment		37,062	62,846
Unrealised gain (losses) on financial assets measured at fair value through profit or loss		10,240	(15,482)
Unrealised losses on exchange rate		2,415,030	693,454
Loss on disposal and write off equipment	15	-	459
Interest incomes		(1,865,000)	(631,728)
Interest expenses		1,384,840	416,986
Interest received		1,663,277	599,063
Interest paid		(1,288,748)	(456,016)
Tax paid		(163,453)	(43,045)
Profit from operating activities before changes in operating assets and liabilities		3,125,495	1,225,059
Decrease (increase) in operating assets:			
Financial assets measured at fair value through profit or loss		2,415,966	21,704,231
Short-term investments		(28,369,975)	(26,099,163)
Loans		1,747,059	(2,989,694)
Other assets		(144,113)	(24,331)
Increase (decrease) in operating liabilities:			
Deposits		(6,038,101)	9,684,860
Interbank and money market items - liabilities		(194,256)	293,372
Demand liabilities		781,710	(639,913)
Employee benefit obligations	22	(3,695)	(2,579)
Other liabilities		(839)	15,062
Interbank and money market items - inter-office accounts with Head Office and balances with other branches under the same entity		(1,729,596)	(18,964,985)
Net cash flows used in operating activities		(28,410,345)	(15,798,081)

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Bank of America National Association - Bangkok Branch
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2023

	Notes	2023 Thousand Baht	2022 Thousand Baht
Cash flows provided from (used in) investing activities			
Cash paid from purchases of equipment and intangible asset	15, 17	(21,926)	(15,233)
Cash paid from purchases of long-term investments		(516,931,966)	(438,721,559)
Cash received from sales of long-term investments		535,921,194	454,931,050
Net cash flows provided from investing activities		18,967,302	16,194,258
Cash flows used in financing activities			
Cash paid from repayment of lease liabilities	23	(12,289)	(11,962)
Net cash flows used in financing activities		(12,289)	(11,962)
Net (decreases) increase in cash and cash equivalents		(9,455,332)	384,215
Cash and cash equivalents at beginning of the year		18,583,900	18,199,685
Cash and cash equivalents at end of the year		9,128,568	18,583,900
Reconciliation to cash and cash equivalents:			
Cash and cash equivalents at end of year comprise			
Cash		7,369	5,601
Interbank and money market items - assets		7,356,081	18,436,096
Interbank and money market items - inter-office accounts with Head Office and balances with other branches under the same entity		1,765,118	142,203
		9,128,568	18,583,900
Significant non-cash transactions			
Capital increase from reversal of retained earnings	25	500,000	-

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1 General information

Bank of America National Association - Bangkok Branch (“the Bank”) is a segment of Bank of America National Association (“BAC”), incorporated in the United States of America, incorporated under the laws of the State of Delaware in the United States of America, which produces consolidated financial statements available for public use. The registered office of BAC where the consolidated financial statements can be obtained is as follows: 100 N. Tryon Street; Charlotte, North Carolina 28255. The address of the Bank’s registration in Thailand is as follows:

33rd floor, All Seasons Place, CRC Tower, 87/2 Wireless Road, Bangkok 10330.

These financial statements were approved by Country Manager on 3 April 2024.

2 Basis of preparation

The financial statements for the year ended 31 December 2023 have been prepared in accordance with procedures, policies and notifications of the Bank of Thailand regarding the preparation of the financial statements of commercial banks and the generally accepted accounting principles in Thailand under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards (TFRS) issued under the Accounting Profession Act B.E. 2547. The primary financial statements (i.e., statement of financial position, statement of profit or loss and comprehensive income, statement of changes in Head Office and other branches under the same juristic person and statement of cash flows) are prepared in the format as required by the Notification of the Bank of Thailand (“BOT”), No. SorNorSor. 21/2561, “The Preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group” dated on 31 October 2018.

The financial statements have been prepared under the historical cost basis, modified to include the measurement of certain financial assets and liabilities at fair value, to the extent required or permitted under TFRS except for some transactions as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6 to the financial statements.

The financial statements are presented in Thai Baht, which is also the Bank’s functional currency, and all values are rounded to the nearest thousands, except as otherwise indicated.

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.

3 New and amended financial reporting standards

3.1 The Bank have not early adopted the new standards and amendments to standards published that are effective for the accounting period beginning on or after 1 January 2024. To the extent, which is known or reasonably estimable, none of these developments is expected to have a material impact on the Bank's financial statements in the period of initial application.

- a) **Amendment to TAS 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 TAS 8 - Accounting policies, changes in accounting estimates and errors** revised to the definition of 'accounting estimates' to clarify how companies 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 TAS 12 - Income taxes** require companies 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.

The amendment should be applied to transactions on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that they can probably be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised at the beginning of retained earnings or another component of equity, as appropriate.

4 Accounting policies

4.1 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the date of revaluation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Any exchange component of gains and losses on a non-monetary item that recognised in profit or loss, or other comprehensive income is recognised following the recognition of a gain or loss on the non-monetary item.

4.2 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents comprise of cash, interbank and money market (assets) and accounts with Head Office and other branches under the same juristic person within 3 months from acquisition date or less.

4.3 Financial instruments

a) Classification

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

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

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

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

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

b) Recognition and derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received and any cumulative gain that had been recognised in other comprehensive income is recognised in profit or loss.

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

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

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

c) Measurement

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

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

Financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost.

d) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

e) Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows that represent SPPI are measured at amortised cost. Interest income is included in interest income using the effective interest method. Any gain or loss on derecognition is presented in gains/(losses) on investments together with foreign exchange gains and losses. Impairment losses are presented as separate line item.
- FVOCI: Assets that are held for collection of contractual cash flows that represent SPPI and for selling the financial assets are measured at FVOCI. Movements in the carrying amount are taken through OCI, except impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. Interest revenue is included in interest income. Foreign exchange gains and losses are presented in gains on investments. Impairment losses are presented as separate line item. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss in other gains/(losses).
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on subsequent measurement is presented in other gains/(losses).

f) Loans of commercial banking business

Loans are generally stated at the outstanding principal less the allowance for expected credit losses. Loans held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

g) Allowance for expected credit losses

The Bank assesses expected credit loss on a forward-looking basis for its financial assets carried at FVOCI and at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk, except other receivables which the Bank applies the simplified approach in determining its expected credit loss. The Bank assesses the simplified approach has no material difference from applying the general approach of those financial assets.

To measure the expected credit losses, interbank and money market items, investments in debt instruments measured at fair value through other comprehensive income, other receivables, and employee loans have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Bank has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit loss rates are based on payment profiles, historical credit losses as well as forward-looking information and factors that may affect the ability of the customers to settle the outstanding balances.

For other financial assets carried at amortised cost, FVOCI, loans commitments, and financial guarantees, the Bank applies TFRS 9 general approach in measuring the impairment of those financial assets. Under the general approach, the 12-month or the lifetime expected credit loss is applied depending on whether there has been a significant increase in credit risk since the initial recognition.

The significant increase in credit risk (from initial recognition) assessment is performed every end of reporting period by comparing a) expected risk of default as of the reporting date and b) estimated risk of default on the date of initial recognition.

The Bank assesses expected credit loss by taking into consideration forward-looking information and past experiences. The expected credit loss is a probability-weighted estimate of credit losses (probability-weighted present value of estimated cash shortfall). The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all cash flows expected to receive, discounted at the original effective interest rate.

When measuring expected credit losses, the Bank reflects the following:

- probability-weighted estimated uncollectible amounts
- time value of money; and
- supportable and reasonable information as of the reporting date about past experience, current conditions and forecasts of future situations.

Impairment losses are recognised in profit or loss as a separate line item in expected credit loss.

The Bank 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 Bank had on 31 December 2019. In which, the Bank will amortise the surplus reserve using the straight-line method over 5 years in accordance with notification number TorPorTor ForNorSor (23) Wor 1603/2562 to utilise surplus reserve from Bank of Thailand dated on 6 November 2019.

The Bank presents bad debt recoveries of loan to customers written-off as part of other operating income.

Default

The Bank's obligor is in default if:

- The Bank determines that the obligor is unlikely to pay its credit obligations to the Bank in full; or
- The obligor is past due more than 90 days on any material credit obligation(s) to the Bank.

An obligor in default remains in default until the Bank has reasonable assurance of repayment and performance for all contractual principal and interest payments on all exposures of the Bank to the obligor (other than exposures that have been fully written off).

Write off

Loans and debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

h) Financial guarantee and other loan commitment

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt.

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. The recognised amounts are included within other liabilities.

Other loan commitments provided by the Bank are measured as the amount of the loss allowance calculated in accordance with expected credit loss model. The recognised amounts are included within other liabilities. The Bank has not provided any commitment to provide loans at a below market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

i) Derivatives

Derivative financial instruments, including foreign exchange spot and forward contracts agreements, interest rate swap agreements, currency swap agreements and currency option agreements are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices, or other widely used methods such as discounted cash flow models. Changes in fair values are reflected in the statement of profit or loss and comprehensive income.

There continues to be a major transition in progress in the global financial markets with respect to the replacement of IBORs, including the London Interbank Offered Rate (LIBOR), and certain other rates or indices that serve as "benchmarks." Such benchmarks have been used extensively across the global financial markets and in the Bank's business. At the end of 2021, the global financial markets transitioned away from new use of all LIBOR settings (except for certain U.S. dollar (USD) LIBOR settings) other than in regulatory approved circumstances. However, there continues to be risks and challenges associated with the transition from IBORs that may result in consequences that cannot be fully anticipated, which expose the Bank to various financial, operational, supervisory, conduct and legal risks, which the Bank continues to monitor closely.

Through a multi-year effort by the industry and regulators, alternative reference rates (ARRs) have been identified and developed and are being used to replace LIBOR and other IBORs. However, market and client adoption of ARRs may vary across or within categories of contracts, products and services, resulting in market fragmentation, decreased trading volumes and liquidity, increased complexity and modeling and operational risks. ARRs have compositions and characteristics that differ from the benchmarks they replace, in some cases have limited history, and may demonstrate less predictable performance over time than the benchmarks they replace. Changes resulting from transition to successor or alternative rates may adversely affect the yield on loans or securities, amounts received and paid on derivatives entered into, the value of such loans, securities or derivative instruments, the trading market for such products and contracts, and the Bank's ability to effectively use hedging instruments to manage risk. There can be no assurance that existing assets and liabilities based on or linked to IBORs that have not already transitioned to ARRs will successfully transition.

Managing the process to transition

The Bank expects to continue to develop, launch and support ARR-based products and services. There is no guarantee that liquidity in ARR-based products will develop, and it is possible that ARR-based products, including products using credit sensitive rates, will perform differently to IBOR Products during times of economic stress, adverse or volatile market conditions and across the credit and economic cycle, which may impact the value, return on and profitability of the Bank's ARR-based assets. New financial products linked to ARRs may have additional legal, financial, tax, operational, market, compliance, reputational, competitive or other risks to the Bank, the Bank's clients and other market participants. In particular, banking regulators globally have increased regulatory scrutiny and intensified supervisory focus of financial institutions LIBOR transition plans, preparations and readiness, which could result in a regulatory action, litigation and/or the need to change the products offered by the Bank's businesses.

