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สอบบัญชี จำกัด
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REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE MANAGEMENT OF BNP PARIBAS BANGKOK BRANCH

Opinion

We have audited the financial statements of BNP Paribas Bangkok Branch (the "Bank"), which comprise the statement of financial position as at December 31, 2018, and the related statements of profit or loss and other comprehensive income, changes in head office and other branches of the same juristic person's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BNP Paribas Bangkok Branch as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing ("TSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, 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 Company'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

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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.

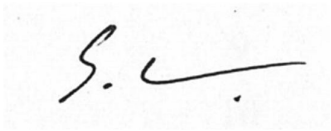
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.



Dr. Suphamit Techamontrikul
Certified Public Accountant (Thailand)
Registration No. 3356
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

BANGKOK
April 12, 2019

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

BAHT : '000

	Notes	2018	2017
ASSETS			
Cash		299	656
Interbank and money market items, net	9	500,042	4,400,774
Derivatives assets	10	14,436,242	16,760,136
Investments, net	11	16,831,281	15,987,764
Loans to customers and accrued interest receivables, net	12		
Loans to customers		9,071,693	7,896,302
Accrued interest receivables		13,504	14,563
Total loans to customers and accrued interest receivables		9,085,197	7,910,865
Less Deferred income		(5,769)	(6,346)
Less Allowance for doubtful accounts	13	(90,739)	(79,913)
Total loans to customers and accrued interest receivables, net		8,988,689	7,824,606
Leasehold improvement and equipment, net	15	18,824	22,479
Intangible assets, net	16	9,158	2,022
Deferred tax assets	17	26,238	17,953
Account receivable for investments		9,175,505	3,869,696
Other receivables		850,549	879,768
Accrued interest from investments		11,886	29,377
Other assets	18	33,272	16,555
TOTAL ASSETS		50,881,985	49,811,786

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2018

BAHT : '000

	Notes	2018	2017
LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY			
Deposits	19	14,342,561	15,551,624
Interbank and money market items, net	20	488,498	1,758,649
Liabilities payable on demand		39,788	45,059
Commitment to return securities		-	211,106
Financial liabilities designated at fair value	21	420,217	432,133
Derivatives liabilities	10	11,595,388	17,880,573
Provision for employee benefits	22	42,086	43,675
Accounts payable for investments		9,513,292	3,659,355
Accrued expenses		111,673	117,665
Other payable		8,640	11,757
Other liabilities		30,950	23,593
TOTAL LIABILITIES		36,593,093	39,735,189
HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY			
Fund remitted into Thailand for maintaining assets under law	7.2	9,311,042	9,184,389
Foreign currency translation		(149,371)	28,286
		9,161,671	9,212,675
Accounts with head office and other branches of the same juristic person, net		4,775,282	334,062
Other components of accounts with head office and other branches of the same juristic person		28	4,446
Retained earnings		351,911	525,414
TOTAL HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		14,288,892	10,076,597
TOTAL LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		50,881,985	49,811,786

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

BAHT : '000

	Notes	2018	2017
Interest income	28	611,551	586,398
Interest expenses	29	(627,246)	(524,473)
Net interest income (expenses)		(15,695)	61,925
Fees and service income		104,269	114,564
Fees and service expenses		(41,909)	(33,656)
Net fees and service income	30	62,360	80,908
Gains on tradings and foreign exchange transactions, net	31	669,343	696,597
Losses on financial instrument designated at fair value, net	32	(5,550)	(14,960)
Total operating income		710,458	824,470
Other operating expenses			
Employee's expenses		330,773	290,021
Premises and equipment expenses		45,447	47,722
Taxes and duties		13,421	11,869
Expenses shared from Head Office	24	65,136	54,212
Cost sharing from financial instruments, net	24	199,482	108,068
Others		104,913	127,241
Total other operating expenses		759,172	639,133
Impairment loss of loans	33	8,500	20,000
Profit (loss) from operating before income tax expense		(57,214)	165,337
Income tax income (expenses)	34	3,688	(39,923)
NET PROFIT (LOSS)		(53,526)	125,414