Failure to meet industry-wide IBOR transition milestones and to cease issuance of IBOR products by relevant cessation dates may, subject to certain regulatory exceptions, result in supervisory enforcement by applicable regulators, increase the cost of, and access to, capital and other consequences. The market transition may also alter the Bank's risk profile and risk management strategies, including derivatives and hedging strategies, modeling and analytics, valuation tools, product design and systems, controls, procedures and operational infrastructure. This may prove challenging given the limited history of many of the proposed ARRs and may increase the costs and risks related to potential regulatory compliance, requirements or inquiries. Among other risks, various IBOR Products transition to ARRs at different times or in different manners, with the result that the Bank may face significant unexpected interest rate, pricing or other exposures across business or product lines. Continuing reforms to market transition and other factors may adversely affect the Bank's business, including the ability to serve customers and maintain market share, financial condition or results of operations and could result in reputational harm to the Bank.

In response to the various risks discussed above, the Bank established an IBOR transition program led by senior management which continues to drive the Bank's industry and regulatory engagement, client and financial contract changes, internal and external communications, technology and operations modifications, including updates to its operational models, systems and processes, introduction of new products, migration of existing clients, and program strategy and governance.

j) Demand liabilities

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

k) Other Financial liabilities measured at amortised cost

Financial liabilities are subsequently carried at amortised cost, using the effective interest rate method. The Bank's financial liabilities comprise of deposits of non-bank customers, deposits and balances of banks and other financial institutions, accounts payables from purchases of government bonds, lease liabilities and other liabilities.

4.4 Leasehold improvement and equipment and depreciation

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

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Bank. It is capitalised where there are future economic benefits. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss when incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Leasehold improvement	5 - 9
Furniture, fixtures and office equipment	2 - 20

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

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

4.5 Leases

The Bank made an accounting policy election not to separate lease and non-lease components of a contract that is or contains a lease for its real estate and equipment leases. As such, lease payments represent payments on both lease and non-lease components.

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

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the Right-of-use assets are adjusted for certain remeasurement of the lease liabilities.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 2.69%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in profit or loss.

4.6 Intangible assets

Acquired intangible assets

Separately acquired intangible assets such as Computer software is measured at historical cost.

The assets with limited life are subsequently carried and cost less accumulated amortisation and impairment losses. The amortisation is calculated using the straight-line method over their estimated useful lives, as follows:

	Years
Computer software	3 - 5

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

4.7 Impairment of non-financial assets

Assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever there is an indication of impairment. 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 of disposal and value in use.

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

4.8 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in head office and other branches of the same juristic person.

Current tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. 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

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised for temporary differences arise from:

- initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss is not recognised
- investments in subsidiaries, associates and joint arrangements where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is measured using tax rates of the period in which temporary difference is expected to be reversed, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred 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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.9 Employee benefits

Short-term employee benefits

Liabilities for short-term employee benefits such as wages, and salaries that are expected to be settled wholly within 12 months after the end of the period are recognised in respect of employees' service up to the end of the reporting period. They are measured at the amount expected to be paid.

Defined contribution plan

The Bank pays contributions to a separate fund on a voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as defined contribution expense when they are due.

Defined benefit plans

Amount of retirement benefits is defined by the agreed benefits the employees will receive after the completion of employment. It usually depends on factors such as age, years of service and an employee's latest compensation at retirement.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that matches the terms and currency of the expected cash outflows and which have terms to maturity approximating the terms of the related liability.

Remeasurement gains and losses are recognised directly to other comprehensive income in the period in which they arise. They are included in retained earnings in the statements of changes in head office and other branches of the same juristic person.

Past-service costs are recognised immediately in profit or loss.

Termination benefits

The Bank recognises termination benefits at the earlier of (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the Bank recognises costs for the related restructuring. Benefits due more than 12 months are discounted to their present value.

4.10 Share-based payment

BAC grants equity-based payment awards to employees of the Bank under various incentive schemes.

For most awards, expense is generally recognised proportionately over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Bank accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, the Bank recognises expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

As this is a group share-based payment arrangement, all awards are treated by the Bank as equity settled share-based payment plans and are measured based on the fair value of those awards at grant date. The fair value determined at the grant date is expensed over the vesting period, based on the Bank's estimate of the number of shares that will eventually vest. The Bank has entered into a chargeback agreement with BAC under which it is committed to pay BAC the market value at grant date as well as subsequent movements in fair value of those awards to BAC at the time of delivery to its employees. The share-based payment transaction and chargeback agreement create a total charge to the profit and loss based on the grant date fair value of the awards adjusted for subsequent movements in the fair value of those awards prior to delivery.

The fair value determined at the grant date expensed over the vesting period is recognised under staff cost whereas the subsequent movement in the fair value prior to delivery is recorded in other expenses.

4.11 Revenue and expenses recognition

a) Amortised cost and effective interest rate

The amortised cost of a financial asset or financial liabilities is the amount at which the financial asset or financial liabilities is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liabilities.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes all amounts received or paid by the Bank that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

b) Calculation of interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised on an accrual basis using the effective interest method. The effective interest rate is applied to the gross carrying amount of the financial asset (for non-credit impaired assets) or to the amortised cost of the liabilities.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to amortised cost after any impairment allowance of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

c) Interest and discount on loans

The recognition interest income on loan when its principal or interest payment has become over three months past due or stage 3 loan account follow definition of TFRS 9 will be recognise at effective interest rate of the carrying amount after expected credit loss.

d) Fees and services income

The Bank recognises fees and services income when diverse range of services have been rendered to its customers.

Fee and services income is generally recognised on the completion of a transaction. Such fees from cash management, and other fees related to the completion of corporate finance transactions.

For a service that is provided over a period of time, fee and services income is recognised over the period during which the related service is provided, or credit risk is undertaken. Such fees include the income from issuance of acceptances, avals and guarantees and letter of credit fees.

e) Other income

Other income is recognised on an accrual basis.

f) Other expenses

Other expenses are recognised on an accrual basis.

5 Financial risk management

Risk governance

BAC has established a risk governance framework (the "Risk Framework") which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries (including the Bank). The Risk Framework sets forth roles and responsibilities for the management of risk and provides a blueprint for overall management through delegation of authority, establishes risk appetite and associated limits for our activities.

The Risk Framework applies to all BAC employees. It provides an understanding of the Bank's approach to risk management and each employee's responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Bank. The following are the five components of the Bank's risk management approach:

- Culture of Managing Risk Well;
- Risk Appetite and Risk Limits;
- Risk Management Processes;
- Risk Data Management, Aggregation and Reporting; and
- Risk Governance

The seven key types of risk faced by BAC businesses as defined in the Risk Framework are:

- Market risk
- Credit risk
- Liquidity risk
- Strategic risk
- Compliance risk
- Operational risk
- Reputational risk

5.1 Financial risk

The Bank's activities expose to a variety of financial risks: market risk including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

5.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, the Bank may suffer loss as a result of changes in the value of positions taken, both on and off statements of financial position, due to movements in interest rates, foreign exchange rates, equity prices and commodity prices.

The Bank has a Market Risk Management Unit, which is responsible for assessment of market risk, and uses tools and/ or systems that are widely accepted as efficient to help measure, monitor and manage market risk. This supports the Bank in ensuring that market risk is monitored and managed effectively, preventing the occurrence of unacceptable levels of market risk, and enabling the Bank to take action to adjust market risk to appropriate levels in a timely manner.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk is composed of the following:

- Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in currencies other than the functional currency of the Bank. The types of instruments exposed to this risk include foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivatives whose values fluctuate with changes in the level or volatility of currency exchange rates.
- Interest rate risk is the risk to current or projected financial condition arising from movements in interest rates. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows (repricing risk), from changing rate relationships among different yield curves affecting bank activities (basis risk), from changing rate relationships across the spectrum of maturities (yield curve risk), and from interest-related options embedded in bank products or investment securities (options risk). The types of instruments exposed to this risk include, but are not limited to loans, debts securities, certain trading-related assets and liabilities, deposits, borrowings, and derivatives.
- Issuer credit risk represents exposures to changes in the creditworthiness of individual issuers or groups of issuers. The Bank portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads, by credit migration or by defaults.

5.1.1.1 Foreign exchange risk

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

The Bank manages currency risk within the limit which is approved by the regional office. In addition, the Bank limits the net foreign currency position of each currency at 15% of the total fund of the Bank and limits the net foreign currency in aggregate of every currency at 20% of total funds of the Bank, and these limits comply with the regulation of the Bank of Thailand.

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Exposure

The Bank's exposure to foreign exchange risk classified by currency at the end of the reporting period are as follows:

Transactions	2023					Total Million Baht
	Currency					
	THB Million Baht	USD Million Baht	JPY Million Baht	EURO Million Baht	Others Million Baht	
Financial assets						
Interbank and money market items	7,359	-	-	-	-	7,359
Accounts receivables from sales of government bonds	389	-	-	-	-	389
Financial assets measured at fair value through profit or loss	95	-	-	-	-	95
Financial derivative assets	177,720	(119,810)	(25,064)	(3,736)	-	29,110
Investments, net	33,170	16,980	-	-	-	50,150
Loans and interest receivables net of deferred revenue	8,138	123	-	-	-	8,261
Other monetary assets	150	50	-	-	-	200
Total financial assets	227,021	(102,657)	(25,064)	(3,736)	-	95,564
Financial liabilities						
Deposits	24,096	19,513	172	55	-	43,836
Interbank and money market items	1,231	-	-	-	-	1,231
Accounts payables from purchases of government bonds	389	-	-	-	-	389
Demand liabilities	304	1,313	-	-	1	1,618
Financial derivative liabilities	182,753	(124,339)	(25,064)	(3,736)	-	29,614
Lease liabilities	52	-	-	-	-	52
Other monetary liabilities	51	224	-	-	-	275
Total financial liabilities	208,876	(103,289)	(24,892)	(3,681)	1	77,015
Transactions	2022					Total Million Baht
	Currency					
	THB Million Baht	USD Million Baht	JPY Million Baht	EURO Million Baht	Others Million Baht	
Financial assets						
Interbank and money market items	18,437	-	-	-	-	18,437
Accounts receivables from sales of government bonds	6,348	-	-	-	-	6,348
Financial assets measured at fair value through profit or loss	2,511	-	-	-	-	2,511
Financial derivative assets	88,052	(35,448)	(17,906)	(7,949)	3,106	29,855
Investments, net	33,444	7,286	-	-	-	40,730
Loans and interest receivables net of deferred revenue	9,658	358	-	-	-	10,016
Other monetary assets	9	43	-	-	-	52
Total financial assets	158,459	(27,761)	(17,906)	(7,949)	3,106	107,949
Financial liabilities						
Deposits	26,125	23,722	-	27	-	49,874
Interbank and money market items	1,425	-	-	-	-	1,425
Accounts payables from purchases of government bonds	6,266	-	-	-	-	6,266
Demand liabilities	727	109	-	-	1	837
Financial derivative liabilities	105,423	(54,515)	(17,906)	(7,949)	3,117	28,170
Lease liabilities	65	-	-	-	-	65
Other monetary liabilities	19	116	-	-	-	135
Total financial liabilities	140,050	(30,568)	(17,906)	(7,922)	3,118	86,772

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Sensitivity

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

	2023	2022
	Million	Million
	Baht	Baht
Increased by 1%		
US Dollar	7	28
Others	(2)	-
	<u>5</u>	<u>28</u>
Decreased by 1%		
US Dollar	(7)	(28)
Others	2	-
	<u>(5)</u>	<u>(28)</u>

The Bank engages in financial derivative activities as required in the normal course of business to meet its clients' needs and to manage risks arising from fluctuations in foreign exchange rates and interest rates.

5.1.1.2 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Bank's operations. Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding funding liability. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed by the Bank and its Head Office's regional office as part of the overall risk management process which is conducted within internal guidelines and in conjunction with market risk.

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As at 31 December 2023 and 2022, financial assets and liabilities classified by type of interest rate were as follows:

Descriptions	2023			Total Million Baht
	Floating interest rate Million Baht	Fixed interest rate Million Baht	Non-interest bearing Million Baht	
Financial assets				
Interbank and money market items	-	5,987	1,369	7,356
Accounts receivables from sales of government bonds	-	-	389	389
Financial assets measured at fair value through profit or loss	-	95	-	95
Financial derivative assets	16,770	3,352	8,988	29,110
Investments, net	-	-	50,150	50,150
Loans net of deferred revenue	-	8,236	-	8,236
Other monetary assets	-	-	200	200
Total financial assets	16,770	17,670	61,096	95,536
Financial liabilities				
Deposits	-	34,926	8,910	43,836
Interbank and money market items	-	537	694	1,231
Accounts payables from purchases of government bonds	-	-	389	389
Demand liabilities	-	-	1,618	1,618
Financial derivative liabilities	19,390	947	9,277	29,614
Lease liabilities	-	52	-	52
Other monetary liabilities	-	-	275	275
Total financial liabilities	19,390	36,462	21,163	77,015
Descriptions	2022			Total Million Baht
	Floating interest rate Million Baht	Fixed interest rate Million Baht	Non-interest bearing Million Baht	
Financial assets				
Interbank and money market items	-	17,200	1,236	18,436
Accounts receivables from sales of government bonds	-	-	6,348	6,348
Financial assets measured at fair value through profit or loss	-	2,111	400	2,511
Financial derivative assets	18,707	2,380	8,768	29,855
Investments, net	-	-	40,730	40,730
Loans net of deferred revenue	-	9,997	-	9,997
Other monetary assets	-	-	52	52
Total financial assets	18,707	31,688	57,534	107,929
Financial liabilities				
Deposits	-	38,850	11,024	49,874
Interbank and money market items	-	532	893	1,425
Accounts payables from purchases of government bonds	-	-	6,266	6,266
Demand liabilities	-	-	837	837
Financial derivative liabilities	19,853	524	7,793	28,170
Lease liabilities	-	65	-	65
Other monetary liabilities	-	-	135	135
Total financial liabilities	19,853	39,971	26,948	86,772

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As at 31 December 2023 and 2022, financial assets and liabilities classified by type of interest rate and the remaining period to the contractual maturity date were as follows:

Transactions	2023						Total Million Baht
	Maturity date					Non- interest bearing Million Baht	
	At call Million Baht	0 - 3 months Million Baht	3 - 12 months Million Baht	1 - 5 years Million Baht	Over 5 years Million Baht		
Financial assets							
Interbank and money market items	-	5,987	-	-	-	1,369	7,356
Accounts receivables from sales of government bonds	-	-	-	-	-	389	389
Financial assets measured at fair value through profit or loss	-	-	5	13	77	-	95
Financial derivative assets	-	2,107	5,695	9,941	2,379	8,988	29,110
Investments, net	-	-	-	-	-	50,150	50,150
Loans net of deferred revenue	2,200	1,675	2,111	2,250	-	-	8,236
Other monetary assets	-	-	-	-	-	200	200
Total financial assets	2,200	9,769	7,811	12,204	2,456	61,096	95,536
Financial liabilities							
Deposits	34,678	243	5	-	-	8,910	43,836
Interbank and money market items	437	-	100	-	-	694	1,231
Accounts payables from purchases of government bonds	-	-	-	-	-	389	389
Demand liabilities	-	-	-	-	-	1,618	1,618
Financial derivative liabilities	-	2,356	6,135	10,094	1,752	9,277	29,614
Lease liabilities	-	3	9	40	-	-	52
Other monetary liabilities	-	-	-	-	-	275	275
Total financial liabilities	35,115	2,602	6,249	10,134	1,752	21,163	77,015
Transactions	2022						Total Million Baht
	Maturity date					Non- interest bearing Million Baht	
	At call Million Baht	0 - 3 months Million Baht	3 - 12 months Million Baht	1 - 5 years Million Baht	Over 5 years Million Baht		
Financial assets							
Interbank and money market items	-	17,200	-	-	-	1,236	18,436
Accounts receivables from sales of government bonds	-	-	-	-	-	6,348	6,348
Financial assets measured at fair value through profit or loss	-	-	318	12	1,781	400	2,511
Financial derivative assets	-	1,646	2,896	14,092	2,453	8,768	29,855
Investments, net	-	-	-	-	-	40,730	40,730
Loans net of deferred revenue	5,580	1,134	277	3,001	5	-	9,997
Other monetary assets	-	-	-	-	-	52	52
Total financial assets	5,580	19,980	3,491	17,105	4,239	57,534	107,929
Financial liabilities							
Deposits	38,805	42	2	1	-	11,024	49,874
Interbank and money market items	432	-	100	-	-	893	1,425
Accounts payables from purchases of government bonds	-	-	-	-	-	6,266	6,266
Demand liabilities	-	-	-	-	-	837	837
Financial derivative liabilities	-	1,402	3,060	13,875	2,040	7,793	28,170
Lease liabilities	-	3	9	53	-	-	65
Other monetary liabilities	-	-	-	-	-	135	135
Total financial liabilities	39,237	1,447	3,171	13,929	2,040	26,948	86,772

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The Bank has average balances of the financial assets and liabilities that generating revenues and expenses, and the average interest and dividend rate for the years ended 31 December 2023 and 2022, can be summarised as follows:

	2023			2022		
	Average balances Million Baht	Interest and dividend Million Baht	Average rate (%)	Average balances Million Baht	Interest and dividend Million Baht	Average rate (%)
Performing financial assets						
Interbank and money market items	23,271	439	1.89	25,711	160	0.62
Financial assets measured at fair value through profit or loss	2,536	67	2.64	7,610	91	1.19
Investments, net	49,478	1,148	2.32	34,795	255	0.73
Loans	7,989	211	2.64	9,185	125	1.36
Total performing financial assets	83,274	1,865		77,301	631	
Performing financial liabilities						
Deposits	60,204	921	1.53	51,058	175	0.34
Interbank and money market items	1,007	15	1.49	974	5	0.47
Total performing financial liabilities	61,211	936		52,032	180	

Interest/profit rate sensitivity

The table below shows the interest sensitivity to net profit and Head Office and other branches of the same juristic person for the financial assets and financial liabilities held as at reporting date:

	2023	
	Increased by 1 basis point Million Baht	Decreased by 1 basis point Million Baht
Impact on net profit	(2.19)	2.19
Impact on Head Office and other branches of the same juristic person	11.48	(11.48)
	9.29	(9.29)
	2022	
	Increased by 1 basis point Million Baht	Decreased by 1 basis point Million Baht
Impact on net profit	(0.24)	0.24
Impact on Head Office and other branches of the same juristic person	2.48	(2.48)
	2.24	(2.24)

5.1.2 Credit risk

Credit risk is risk of loss arising from the inability or failure of a borrower or counterparty to meet their financial and contractual obligations to the Bank as and when they fall due.

The Bank has policy and procedures to ensure that credit risks are accurately assessed, approved, continuously monitored, and actively managed at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk rating methodologies, portfolio review parameters, and problem loan management.

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

	2023 Million Baht	2022 Million Baht
Manufacturing and commerce	3,741	6,997
Leasing business	4,520	3,013
Employee loans	-	6
Total loans and interest receivables	8,261	10,016

Credit quality analysis

The following table analyses the carrying amount and maximum credit exposure of the Bank's financial assets by external credit rating or internal equivalent thereof. Where there is no rating, the balances are classified as not rated. Although the table reflects the Bank's gross exposure, the Bank manages its credit exposures on a net basis.

	2023				
	AAA to B Million Baht	Not rated Million Baht	Total gross amount Million Baht	Allowance for expected credit losses Million Baht	Total net amount Million Baht
Interbank and money market items	7,359	-	7,359	(7)	7,352
Accounts receivables from sales of government bonds	389	-	389	-	389
Financial assets measured at fair value through profit or loss	95	-	95	-	95
Financial derivative assets	28,784	326	29,110	-	29,110
Investments, net	50,150	-	50,150	-	50,150
Loans to customers and interest receivables	-	8,261	8,261	(93)	8,168
Other monetary assets	200	-	200	-	200
Total financial assets	86,977	8,587	95,564	(100)	95,464
	2022				
	AAA to B Million Baht	Not rated Million Baht	Total gross amount Million Baht	Allowance for expected credit losses Million Baht	Total net amount Million Baht
Interbank and money market items	18,437	-	18,437	-	18,437
Accounts receivables from sales of government bonds	6,348	-	6,348	-	6,348
Financial assets measured at fair value through profit or loss	2,511	-	2,511	-	2,511
Financial derivative assets	29,424	431	29,855	-	29,855
Investments, net	40,730	-	40,730	-	40,730
Loans to customers and interest receivables	-	10,016	10,016	(85)	9,931
Other monetary assets	52	-	52	-	52
Total financial assets	97,502	10,447	107,949	(85)	107,864

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	2023				
	AAA to B Million Baht	Not rated Million Baht	Total gross amount Million Baht	Allowance for expected credit losses Million Baht	Total net amount Million Baht
Portfolio where calculated on 12-month ECL					
Interbank and money market items	7,359	-	7,359	(7)	7,352
Loans to customers and interest receivables	-	8,022	8,022	(87)	7,935
Total financial assets	7,359	8,022	15,381	(94)	15,287
Guarantees and commitments	-	600	600	(6)	594
Portfolio where calculated on lifetime ECL - not credit impaired					
Loans to customers and interest receivables	-	239	239	(6)	233
Total financial assets	-	239	239	(6)	233
Guarantees and commitments	-	193	193	(2)	191
	2022				
	AAA to B Million Baht	Not rated Million Baht	Total gross amount Million Baht	Allowance for expected credit losses Million Baht	Total net amount Million Baht
Portfolio where calculated on 12-month ECL					
Loans to customers and interest receivables	-	9,996	9,996	(84)	9,912
Total financial assets	-	9,996	9,996	(84)	9,912
Guarantees and commitments	-	979	979	(8)	971
Portfolio where calculated on lifetime ECL - not credit impaired					
Loans to customers and interest receivables	-	20	20	(1)	19
Total financial assets	-	20	20	(1)	19
Guarantees and commitments	-	140	140	(1)	139

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Maximum exposure to credit risk

The Bank has the maximum credit risk exposure in the event of other parties failing to perform their obligation. No account is taken of any collateral held and the maximum exposure to loss is considered to be the statement of financial position carrying amount or, off-statement of financial position transaction and financial guarantee but not including derivative instruments.