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

BAHT : '000

	Notes	2018	2017
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that are or may be reclassified to profit or loss			
Gain (loss) on remeasuring available-for-sale investments	11.2	(5,523)	33,357
Income tax expense relating to components of other comprehensive income (loss)	11.2	1,105	(6,671)
		(4,418)	26,686
Items that will never be reclassified to profit or loss			
Gain on defined benefit plan	22	6,796	-
Income tax expense relating to components of other comprehensive loss		(1,359)	-
		5,437	-
Net other comprehensive income		1,019	26,686
TOTAL COMPREHENSIVE INCOME (LOSS)		(52,507)	152,100

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

BAHT : '000

	Note	Fund remitted into Thailand for maintaining assets under law	Accounts with head office and other branches of the same juristic person, net	Other components of accounts with head office and other branches of the same juristic person		Retained earnings	Total
				Gains (losses) on remeasuring available-for-sale investments	Total other components of accounts with head office and other branches of the same juristic person		
Beginning balance as at January 1, 2017		9,265,942	494,750	(22,240)	(22,240)	645,622	10,384,074
Decrease during the year		(81,553)	-	-	-	-	(81,553)
Repatriation		-	-	-	-	(245,622)	(245,622)
Transactions with inter-office accounts with head office and other branches of the same juristic person		-	(160,688)	-	-	-	(160,688)
Foreign currency translation adjustments							
At beginning of year		641,883	-	-	-	-	641,883
Decrease during the year		(613,597)	-	-	-	-	(613,597)
At end of year		28,286	-	-	-	-	28,286
Net profit for the year		-	-	-	-	125,414	125,414
Other comprehensive income	11.2	-	-	26,686	26,686	-	26,686
Ending balance as at December 31, 2017		9,212,675	334,062	4,446	4,446	525,414	10,076,597

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

BAHT : '000

	Note	Fund remitted into Thailand for maintaining assets under law	Accounts with head office and other branches of the same juristic person, net	Other components of accounts with head office and other branches of the same juristic person		Retained earnings	Total
				Gains (losses) on remeasuring available-for-sale investments	Total other components of accounts with head office and other branches of the same juristic person		
Beginning balance as at January 1, 2018		9,184,389	334,062	4,446	4,446	525,414	10,048,311
Increase during the year		126,653	-	-	-	-	126,653
Repatriation		-	-	-	-	(125,414)	(125,414)
Transactions with inter-office accounts with head office and other branches of the same juristic person		-	4,441,220	-	-	-	4,441,220
Foreign currency translation adjustments							
At beginning of year		28,286	-	-	-	-	28,286
Decrease during the year		(177,657)	-	-	-	-	(177,657)
At end of year		(149,371)	-	-	-	-	(149,371)
Net loss for the year		-	-	-	-	(53,526)	(53,526)
Other comprehensive income (loss)	11.2	-	-	(4,418)	(4,418)	5,437	1,019
Ending balance as at December 31, 2018		9,161,671	4,775,282	28	28	351,911	14,288,892

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

BAHT : '000

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) from operating before income tax expenses		(57,214)	165,337
Adjustments to reconcile profit (loss) from operating before income tax expenses to cash received (paid) from operating activities			
Depreciation and amortization	15 and 16	9,223	8,908
Impairment loss of loans	33	8,500	20,000
Premium and discount on debt securities		26,115	31,538
Gain on sales of investment in securities		(46,128)	(60,571)
Gain on disposal of leasehold improvement and equipment		-	(24)
Loss on write off of leasehold improvement and equipment		202	1
Unrealized gain on foreign exchange rate, net		(177,657)	(613,597)
Unrealized gain on revaluation of derivatives financial instruments, net		(3,961,290)	(2,772,471)
Unrealized gain on revaluation of financial instrument designated at fair value, net		(11,916)	(2,609)
Provision for employee benefits	22	5,362	6,106
Interest income	28	(611,551)	(586,398)
Interest expenses	29	627,246	524,473
Interest received		639,310	564,547
Interest paid		(643,409)	(525,296)
Income tax paid		-	(20,848)
Loss from operations before changes in operating assets and liabilities		(4,193,207)	(3,260,904)
(Increase) decrease in operating assets:			
Interbank and money market items		3,894,425	931,222
Trading securities		523,983	(1,131,884)
Loans to customers		(1,175,967)	(1,976,045)
Accounts receivable for investments		(5,305,809)	665,036
Other receivables		29,219	(879,768)
Other assets		(17,268)	(3,456)