The following table reflects by asset class of financial instrument the amount that best represents the Bank's maximum exposure to credit risk.

	2023	2022
	Maximum exposure Million Baht	Maximum exposure Million Baht
Credit risk exposures of on-statement of financial position assets:		
Interbank and money market items	7,359	18,437
Accounts receivables from sales of government bonds	389	6,348
Financial assets measured at fair value through profit or loss	97	2,546
Financial derivative assets	29,110	29,855
Investments	50,612	40,967
Loans to customers and interest receivables	8,261	10,016
Other monetary assets	200	52
	96,028	108,221
Credit risk exposure of off-statement of financial position items:		
Financial guarantees and Letters of credit	793	1,119
Loan commitments	2,986	1,587
	3,779	2,706

Derivatives with same counterparty under master netting agreement are subject to close-out arrangements upon occurrence of certain events including default. Refer to note 27, for impact of such close-out arrangement.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of collateral of loan guarantee from the borrower's parent company for credit risk mitigation.

Impairment of financial assets

The Bank has financial assets that are subject to the expected credit loss model for its financial assets classified as debt instrument carried at FVOCI and at amortised cost accounts receivables from sales of government bonds loan commitments and financial guarantee contracts.

While deposit in interbank and money market items are also subject to the impairment requirements of TFRS 9, the identified impairment loss was immaterial.

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Debt investments

The Bank considers that all debt investments measured at FVOCI have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Management considers 'low credit risk' for bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations.

The table below presents the Interbank asset items, investments, and other assets classified by rating:

	2023			Total Million Baht
	Financial assets with an insignificant increase in credit risk Million Baht	Financial assets with a significant increase in credit risk Million Baht	Credit- impaired financial assets Million Baht	
Interbank and money market (Asset)				
Sovereign	1,149	-	-	1,149
Investment grade	6,210	-	-	6,210
<u>Less</u> Allowance for expected credit losses	(7)	-	-	(7)
Net carrying amount before excess provision	7,352	-	-	7,352
Accounts receivables from sales of government bonds				
Investment grade	389	-	-	389
<u>Less</u> Allowance for expected credit losses	-	-	-	-
Net carrying amount	389	-	-	389
Investments				
Sovereign	50,150	-	-	50,150
<u>Less</u> Allowance for expected credit losses	-	-	-	-
Net carrying amount	50,150	-	-	50,150
Other monetary assets				
Investment grade	200	-	-	200
<u>Less</u> Allowance for expected credit losses	-	-	-	-
Net carrying amount	200	-	-	200

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	2022			Total Million Baht
	Financial assets with an insignificant increase in credit risk Million Baht	Financial assets with a significant increase in credit risk Million Baht	Credit- impaired financial assets Million Baht	
Interbank and money market (Asset)				
Sovereign	1,057	-	-	1,057
Investment grade	17,380	-	-	17,380
<u>Less</u> Allowance for expected credit losses	-	-	-	-
Net carrying amount before excess provision	18,437	-	-	18,437
Accounts receivables from sales of government bonds				
Investment grade	6,348	-	-	6,348
<u>Less</u> Allowance for expected credit losses	-	-	-	-
Net carrying amount	6,348	-	-	6,348
Investments				
Sovereign	40,730	-	-	40,730
<u>Less</u> Allowance for expected credit losses	-	-	-	-
Net carrying amount	40,730	-	-	40,730
Other monetary assets				
Investment grade	52	-	-	52
<u>Less</u> Allowance for expected credit losses	-	-	-	-
Net carrying amount	52	-	-	52

5.1.3 Liquidity risk

Liquidity risk is the risk that the Bank, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

Liquidity management is handled by the Bank's treasurer in term of net cash flows and liquidity risk limits reviewed and approved by Regional and Global Team, who has responsibility for global liquidity risk oversight, taking into consideration of market conditions, funding needs and the profile of the location's liability base. To comply with the Bank of Thailand's guidelines on liquidity risk management, the Bank has prepared projected liquidity gap reports of each time bucket under normal situation and in the stress scenario and has put in place its own Contingency Funding Plan and Liquidity Risk Policy.

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5.1.3.1 Contractual maturity of financial assets and liabilities

The period to maturity calculated based on the remaining period to the contractual maturity date from the statements of financial position date of financial instruments outstanding as at 31 December 2023 and 2022 were as follows:

	2023				Total Million Baht
	At call Million Baht	Within 1 year Million Baht	1 to 5 years Million Baht	Over 5 years Million Baht	
Financial assets					
Interbank and money market items	1,369	5,990	-	-	7,359
Account receivables from sales of government bonds	-	389	-	-	389
Financial assets measured at fair value through profit or loss	-	5	13	77	95
Financial derivative assets	-	16,783	9,948	2,379	29,110
Investments, net	-	50,150	-	-	50,150
Loans and interest receivables net of deferred revenue	2,201	3,800	2,260	-	8,261
Other monetary assets	119	77	4	-	200
Total financial assets	3,689	77,194	12,225	2,456	95,564
Financial liabilities					
Deposits	43,587	249	-	-	43,836
Interbank and money market items	1,131	100	-	-	1,231
Account payables from purchases of government bonds	-	389	-	-	389
Demand liabilities	1,618	-	-	-	1,618
Financial derivative liabilities	-	17,765	10,097	1,752	29,614
Lease liabilities	-	12	40	-	52
Other monetary liabilities	9	266	-	-	275
Total financial liabilities	46,345	18,781	10,137	1,752	77,015
Liquidity, net	(42,656)	58,413	2,088	704	18,549
Contingent liabilities					
Letter of credit	4	74	-	-	78
Liabilities under unmatured import bills	-	13	-	-	13
Guarantees for loans	-	21	-	-	21
Other guarantees	456	156	69	-	681
Total contingent liabilities	460	264	69	-	793

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	2022				Total Million Baht
	At call Million Baht	Within 1 year Million Baht	1 to 5 years Million Baht	Over 5 years Million Baht	
Financial assets					
Interbank and money market items	1,237	17,200	-	-	18,437
Account receivables from sales of government bonds	-	6,348	-	-	6,348
Financial assets measured at fair value through profit or loss	-	718	12	1,781	2,511
Financial derivative assets	-	13,251	14,151	2,453	29,855
Investments, net	-	40,730	-	-	40,730
Loans and interest receivables net of deferred revenue	5,580	1,431	3,000	5	10,016
Other monetary assets	-	48	4	-	52
Total financial assets	6,817	79,726	17,167	4,239	107,949
Financial liabilities					
Deposits	49,829	44	1	-	49,874
Interbank and money market items	1,325	100	-	-	1,425
Account payables from purchases of government bonds	-	6,266	-	-	6,266
Demand liabilities	837	-	-	-	837
Financial derivative liabilities	-	12,193	13,937	2,040	28,170
Lease liabilities	-	12	53	-	65
Other monetary liabilities	9	126	-	-	135
Total financial liabilities	52,000	18,741	13,991	2,040	86,772
Liquidity, net	(45,183)	60,985	3,176	2,199	21,177
Contingent liabilities					
Letter of credit	-	464	-	-	464
Guarantees for loans	-	23	-	-	23
Other guarantees	461	88	83	-	632
Total contingent liabilities	461	575	83	-	1,119

The amount expected to be recovered or settled after more than twelve months for each asset and liability and those expected to be recovered or settled within twelve months as contractual.

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5.1.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

	2023				
	At call	Within 1	1 to 5	Over 5	Total
	Million Baht	year Million Baht	years Million Baht	years Million Baht	Million Baht
<u>Financial liabilities</u>					
Deposits	43,587	249	-	-	43,836
Interbank and money market items	1,131	100	-	-	1,231
Account payables from purchases of government bonds	-	389	-	-	389
Demand liabilities	1,618	-	-	-	1,618
Lease liabilities	-	14	42	-	56
Other monetary liabilities	9	266	-	-	275
Total financial liabilities	46,345	1,018	42	-	47,405
	2022				
	At call	Within 3	1 to 5	Over 5	Total
	Million Baht	months Million Baht	years Million Baht	years Million Baht	Million Baht
<u>Financial liabilities</u>					
Deposits	49,829	44	1	-	49,874
Interbank and money market items	1,325	100	-	-	1,425
Account payables from purchases of government bonds	-	6,266	-	-	6,266
Demand liabilities	837	-	-	-	837
Lease liabilities	-	14	55	-	69
Other monetary liabilities	9	126	-	-	135
Total financial liabilities	52,000	6,550	56	-	58,606

Derivative financial liabilities

The table below analyses the Bank's trading derivative financial liabilities:

All trading derivatives, whether net or gross settled are analysed based on the expected maturity.

The table below analyses the Bank's trading derivative financial liabilities that will be settled on a net basis:

	2023				Total Million Baht
	At call Million Baht	Within 1 year Million Baht	1 to 5 years Million Baht	Over 5 years Million Baht	
<u>Derivative financial liabilities</u>					
Foreign exchange derivatives	-	15,453	5,571	420	21,444
Interest rate derivatives	-	4,449	3,957	224	8,630
	-	19,902	9,528	644	30,074
	2022				Total Million Baht
	At call Million Baht	Within 1 year Million Baht	1 to 5 years Million Baht	Over 5 years Million Baht	
<u>Derivative financial liabilities</u>					
Foreign exchange derivatives	-	12,673	10,224	397	23,294
Interest rate derivatives	-	3,334	3,950	751	8,035
	-	16,007	14,174	1,148	31,329

The Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency interest rate swaps.

5.1.4 Fair value risk

The methodology of fair value measurement is depended on the characteristics of the financial instrument. For those financial instruments which are regarded as being traded in an active market, fair value is determined by reference to the market price of the financial instrument. If, however the appropriate quoted market price cannot be determined, the fair value is determined by using an appropriate valuation technique and complied with related authorities' regulations.

The Bank holds derivatives for trading intent, and servicing customers, including for a purpose of managing the Bank assets and liabilities. This includes interest rate swaps, cross currency swaps, FX derivatives.

Additionally, the Bank does not control only the market risk of the derivatives to be within an acceptable level, but also the counterparty credit risks by setting-up and controlling transaction limits based on the normal lending procedures.

6 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

1) Allowance for expected credit losses

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

Expected credit losses are a probability-weighted estimate of credit losses (i.e. present value of a cash shortfall) over the expected life of the financial instrument. A cash shortfall is the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive discounted at the original effective interest rate for the financial assets that are not purchased or originated credit-impaired financial assets or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets. The Bank estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument. The cash flows that are considered shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Bank uses the remaining contractual term of the financial instrument.

For loan commitments, an expected credit losses are the present value of the difference between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down. The Bank's estimate of expected credit losses on loan commitments shall be consistent with its expectations of drawdowns on that loan commitment and the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime expected credit losses.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit impaired financial asset, the Bank measures the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

The Bank measures expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank measures expected credit losses using the following approaches:

a. General approach

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

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

Under each stage expected credit loss impairment model except for significant exposures in loans to customer, the impairment will be assessed by using collective approach model with forward looking information adjustment.

Significant increase in credit risk

At each reporting date, the Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. To make that assessment, the Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information which can be obtained without excessive cost or effort.

Collective based and other loss allowance assessment

The primary credit exposures of the Bank falling within the impairment provisions of TFRS 9 relate to the Bank's portfolio of loans and advances to third party customers and banks, as well as its third party loan commitments. Loss allowances for these financial instruments are modelled on an instrument by instrument basis, determining the relevant probability of default (PD), loss given default (LGD), and exposure at default (EAD) using statistical data as described above and throughout this note.

For other financial instruments the Bank assesses the ECL on either a collective or an individual basis using a reduced complexity calculation, whilst still incorporating, where relevant, quantitative historical loss experience data and forward-looking information as well as qualitative information as to the nature of risks inherent in the instruments. In the case of the Bank's reverse repurchase agreement the majority of credit exposure is over collateralised, and the Bank's customer and other receivables are typically short dated. The Bank's investment securities at FVOCI are held in high investment grade assets. As a result the PD, LGD, or both are such that the resulting ECL is not significant to the Bank. Actual amounts written off during the year on these other financial instruments are also not significant to the Bank. In light of this, separate disclosure of ECL allowance or amounts written off on these instruments is not considered necessary in the financial statements.

b. Simplified approach

The Bank applies simplified approach to measure expected credit losses which uses a lifetime expected credit loss for interbank and money market items, investments in debt instruments measured at fair value through other comprehensive income, other receivables, and employee loans. The Bank assesses the simplified approach has not material difference from applying the general approach of those financial assets.

2) Fair value of derivatives and financial instruments

In determining the fair value, the management has made judgement in valuing derivatives and financial instruments by using widely accepted valuation techniques and guidelines. Management believed that estimation are reasonable.

3) Post-employee benefits

The Bank has committed to pay benefits to employees at retirement age. The present value of employee benefit liabilities recognised in the statement of financial position is determined on an actuarial basis using various assumptions. The assumptions used in determining the net period cost for employee benefits include the discount rate, the rate of salary increase and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis the Bank determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, the Bank considers the interest rates of government bonds denominated in the currency in which the benefits will be paid.

4) Determination of lease terms

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

Extension options on leasehold improvement lease have been included in the lease liability.

5) Determination of discount rate applied to leases

The Bank determines the incremental borrowing rate as follows:

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

7 Classification of financial assets and financial liabilities

The following table analyses the carrying amounts of the financial assets and liabilities by category and by statement of financial position.

	2023			
	Measured at fair value through profit or loss Million Baht	Measured at fair value through other comprehensive income Million Baht	Amortised Cost Million Baht	Total Million Baht
Financial assets				
Cash	-	-	7	7
Interbank and money market items, net	-	-	7,351	7,351
Accounts receivables from sales of government bonds	-	-	389	389
Financial assets measured at fair value through profit or loss	95	-	-	95
Derivative assets	29,110	-	-	29,110
Investments, net	-	50,150	-	50,150
Loans to customers and accrued interest receivables	-	-	8,166	8,166
Other monetary assets	-	-	200	200
Total financial assets	29,205	50,150	16,113	95,468
Financial liabilities				
Deposits	-	-	43,836	43,836
Interbank and money market items	-	-	1,231	1,231
Accounts payables from purchases of government bonds	-	-	389	389
Demand liabilities	-	-	1,618	1,618
Derivative liabilities	29,614	-	-	29,614
Lease liabilities	-	-	53	53
Other monetary liabilities	-	-	275	275
Total financial liabilities	29,614	-	47,402	77,016

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	2022			
	Measured at fair value through profit or loss Million Baht	Measured at fair value through other comprehensive income Million Baht	Amortised Cost Million Baht	Total Million Baht
<u>Financial assets</u>				
Cash	-	-	6	6
Interbank and money market items, net	-	-	18,435	18,435
Accounts receivables from sales of government bonds	-	-	6,348	6,348
Financial assets measured at fair value through profit or loss	2,511	-	-	2,511
Derivative assets	29,855	-	-	29,855
Investments, net	-	40,730	-	40,730
Loans to customers and accrued interest receivables	-	-	9,926	9,926
Other monetary assets	-	-	52	52
Total financial assets	32,366	40,730	34,767	107,863
<u>Financial liabilities</u>				
Deposits	-	-	49,874	49,874
Interbank and money market items	-	-	1,425	1,425
Accounts payables from purchases of government bonds	-	-	6,266	6,266
Demand liabilities	-	-	837	837
Derivative liabilities	28,170	-	-	28,170
Lease liabilities	-	-	65	65
Other monetary liabilities	-	-	135	135
Total financial liabilities	28,170	-	58,602	86,772

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8 Interbank and money market items, net - assets

	2023 Thousand Baht	2022 Thousand Baht
<u>Domestic items</u>		
Bank of Thailand	1,148,890	1,056,730
Commercial banks	1,007,037	179,204
Reverse repos	5,200,000	17,200,000
Total	7,355,927	18,435,934
<u>Add</u> Interest receivables	3,269	1,154
<u>Less</u> Allowance for expected credit losses	(7,386)	-
<u>Less</u> Surplus allowance	(1,195)	(2,389)
Total domestic items	7,350,615	18,434,699
<u>Foreign items</u>		
Swedish Krona	78	90
Other currencies	51	72
Total	129	162
<u>Add</u> Interest receivables	25	-
<u>Less</u> Allowance for expected credit losses	-	-
Total foreign items	154	162
Total interbank and money market items, net - assets	7,350,769	18,434,861

9 Assets held and pledged as collateral

	2023 Thousand Baht	2022 Thousand Baht
<u>Assets pledged as collateral</u>		
Cash collateral pledged under credit support annex (Note 27)	118,800	-
Total asset pledged as collateral	118,800	-
<u>Assets held as collateral</u>		
Securities held as collateral under reverse repurchase agreements* (Note 27)	5,250,175	17,397,414
Total asset held as collateral	5,250,175	17,397,414

* Securities accepted as collateral under the reverse repo arrangement with the commercial bank are government bonds. The reverse repo agreements mature the next business day.

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10 Financial assets measured at fair value through profit or loss

	2023 Fair value Thousand Baht	2022 Fair value Thousand Baht
Financial assets measured at fair value through profit or loss		
Government and state-owned enterprise securities	94,787	2,510,753
Total financial assets measured at fair value through profit or loss	94,787	2,510,753

11 Derivative financial instruments

Derivatives for trading as at 31 December 2023 and 2022 are as follows:

	2023		
	Fair value		Notional amount Thousand Baht
	Assets Thousand Baht	Liabilities Thousand Baht	
Type of risks			
Exchange rate	19,781,656	(21,256,632)	911,667,015
Interest rate	9,328,592	(8,356,953)	2,999,125,029
Total	29,110,248	(29,613,585)	3,910,792,044
	2022		
	Fair value		Notional amount Thousand Baht
	Assets Thousand Baht	Liabilities Thousand Baht	
Type of risks			
Exchange rate	21,095,864	(20,470,867)	729,979,037
Interest rate	8,759,047	(7,699,220)	1,316,680,863
Total	29,854,911	(28,170,087)	2,046,659,900

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The table below shows notional amounts of derivative financial instruments recorded as assets or liabilities. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	2023			2022		
	Thai Baht Million Baht	Foreign currency Million Baht	Total Million Baht	Thai Baht Million Baht	Foreign currency Million Baht	Total Million Baht
Forward and spot contracts						
- Bought	288,166	324,845	613,011	203,595	247,551	451,146
- Sold	322,939	289,851	612,790	232,930	216,699	449,629
Cross-currency and interest rate swap contracts						
- Bought	133,547	156,296	289,843	106,827	156,745	263,572
- Sold	106,186	184,552	290,738	95,748	168,128	263,876
Interest rate swap contracts						
- Fixed-rate receiver	1,326,247	105,427	1,431,674	537,432	89,947	627,379
- Floating-rate receiver	1,379,554	183,698	1,563,252	553,919	134,414	688,333
Foreign exchange options						
- Call-option sales contract	-	1,862	1,862	-	4,749	4,749
- Put-option sales contract	1,862	-	1,862	4,749	-	4,749
- Call-option purchase contract	-	3,812	3,812	-	6,926	6,926
- Put-option purchase contract	599	-	599	173	-	173
Total	3,559,100	1,250,343	4,809,443	1,735,373	1,025,159	2,760,532

12 Investments, net

	2023	2022
	Fair value Thousand Baht	Fair value Thousand Baht
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state-owned enterprise securities	50,150,340	40,729,843
Less Allowance for expected credit losses	-	-
Total investment, net	50,150,340	40,729,843

13 Loans to customers and interest receivables, net

13.1 Classified by type of loans

	2023 Thousand Baht	2022 Thousand Baht
Overdrafts	51	12
Loans	8,235,803	9,990,952
Staff loans	-	6,469
Total loans to customers	8,235,854	9,997,433
Add Accrued interest receivable	25,204	18,567
Total loans to customers and accrued interest receivable	8,261,058	10,016,000
Less Allowance for expected credit losses (Note 14)	(94,911)	(90,055)
Total loans to customers and interest receivables, net	8,166,147	9,925,945

13.2 Classified by currencies and residencies of customers (loans net of deferred income)

	2023		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Thai Baht	8,113,060	-	8,113,060
US Dollar	122,794	-	122,794
Total	8,235,854	-	8,235,854
	2022		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Thai Baht	9,640,755	-	9,640,755
US Dollar	356,678	-	356,678
Total	9,997,433	-	9,997,433

13.3 Classified by loan classification

	2023 Loans and accrued interest receivable Thousand Baht	2022 Loans and accrued interest receivable Thousand Baht
Financial assets with an insignificant increase in credit risk	8,021,813	9,995,865
Financial assets with a significant increase in credit risk	239,245	20,135
Credit-impaired financial assets	-	-
Total	8,261,058	10,016,000

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13.4 Movement in gross carrying amount of loans to customers