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

BAHT : '000

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase (decrease) in operating liabilities :			
Deposits		(1,209,063)	4,648,011
Interbank and money market items		(1,270,151)	42,356
Liabilities payable on demand		(5,271)	(1,186)
Commitment to return securities		(211,106)	27,096
Provision for long-term employee benefits	22	(155)	(172)
Accounts payable for investments		5,853,937	(409,860)
Accrued expenses		(5,992)	7,178
Other payables		(3,117)	(1,777,463)
Other liabilities		12,888	(53,379)
Accounts with head office and other balances of the same juristic person, net		4,481,505	(138,999)
Net cash provided by (used in) operating activities		1,398,851	(3,312,217)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of long-term investment in securities		(22,258,010)	(7,662,634)
Proceeds from sales of long-term investment in securities		20,905,000	11,323,493
Cash paid for purchases of leasehold improvement and equipment and computer software		(12,906)	(9,868)
Proceeds from sales of leasehold improvement and equipment		-	24
Net cash provided by (used in) investing activities		(1,365,916)	3,651,015

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

BAHT : '000

	Notes	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in borrowing from other branch of the same juristic person's equity	8	126,653	(81,553)
Fund remittance to Head Office	8	(125,414)	(245,622)
Net cash provided by (used in) financing activities		1,239	(327,175)
Net increase in cash and cash equivalents		34,174	11,623
Cash and cash equivalents as at January 1,		108,888	97,265
Cash and cash equivalents as at December 31,		143,062	108,888
Cash and cash equivalents:			
Cash		299	656
Interbank and money market items		19,418	27,518
Accounts with head office and other branches of the same juristic person's equity		123,345	80,714
Total cash and cash equivalents		143,062	108,888

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

BNP Paribas Bangkok Branch (the "Bank") is a segment of BNP Paribas which was incorporated in France (the "Head Office"). The address of BNP Paribas' registration in Thailand, as a branch, is 29th Floor Abdulrahim Place, 990 Rama IV Road, Bangkok.

The Bank operates a Bangkok Branch. The Bank was granted a banking license by the Bank of Thailand on November 6, 1996.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 The Bank maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with Thai Financial Reporting Standards and accounting practices generally accepted in Thailand.

2.2 The Bank's financial statements have been prepared in accordance with the Thai Accounting Standard (TAS) No. 1 (Revised 2017) "Presentation of Financial Statements", including the Procedures, Policies and Presentation in accordance with the Bank of Thailand ("BOT") Notification regarding "the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 4, 2015".

2.3 The financial statements have been prepared on the measurement basis of historical cost except as disclosed in the accounting policies.

2.4 Thai Financial Reporting Standards affecting the presentation and disclosure in the current period financial statements

During the year, the Bank has adopted the revised and new financial reporting standards and guidelines on accounting issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after January 1, 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Bank's financial statements.

2.5 Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective

2.5.1 Thai Financial Reporting Standards which will be effective for the financial statements with fiscal years beginning on or after January 1, 2019

New Thai Financial Reporting Standards and Thai Financial Reporting Standard Interpretation

The Federation of Accounting Professions has issued the Notification regarding Thai Financial Reporting Standards and Thai Financial Reporting Standard Interpretation, which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2019 onwards.

Thai Financial Reporting Standards ("TFRS")	
TFRS 1	First-time Adoption of International Financial Reporting Standards
TFRS 15	Revenue from Contracts with Customers
Thai Financial Reporting Standard Interpretation ("TFRIC")	
TFRIC 22	Foreign Currency Transactions and Advance Consideration

There is the key change to the core principle of TFRS 15, which introduces a 5-step approach to revenue recognition, as follow:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, the Bank recognizes revenue when (or as) a performance obligation is satisfied. TFRS 15 will supersede the Standards and Interpretations relating to revenue upon its effective date.

Thai Financial Reporting Standards (TFRSs) Revised 2018

The Federation of Accounting Professions has issued the Notification regarding Thai Financial Reporting Standards (TFRSs) Revised 2018 which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2019 onwards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology and reference to other TFRSs except following TFRSs, which there are revision or additional paragraph and accounting guidance.