	2023			Total Thousand Baht
	Financial assets with an insignificant increase in credit risk Thousand Baht	Financial assets with a significant increase in credit risk Thousand Baht	Credit- impaired financial assets Thousand Baht	
Balance as at 1 January 2023	9,995,865	20,135	-	10,016,000
Changes due to change in stage	(536,933)	536,933	-	-
Newly acquired or drawdown	2,955,041	-	-	2,955,041
Derecognised financial assets	(4,392,160)	(317,823)	-	(4,709,983)
Balance as at 31 December 2023	8,021,813	239,245	-	8,261,058
	2022			Total Thousand Baht
	Financial assets with an insignificant increase in credit risk Thousand Baht	Financial assets with a significant increase in credit risk Thousand Baht	Credit- impaired financial assets Thousand Baht	
Balance as at 1 January 2022	7,058,745	-	-	7,058,745
Changes due to change in stage	(20,135)	20,135	-	-
Newly acquired or drawdown	4,102,027	-	-	4,102,027
Derecognised financial assets	(1,144,772)	-	-	(1,144,772)
Balance as at 31 December 2022	9,995,865	20,135	-	10,016,000

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14 Allowance for expected credit losses

	2023				
	Financial assets with an insignificant increase in credit risk Thousand Baht	Financial assets with a significant increase in credit risk Thousand Baht	Credit-impaired financial assets Thousand Baht	Surplus allowance Thousand Baht	Total Thousand Baht
As at 1 January 2023	84,840	472	-	4,743	90,055
Changes due to change in stage	(5,705)	5,705	-	-	-
Change due to new estimation of credit loss	36,972	-	-	-	36,972
Newly acquired or drawdown	8,156	-	-	-	8,156
Derecognised financial assets	(37,312)	(589)	-	-	(37,901)
Surplus allowance amortisation	-	-	-	(2,371)	(2,371)
As at 31 December 2023	86,951	5,588	-	2,372	94,911
	2022				
	Financial assets with an insignificant increase in credit risk Thousand Baht	Financial assets with a significant increase in credit risk Thousand Baht	Credit-impaired financial assets Thousand Baht	Surplus allowance Thousand Baht	Total Thousand Baht
As at 1 January 2022	68,199	-	-	7,114	75,313
Changes due to change in stage	(472)	472	-	-	-
Change due to new estimation of credit loss	(6,526)	-	-	-	(6,526)
Newly acquired or drawdown	43,385	-	-	-	43,385
Derecognised financial assets	(19,746)	-	-	-	(19,746)
Surplus allowance amortisation	-	-	-	(2,371)	(2,371)
As at 31 December 2022	84,840	472	-	4,743	90,055

The Bank will amortise the surplus allowance to profit or loss using straight-line method by 5-year consecutively from 1 January 2020.

The Bank incorporates forward looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. This includes various estimates and assumptions, some of which require judgment. One use of judgment in the process is weighting forward-looking macroeconomic scenarios used within statistical models. While the Bank generally relies on consensus estimates, any one economic outlook path is inherently uncertain, and as such the Bank uses multiple macroeconomic scenarios in its ECL calculation.

As at December 2023, five scenarios were used. These included:

- a baseline scenario in line with consensus estimates;
- two downside scenarios which assume a significantly longer period until economic recovery and risk of rising inflation;
- a tail risk scenario similar to the severely adverse scenario used in stress testing by the Bank; and
- an upside scenario to reflect the potential for continued improvement in the consensus outlooks.

Scenario weightings at 31 December 2023 continue to predominantly reflect the baseline scenario, with additional weighting towards a downside scenario which assumes a slower pace of macroeconomic recovery. The other three scenarios have less significant weighting.

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15 Leasehold improvement and equipment, net

	Leasehold improvement Thousand Baht	Furniture, fixtures and office equipment Thousand Baht	Work in progress Thousand Baht	Total Thousand Baht
Cost				
As at 1 January 2022	89,260	68,607	1,520	159,387
Additions	395	6,810	2,541	9,746
Other changes - transfers	-	1,252	(1,252)	-
<u>Less Disposals/write-off assets</u>	-	(2,656)	-	(2,656)
As at 31 December 2022	89,655	74,013	2,809	166,477
As at 1 January 2023	89,655	74,013	2,809	166,477
Additions	1,828	10,187	3,247	15,262
Other changes - transfers	-	2,809	(2,809)	-
<u>Less Disposals/write-off assets</u>	-	(1,706)	-	(1,706)
As at 31 December 2023	91,483	85,303	3,247	180,033
Accumulated depreciation				
As at 1 January 2022	23,373	42,443	-	65,816
Depreciation for the year	10,120	10,940	-	21,060
<u>Less Disposals/write-off assets</u>	-	(2,197)	-	(2,197)
As at 31 December 2022	33,493	51,186	-	84,679
As at 1 January 2023	33,493	51,186	-	84,679
Depreciation for the year	10,860	12,535	-	23,395
<u>Less Disposals/write-off assets</u>	-	(1,706)	-	(1,706)
As at 31 December 2023	44,353	62,015	-	106,368
Net Carrying Value				
At 31 December 2022	56,162	22,827	2,809	81,798
At 31 December 2023	47,130	23,288	3,247	73,665

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16 Right-of-use assets, net

	Decommissioning cost Thousand Baht	Right-of-use assets from recorded leases Thousand Baht	Total Thousand Baht
Cost			
At 1 January 2022	9,957	111,710	121,667
Additions	1,371	-	1,371
As at 31 December 2022	11,328	111,710	123,038
At 1 January 2023	11,328	111,710	123,038
Additions	-	-	-
As at 31 December 2023	11,328	111,710	123,038
Accumulated amortisation			
As at 1 January 2022	9,286	36,870	46,156
Depreciation for the year	823	12,473	13,296
As at 31 December 2022	10,109	49,343	59,452
At 1 January 2023	10,109	49,343	59,452
Depreciation for the year	229	12,473	12,702
As at 31 December 2023	10,338	61,816	72,154
Net Carrying Value			
As at 31 December 2022	1,219	62,367	63,586
As at 31 December 2023	990	49,894	50,884

17 Intangible asset, net

	Computer software Thousand Baht	Work in progress Thousand Baht	Total Thousand Baht
Cost			
At 1 January 2022	18,857	1,088	19,945
Additions	5,455	32	5,487
Other changes - transfers	1,088	(1,088)	-
As at 31 December 2022	25,400	32	25,432
As at 1 January 2023	25,400	32	25,432
Additions	6,664	-	6,664
Other changes - transfers	32	(32)	-
<u>Less Disposals/write-off assets</u>	(4,387)	-	(4,387)
As at 31 December 2023	27,709	-	27,709
Accumulated amortisation			
As at 1 January 2022	6,044	-	6,044
Amortisation for the year	3,675	-	3,675
As at 31 December 2022	9,719	-	9,719
As at 1 January 2023	9,719	-	9,719
Amortisation for the year	5,495	-	5,495
<u>Less Disposals/write-off assets</u>	(4,387)	-	(4,387)
As at 31 December 2023	10,827	-	10,827
Net Carrying Value			
As at 31 December 2022	15,681	32	15,713
As at 31 December 2023	16,882	-	16,882

18 Deferred income taxes, net

Deferred income taxes as at 31 December 2023 and 2022 comprise of:

	2023	2022
	Thousand Baht	Thousand Baht
Deferred income taxes		
Deferred tax asset	56,857	51,574
Deferred tax liabilities	(130)	(2,407)
Deferred income taxes, net	56,727	49,167

The movement of the deferred income tax account is as follows:

	2023	2022
	Thousand Baht	Thousand Baht
At 1 January	49,167	45,433
Change to profit or loss	5,910	3,435
Change to other comprehensive income	1,650	299
At 31 December	56,727	49,167

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The movement in deferred tax assets and liabilities during the year is as follows:

	Deferred tax as at 1 January 2023 Thousand Baht	Change to profit or loss Thousand Baht	Change to other comprehensive income Thousand Baht	Deferred tax as at 31 December 2023 Thousand Baht
Assets				
Employee benefits obligations	25,172	2,131	(1,849)	25,454
Accrued expenses	9,837	481	-	10,318
Accumulated depreciation/amortisation	627	(171)	-	456
Losses on changes in fair value of financial assets measured at fair value through other comprehensive income	298	-	3,499	3,797
Share-Based payment	12,917	1,102	-	14,019
Decommissioning cost	2,220	53	-	2,273
Lease	503	37	-	540
Total Asset	51,574	3,633	1,650	56,857
Liabilities				
Gains on change in fair value of financial assets measured at fair value through profit and loss	(2,407)	2,277	-	(130)
Total liabilities	(2,407)	2,277	-	(130)
Total deferred income taxes, net	49,167	5,910	1,650	56,727

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	Deferred tax as at 1 January 2022 Thousand Baht	Change to Profit or Loss Thousand Baht	Change to other comprehensive income Thousand Baht	Deferred tax as at 31 December 2022 Thousand Baht
Assets				
Employee benefits obligations	23,458	2,198	(484)	25,172
Accrued expenses	10,899	(1,062)	-	9,837
Accumulated depreciation/amortisation	659	(32)	-	627
Losses on changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	298	298
Share-Based payment	8,705	4,212	-	12,917
Decommissioning cost	2,036	184	-	2,220
Lease	401	102	-	503
Total Asset	46,158	5,602	(186)	51,574
Liabilities				
Gains on change in fair value of financial assets measured at fair value through other comprehensive income	(485)	-	485	-
Gains on change in fair value of financial assets measured at fair value through profit and loss	(240)	(2,167)	-	(2,407)
Total liabilities	(725)	(2,167)	485	(2,407)
Total deferred income taxes, net	45,433	3,435	299	49,167

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19 Other assets, net

	2023	2022
	Thousand Baht	Thousand Baht
Deposits	4,234	4,234
Amount due from related parties	73,624	49,156
Accrued interest incomes	254	4,433
Other receivable	2,894	1,732
Advance payment on behalf of customer	254	235
Cash collateral pledged under credit support annex	118,800	-
Others	227	421
Total other assets, net	200,287	60,211

20 Deposits

Classified by types of deposits.

	2023	2022
	Thousand Baht	Thousand Baht
Demand	37,975,012	44,263,964
Savings	5,612,020	5,565,505
Fixed	248,946	44,610
Total deposits	43,835,978	49,874,079

Classified by currencies and residences

	2023		
	Domestic	Foreign	Total
	Thousand Baht	Thousand Baht	Thousand Baht
US Dollar	15,575,367	3,937,222	19,512,589
Thai Baht	23,695,270	400,633	24,095,903
Euro	50,227	5,320	55,547
Japanese Yen	171,939	-	171,939
Total deposits	39,492,803	4,343,175	43,835,978
	2022		
	Domestic	Foreign	Total
	Thousand Baht	Thousand Baht	Thousand Baht
US Dollar	19,757,960	3,964,309	23,722,269
Thai Baht	25,769,800	354,915	26,124,715
Euro	25,671	995	26,666
Japanese Yen	429	-	429
Total deposits	45,553,860	4,320,219	49,874,079

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21 Interbank and money market items - liabilities

	2023	2022
	Thousand Baht	Thousand Baht
Domestic items		
Commercial banks	536,578	532,170
Foreign items		
Thai Baht	694,596	893,260
Total interbank and money market items - liabilities	<u>1,231,174</u>	<u>1,425,430</u>

22 Employee benefit obligations

The plans are final salary retirement plans, which provide benefits employee in the form of a guaranteed level of pension payable. The level of benefits provided depends on employees' length of service and their salary in the final years leading up to retirement.