Thai Accounting Standard No. 28 (Revised 2018) "Investment in Associates and Joint Ventures" clarifies about the election of measurement an investment in an associate or a joint venture at fair value through profit or loss, and clarifies the consideration about the impairment of an investment in an associate or a joint venture. This accounting standard requires retrospective method for such amendment.

Thai Accounting Standard No. 40 (Revised 2018) "Investment Property" clarifies about transfers of investment property to, or from, other accounts when, and only when, there is a change in use. This accounting standard requires prospective method for such amendment.

Thai Financial Reporting Standard No. 2 (Revised 2018) "Share-based Payment" adds the requirements, which require prospective method for the amendment as follows:

1) The requirement about treatment of vesting and non-vesting for a cash-settled share-based payment transaction

2) The requirement about share-based payment transactions with a net settlement feature for withholding tax obligations

3) The requirement about accounting for a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled

Thai Financial Reporting Standard No.4 (Revised 2018) "Insurance Contracts" determines the option for insurance industry to temporarily exempt from applying Thai Financial Reporting Standard No.9 "Financial Instruments" ("TFRS 9"). An entity can elect to exempt from TFRS 9 for annual periods beginning before January 1, 2022 or before TFRS 17 is effective.

2.5.2 Thai Financial Reporting Standards which will be effective for the financial statements with fiscal years beginning on or after January 1, 2020

The Federation of Accounting Professions has issued the Notification regarding Thai Accounting Standards, Thai Financial Reporting Standards and Thai Financial Reporting Standard Interpretation which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2020 onwards, as follows:

Group of Financial Instruments Standards

Thai Accounting Standards ("TAS")	
TAS 32	Financial Instruments: Presentation
Thai Financial Reporting Standards ("TFRS")	
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
Thai Financial Reporting Standard Interpretations ("TFRIC")	
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These group of Standards make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost; taking into account the type of instrument, the characteristics of the contractual cash flows and the entity's business model, the calculation of impairment using the expected credit loss method, and the concept of hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. These Standards will supersede the Standards and Interpretations relating to the financial instruments upon its effective date.

Thai Financial Reporting Standards No. 16 "Leases"

This financial reporting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. An entity shall consider the terms and conditions of contracts and all relevant facts and circumstances when applying this Standard. An entity shall apply this Standard consistently to contracts with similar characteristics and in similar circumstances.

The Bank's management will adopt such TFRSs in the preparation of the Bank's financial statements when it becomes effective. The Bank's management is in the process to assess the impact of these TFRSs on the financial statements of the Bank's in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of interest income

Interest income is recognized on accrual basis. Such income recognition is discontinued when reasonable doubt exists as to the timely collection or if payment of principal or interest is contractually over three months past due. Then the interest income is recognized when payment is received.

When income recognition is discontinued, the Bank reverses outstanding accrued interest income to the statement of profit or loss and other comprehensive income.

3.2 Recognition of interest expenses

Interest on borrowings and deposits are recognized as an expense on accrual basis.

3.3 Derivatives financial instruments

Derivatives financial instruments for trading purpose are recognized at fair values and net amount reported in the statement of financial position as assets or liabilities by the same counterparty and when the contracts have the same maturity date. Changes in fair values are posted to the statement of profit or loss and other comprehensive income.

Derivatives financial instruments for hedging are used for the purpose to manage the Bank's exposures to market price movement using of derivatives. Gain or loss resulting from the change in fair values of contracts is recognized in accordance with the accounting treatment on hedged items. If hedged items are carried on an accrual basis, then hedging instruments carry the accrual consistently.

Hybrid instrument includes a non-derivative host contract and an embedded derivative. The Bank records the host contract applied accounting standards as the classification of the host contract. An embedded derivative is separated from the host contract and measured at fair values, if and only if:

1. The economic characteristics and risks of the host contract and the embedded derivative are non-closely related.
2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
3. The hybrid instrument is not measured at fair values through the statement of profit or loss and other comprehensive income.

If an embedded derivative is not separated or in case there is no reliable fair values of embedded derivative, the Bank will record the hybrid instrument, applying accounting standards as the classification of the host contract.

Starting from January 1, 2010 onwards, the Bank has applied fair value option method for deposits and borrowings with embedded derivatives. The fair value changes are recognized in the statement of profit or loss and other comprehensive income.