Pre-tax amounts recognised in the statements of profit or loss and comprehensive income in respect of the defined benefit plans for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
	Thousand Baht	Thousand Baht
Profit or loss		
Current service cost	12,089	11,506
Interest cost	2,259	2,062
Total profit or loss	<u>14,348</u>	<u>13,568</u>
Other comprehensive income		
Remeasurements of post-employment benefit obligations	<u>(9,245)</u>	<u>(2,420)</u>
Total other comprehensive income	<u>(9,245)</u>	<u>(2,420)</u>
Total statement of profit or loss and comprehensive income	<u>5,103</u>	<u>11,148</u>

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Movements in the present value of the defined benefit obligation for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
	Thousand Baht	Thousand Baht
Beginning defined benefit obligation	125,859	117,291
Current service cost	12,089	11,506
Interest cost	2,259	2,061
Remeasurements:		
Gain from change in financial assumptions	(3,132)	(1,777)
Gain from experience	(6,113)	(643)
Benefits paid during the year	(3,695)	(2,579)
Ending defined benefit obligation	127,267	125,859

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at 31 December 2023 and 2022 are as follows:

	2023	2022
Financial assumptions		
Discount rate	2.50%	2.00%
Salary increase rate - permanent employees	6%	6%
Salary increase rate - contract employees	6%	6%
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2017	100% of Thai Mortality Ordinary Table 2017
Retirement age	55 years old	55 years old

Sensitivity analysis on key assumption changes are as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.68%	Increase by 5.26%
Salary growth rate	1.00%	Increase by 5.00%	Decrease by 4.56%

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.

The weighted average duration of the defined benefit obligation is 5 years (2022: 5 years).

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Expected maturity analysis of undiscounted retirement and post-employment medical benefits:

	2023	2022
	Thousand Baht	Thousand Baht
Maturity analysis of benefits expected to be paid		
Less than a year	37,388	12,897
Between 1-2 years	9,389	28,886
Between 2-5 years	30,071	32,017
Over 5 years	53,112	58,881
Total	129,960	132,681

23 Lease liabilities

The movement of the lease liabilities account is as follows:

	2023	2022
	Thousand Baht	Thousand Baht
Lease payments	55,411	69,264
<u>Less</u> Deferred interest expenses	(2,817)	(4,381)
Total lease liabilities	52,594	64,883

	2023	2022
	Thousand Baht	Thousand Baht
Statement of comprehensive income		
For the year ended 31 December		
Interest lease liabilities	1,564	1,890
Expenses relating to short-term leases and low-value leases	1,633	1,512

The Bank has certain plan to utilise an option to extend lease term for two additional terms of 3 years each term. As a result, a total lease term is 9 years.

For the year ended 31 December 2023, total cash flow out for lease amounting to Thousand Baht 13,853 (For the year ended 31 December 2022: Thousand Baht 13,853).

24 Other liabilities

	2023	2022
	Thousand Baht	Thousand Baht
Accrued income tax	104,517	86,412
Contribution to Deposit Protection Agency and Financial Institutions Development Fund	96,338	32,903
Accrued bonus	49,887	47,599
Amount due to related parties	264,268	146,337
Allowance for expected credit losses of loan commitments and financial guarantee contracts	7,603	8,883
Others	51,338	47,122
Total other liabilities	573,951	369,256

25 Capital fund and assets maintained in Thailand

Assets maintained in Thailand under section 32 of the Financial Institution Act B.E. 2551 are carried at the lower of cost or market value, comprise:

	2023	2022
	Thousand Baht	Thousand Baht
Assets maintained in Thailand under section 32 of the Financial Institution Act B.E. 2551	14,878,668	14,444,271
Funds remitted into Thailand for maintaining assets under section 32	14,540,000	14,040,000
Net liability balance of inter-office accounts with head office, other branches, head office's parent and subsidiary	2,927,723	6,280,234
Total funds remitted into Thailand for maintaining assets under section 32 and net balance of inter-office account	17,467,723	20,320,234
Total legal capital funds	14,464,522	13,977,322
Capital fund to risk asset ratio (%)	25.32	26.69

The Bank of Thailand revised Capital Measurement and Capital standards for all branches of foreign commercial banks under Basel II. The Bank selected to apply Standardised Approach (SA) to calculate credit risk for both on statement of financial position and off statement of financial position assets in capital fund to risk assets ratio.

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During the year 2023, the Bank has declared the increase of funds for maintaining assets under section 32 of the Financial Institution Act B.E. 2551 totalling Baht 500 million, the details are as follows:

On 1 June 2023, the Bank has increased funds for maintaining assets under section 32 of the Financial Institution Act B.E. 2551 amounting to Baht 500 million net of withholding tax amounting to Baht 55.56 million. These amounts were approved by head office that transferring from inappropriate retained earnings, which has not remitted to head office.

The Bank will disclose capital maintenance information as at 31 December 2023 in accordance with the Notification of the Bank of Thailand Re: Public of Capital Maintenance Information for Commercial Bank on its website at <https://www.bofaml.com/en-us/content/apac-thailand.html> and <http://www.bofaml.com/content/dam/boamlimages/countrypages>, within April 2024.

26 Contingent liabilities and commitment

As at 31 December, the Bank has the following commitments and contingent liabilities which are incurred in the normal course of business.

	2023			2022		
	Thai Baht Million Baht	Foreign currency Million Baht	Total Million Baht	Thai Baht Million Baht	Foreign currency Million Baht	Total Million Baht
Letter of credit	-	78	78	-	464	464
Liabilities under unmatured import bills	-	13	13	-	-	-
Guarantees	-	21	21	2	21	23
Other commitments:						
Unutilised overdraft facilities	1,782	1,204	2,986	647	940	1,587
Other guarantees	667	14	681	618	14	632
Total other commitments	2,449	1,218	3,667	1,265	954	2,219
Total commitments	2,449	1,330	3,779	1,267	1,439	2,706

The management anticipates no material losses as a result of these transactions.

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27 Offsetting of financial assets and financial liabilities

	2023					
	Gross amount Million Baht	Amount to be offset on the statement of financial position Million Baht	Net amount on the statement of financial statement Million Baht	Amount that cannot be offset on the statement of financial position		Net amount Million Baht
				Offsetting amount according to the contracts that do not meet the criteria according to accounting standards Million Baht	Value of related collateral* Million Baht	
Financial assets						
Purchase of securities with resale agreement transactions	5,201	-	5,201	-	(5,201)	-
Derivative assets	29,110	-	29,110	(21,778)	-	7,332
Total	34,311	-	34,311	(21,778)	(5,201)	7,332
Financial liabilities						
Derivative liabilities	29,614	-	29,614	(21,778)	(119)	7,717
Total	29,614	-	29,614	(21,778)	(119)	7,717
	2022					
	Gross amount Million Baht	Amount to be offset on the statement of financial position Million Baht	Net amount on the statement of financial statement Million Baht	Amount that cannot be offset on the statement of financial position		Net amount Million Baht
				Offsetting amount according to the contracts that do not meet the criteria according to accounting standards Million Baht	Value of related collateral* Million Baht	
Financial assets						
Purchase of securities with resale agreement transactions	17,201	-	17,201	-	(17,201)	-
Derivative assets	29,855	-	29,855	(21,866)	-	7,989
Total	47,056	-	47,056	(21,866)	(17,201)	7,989
Financial liabilities						
Derivative liabilities	28,170	-	28,170	(21,866)	-	6,304
Total	28,170	-	28,170	(21,866)	-	6,304

* The value of non-cash collateral is stated equal to or less than the residual value of net book value shown in the statement of financial position less the value of cash collateral.

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Master netting arrangements - not currently offset in financial statements

- Derivative

Agreements with derivative counterparties are based on ISDA agreement. Under the terms of these arrangements, only where certain credit events occur (such as default, the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Bank does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position.

- Repurchase agreement

The Bank entered into a securities sales and purchase agreement with its counterparties. This involved a TBMA/ISMA resale and repurchase agreement. The GMRA requires the borrower to transfer ownership of the collateral to the lender at the contract's inception. This way, if the borrower defaults on a payment, the lender doesn't have to force the borrower to return the collateral but can seize it directly. However, since this item concerns a collateral loan, the Bank showed this item separately in the financial statements.

Securities accepted as collateral under the reverse repo agreement with the financial institutions are government bonds which can be sold or repledged in the absence of default by the borrower of the collateral. The reverse repo agreements mature the next business day.

28 Interest income

	2023	2022
	Thousand Baht	Thousand Baht
Interbank and money market items	439,188	160,221
Investment in debt securities	1,214,450	346,326
Loans	211,362	125,181
Total interest income	1,865,000	631,728

29 Interest expenses

	2023	2022
	Thousand Baht	Thousand Baht
Deposits	921,304	175,150
Interbank and money market items	14,557	4,597
Contributions for deposit protection agency	161,799	64,313
Head Office and other branches of the same juristic person	285,616	171,035
Others	1,564	1,891
Total interest expenses	1,384,840	416,986

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30 Net fees and services incomes

	2023 Thousand Baht	2022 Thousand Baht
Fees and services income:		
Acceptance, avails and guarantees	9,647	8,819
Cash management	90,823	85,196
Others	153,762	120,535
Total fees and service income	254,232	214,550
Fees and services expenses	(121,420)	(101,850)
Net fees and services incomes	132,812	112,700

31 Gains on financial instruments measured at fair value through profit or loss

	2023 Thousand Baht	2022 Thousand Baht
Gains (losses) on tradings and foreign exchange transactions		
Foreign currencies and foreign exchange rate derivatives	1,086,681	1,290,979
Interest rate derivatives	67,833	(149,683)
Debt instruments	(47,921)	(127,525)
Total gains on tradings and foreign exchange transactions	1,106,593	1,013,771

32 Expected credit losses

	2023 Thousand Baht	2022 Thousand Baht
Interbank and money market items	6,192	(1,194)
Loans to customers and accrued interest receivable	4,856	14,741
Credit line commitments and financial guarantees	(1,280)	1,994
Total expected credit losses	9,768	15,541

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33 Income taxes

The components of income tax expense for the period ended 31 December 2023 and 2022 are presented in the table below:

	2023	2022
	Thousand	Thousand
	Baht	Baht
Current income tax expense		
Corporate Income tax expense for the year	181,848	112,798
Adjustments in respect of prior year	(290)	(182)
Total current income tax expense	<u>181,558</u>	<u>112,616</u>
Deferred income tax income		
Origination and reversal of temporary differences	(5,910)	(3,435)
Total deferred income tax income	<u>(5,910)</u>	<u>(3,435)</u>
Total income taxes expense	<u>175,648</u>	<u>109,181</u>

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	2023	2022
	Thousand	Thousand
	Baht	Baht
Profit before tax	<u>866,539</u>	<u>531,382</u>
Tax calculated at a tax rate of 20%	173,308	106,276
Tax effect of:		
Expenses not deductible for tax purpose	2,630	3,087
Adjustments in respect of prior year	(290)	(182)
Income taxes expense	<u>175,648</u>	<u>109,181</u>
The weighted average applicable tax rate (%)	20.27	20.55

The effective tax rate for the year was lower than the previous year, primarily due to decrease in expenses not deductible for tax purpose.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two), and various governments around the world have issued, or are in the process of issuing, legislation on this. In Thailand, the government is in the process of drafting legislation on Pillar Two.

34 Related party transactions

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

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

The significant related party transactions are transacted with the Group companies of Bank of America N.A.

The ultimate parent company is Bank of America Corporation, a company incorporated in the United States of America.

Relationships of related parties

Head Office

- Bank of America, N.A.

Other Branches

- Bank of America, N.A. - Hong Kong
- Bank of America, NA (Toronto Branch)
- Bank of America NT & SA
- Bank of America, N.A. - New York
- Bank of America, N.A. - Tokyo
- Bank of America, N.A. - Frankfurt
- Bank of America, N.A. - Jakarta
- Bank of America, N.A. - Taipei
- Bank of America, N.A. - Manila
- Bank of America, N.A. - Mumbai
- Bank of America, N.A. - Seoul
- Bank of America, N.A. - Shanghai
- Bank of America, N.A. - Singapore
- Bank of America, N.A. - London
- Bank of America, N.A. - Sydney
- Bank of America, N.A. - GF

Fellow subsidiaries

- Merrill Lynch (Asia Pacific) Limited
- Merrill Lynch Capital Services, Inc.
- Merrill Lynch Europe Limited
- Merrill Lynch Global Services Pte. Ltd.
- Merrill Lynch International
- Bank of America Merrill Lynch International Ltd
- Bank of America Merrill Lynch Intl LTD-Dublin Branch
- Bank of America Europe Designated Activity Company
- Bank of America Europe Designated Activity Company, Brussels Branch
- BA Electronic Data Processing (Guangzhou) Ltd.
- Bank of America Securities Japan Co., Ltd.
- Merrill Lynch Securities (Thailand) Limited
- Merrill Lynch, Pierce, Fenner & Smith Inc
- ML International
- Bank of America Securities Asia Limited
- Bank of America Malaysia Berhad
- Merrill Lynch International Bank Limited
- Bank of America Europe Designated Activity Company, Amsterdam Branch
- Bank of America Europe Designated Activity Company, Frankfurt Branch

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The related transactions, outstanding balances as at 31 December 2023 and 2022, income and expenses for the years ended 31 December 2023 and 2022 consisted of the following:

	2023	2022
	Thousand	Thousand
	Baht	Baht
Head Office		
Statement of Financial Positions		
Other assets	58,865	31,722
Other liabilities	(152,141)	(59,459)
Fund brought in to maintain assets under the Act	(14,540,000)	(14,040,000)
Accounts with Head Office and other branches of the same juristic person, net	(2,894,575)	(5,861,607)
Statements of comprehensive income		
Interest income	14,330	8,258
Interest expenses	(285,615)	(171,035)
Fee and service income	139,272	99,276
Administration support expenses	(18,903)	50
Other Branches		
Statement of Financial Positions		
Account receivable from sales of government bonds	-	2,984,671
Other assets	9,615	13,823
Other liabilities	(21,241)	(19,526)
Accounts with Head Office and other branches of the same juristic person, net	(33,148)	(418,627)
Statements of comprehensive income		
Fee and service income	2,031	9,261
Other income	33,420	30,393
Administration support expenses	(117,867)	(98,454)

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	2023	2022
	Thousand Baht	Thousand Baht
Fellow subsidiaries		
Statement of Financial Positions		
Account receivable from sales of government bonds	-	2,687,250
Other assets	5,144	3,610
Interbank and money market items (Liability)	(1,080,193)	(1,052,418)
Account payable from sales of government bonds	-	(379,562)
Other liabilities	(90,886)	(67,352)
Statements of comprehensive income		
Interest expenses	(1,042)	(366)
Other income	18,225	14,511
Administration support expenses	(246,574)	(227,138)

Transactions between the Bank and related entities under the control of Bank of America National Association were priced at and contain similar conditions with the Bank's general customers and conformed to normal banking practice.

Key management's compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly.

The key management remuneration includes salary, bonus, and benefits-in-kind computed based on the cost incurred by the Bank.

The table below presents information on remuneration of key management personnel at 31 December 2023 and 2022;

	2023	2022
	Thousand Baht	Thousand Baht
Salaries and other short-term employee benefits	125,811	118,691
Provident fund contributions	8,468	8,052
Post-employment benefits	6,742	6,144
Share-based payment	27,174	38,490
Total	168,195	171,377

For the year ended 31 December 2023, the Bank paid short-term compensation to the top management by compensating their 15 officers (2022: 15 officers).

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35 Operating lease commitments

The future aggregate minimum lease payments under lease agreements are as follows:

	2023	2022
	Thousand Baht	Thousand Baht
Not later than 1 year	546	546
Later than 1 year but not later than 5 years	363	909
Total operating lease commitments	909	1,455

36 Fair value of financial assets and liabilities

36.1 Fair value estimation

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

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market prices used for financial assets held by the Bank are the last bid prices from the Stock Exchange of Thailand, the closing price from the Stock Exchange in overseas and settlement prices from Futures Exchange. These instruments are included in level 1.

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

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

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The following table presents the assets and liabilities that are measured at fair value at 31 December 2023 and 2022:

	2023			
	Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	Total Million Baht
Financial assets				
Financial derivative assets	-	29,110	-	29,110
Financial assets measured at fair value through profit or loss				
- Government securities	-	95	-	95
Investments in debt instruments measured at fair value through other comprehensive income				
- Government securities	-	50,150	-	50,150
Financial liabilities				
Financial derivative liabilities	-	29,614	-	29,614
	2022			
	Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	Total Million Baht
Financial assets				
Financial derivative assets	-	29,855	-	29,855
Financial assets measured at fair value through profit or loss				
- Government securities	-	2,511	-	2,511
Investments in debt instruments measured at fair value through other comprehensive income				
- Government securities	-	40,730	-	40,730
Financial liabilities				
Financial derivative liabilities	-	28,170	-	28,170

There was no transfers between level 1 and 2 during the year.

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise forward foreign exchange contracts and foreign exchange swaps which are fair valued based on forward rate of foreign currency against Thai Baht and discounted with Thai Baht interest rate. Interest rate swap and cross currency swap are fair valued based on the cash flows from contract rate (for fixed interest rate) or forward rate (for floating rate) and discounted with interest rate in each currency which can be obtained from observable market.

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').

Level 2 marketable debt securities are fair valued based on quoted by the yield curve of the Thai Bond Market Association at the close of business on the statements of financial position date.

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36.2 Fair value of financial assets and liabilities measured at amortised cost

The following table presents the financial assets and liabilities that are not measured at fair value at 31 December 2023 and 2022:

	2023			
	Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	Total Million Baht
Financial assets				
Cash	7	-	-	7
Interbank and money market items	1,369	5,982	-	7,351
Accounts receivables from sales of government bonds	-	389	-	389
Loans and interest receivable, net	-	8,166	-	8,166
Other assets	-	200	-	200
Financial liabilities				
Deposit	-	43,836	-	43,836
Interbank and money market items	1,131	100	-	1,231
Accounts payables from purchases of government bonds	-	389	-	389
Demand liabilities	-	1,618	-	1,618
Lease liabilities	-	52	-	52
Other liabilities	-	275	-	275
	2022			
	Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	Total Million Baht
Financial assets				
Cash	6	-	-	6
Interbank and money market items	1,236	17,199	-	18,435
Accounts receivables from sales of government bonds	-	6,348	-	6,348
Loans and interest receivable, net	-	9,926	-	9,926
Other assets	-	52	-	52
Financial liabilities				
Deposit	-	49,874	-	49,874
Interbank and money market items	1,325	100	-	1,425
Accounts payables from purchases of government bonds	-	6,266	-	6,266
Demand liabilities	-	837	-	837
Lease liabilities	-	65	-	65
Other liabilities	-	135	-	135

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

Loans to customers and accrued interest receivable, net

The fair value is the outstanding balance of loans and accrued interest less allowance for expected credit loss. The majority of loans are fixed rate. The management has assessed the existing effective rate of the outstanding loans is a reasonable approximation of market effective rate.

Interbank and money market items

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

The interbank and money market items (liabilities) are borrowing and fixed deposits which are short-term. Accordingly, their carrying amount is a reasonable approximation of fair value.

Deposits

The deposits are fixed deposits and certificate of deposit. The fair value is estimated using discounted cash flow, applying current rates offered for fixed deposits of similar remaining maturities.

Lease liabilities

The carrying amounts of lease liabilities presented in the statement of financial position approximate fair values.

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash, account receivable from sales of government bonds, other assets, account payable from purchases of government bonds, demand liabilities, and other liabilities.

37 Provident fund

The Bank established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530, which contributions are made by both the employees and the Bank. For the year ended 31 December 2023, the Bank contributed Baht 21.95 million (31 December 2022: Baht 20.89 million).

38 Share-based payment

BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Equity Plan (BACEP). Under this plan, shares of BAC's common stock are authorised to be used for grants of awards to the Bank's employees.

During the year ended 31 December 2023, BAC granted 38,963 (2022: 34,667) restricted stock unit (RSU) awards to certain employees of the Bank under the BACEP, which will be settled in shares of common stock of BAC or in cash payments equivalent to the fair value of the common stock on the date of settlement. The four-year awards vest primarily in one-fourth increments on each of the first four anniversaries of the grant date while the three-year awards vest primarily in one-third increments on each of the first three anniversaries of the grant date, provided that the employee remains continuously employed with the Bank during that time. The expense recognised is net of estimated forfeitures for nonretirement eligible employees based on the grant-date fair value of the shares. Of the RSUs granted in 2023 that vest over four years, 17,795 number of units (2022: 11,985 number of units) do not include retirement eligibility. For all other RSUs granted to employees who are retirement eligible, they are deemed authorised as of the beginning of the year preceding the grant date when the incentive award plans are generally approved. As a result, the estimated value is expensed ratably over the year preceding the grant date.

Certain awards contain claw-back provisions which permit BAC to cancel all or a portion of the award under specified circumstances.

Recipients of RSUs awards may receive cash payments equivalent to dividends. For awards that are not dividend-eligible, the fair value measurement of the award is decreased to reflect the expected value of the dividends that similar awards would be eligible to receive.

The RSUs had a grant date weighted-average fair value of USD 35.22 (2022: USD 47.89) per share.

The total pre-tax cost recognised in profit and loss for share-based compensation plans for the year ended 31 December 2023 was Baht 37.06 million (2022: Baht 62.85 million), including the incremental effects of the chargeback agreements with BAC as other income Baht 1.99 million (2022: Baht 5.52 million)

Included within the statement of changes in head office and other branches of the same juristic person is an amount of Baht 39.05 million (2022: Baht 68.37 million) relating to group share-based payment cost and an amount of Baht 39.05 million (2022: Baht 68.37 million) relating to the recharge.