3.4 Investments

Investments are initially recognized and eliminated on the trade date.

Basis of investment classification

The Bank classifies its investments into the following categories: trading, available-for-sale, held-to-maturity and general investment. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. Investments with fixed maturity that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity. Investment in non-marketable equity securities are classified as general investment. The Bank determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Carrying value of investments

Trading securities are carried at fair value, with differences between the carrying values and fair values being presented as unrealized gains or losses in the statement of profit or loss.

Available-for-sale securities are carried at fair values, less allowance for impairment in value (if any). Differences between carrying values and fair values are presented as unrealized gains or losses in the statement of other comprehensive income.

Held-to-maturity debt securities are carried at amortized cost, less allowance for impairment in value in the statement of financial position (if any).

Investments in non-marketable equity securities are classified as general securities and carried at cost less allowance for impairment in value (if any).

Fair values of debt securities, which are classified as trading and available-for-sale securities are calculated with reference to the last quoted bid prices at the close of business on the statement of financial position date. Fair values of marketable equity securities are calculated with reference to the quoted bid prices of the Stock Exchange of Thailand at the close of business on the statement of financial position date.

A test for impairment is carried out when there is a factor indicating that such investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, the impairment loss is recognized to the statement of profit or loss and other comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognized to the statement of profit or loss and other comprehensive income.

When disposing of part of a particular investment in debt or equity securities, the carrying amount of the disposed part is based on the first-in, first-out carrying amount of the total holding of the investment.

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be transferred to be recognized in profit or loss from operation when the securities are sold.

Investments in held-to-maturity securities are recorded at amortized cost. The premium or discount on debt securities is amortized or accreted by the effective rate method with the amortized or accreted amount presented as an adjustment to the interest income.

The Bank records the reclassification of investments from the available-for-sale securities to the held-to-maturity securities by using fair value as of the reclassification date. The outstanding balances of the unrealized gain (loss) on remeasuring the available-for-sale securities, which presented in the other components of accounts with head office and other branches of the same juristic person, is amortized by using the effective interest rate method or other method that give no different result.

3.5 Loans and allowance for doubtful accounts

Loans are generally stated at the principal amounts outstanding.

The allowance for doubtful accounts is provided for risks of losses incurred on loans. The allowance is increased by provisions charged to expense and decreased by write-offs, net of recoveries. The estimated losses are based on collection experience and management's evaluation of the adequacy of the allowance for doubtful accounts, which evaluation encompasses consideration of the current status of individual debtors as well as debtors in general.

3.6 Troubled debt restructurings

The Bank records assets or equities received in settlement of debts at the lower of the fair value of the assets or equities, less estimated selling expenses (if any), or the amount of investment in receivables (including accrued interest income).

When the troubled debt restructuring involves modification of terms of receivables, the fair value of the investment in receivables after restructuring is based on the net present value of the expected future cash flows, discounted by the Minimum Lending Rates (MLR) prevailing at the restructuring date.

Losses arising from restructuring, less recorded allowance for doubtful accounts, are recognized in the statement of profit or loss and other comprehensive income when incurred.

Legal fees and other direct costs incurred because of the restructuring are expensed when incurred.

3.7 Leasehold improvement and equipment

Leasehold improvement and equipment are stated at historical cost less accumulated depreciation and impairment loss (if any).

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

Depreciation is calculated on the straight-line method over the estimated useful life as follows:

Leasehold improvement	5 years
Furniture and office equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the statement of financial position date.

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal is recognized in the statement of profit or loss and other comprehensive income.

3.8 Intangible assets

Intangible assets are purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives 5 - 10 years.

Software maintenance costs are expenses as incurred.

3.9 Operating leases - where the Bank is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

3.10 Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents include cash, interbank and money market items and net balance of inter-office accounts with the Head Office and other branches under the same juristic person's equity with initial maturity of three months or less.

3.11 Foreign currency translation

Transactions during the year denominated in foreign currencies are translated into Baht at the rates of exchange on the transaction dates. Monetary assets, liabilities and fund remitted into Thailand for maintaining assets under law at the statement of financial position date denominated in foreign currencies are translated into Baht at the exchange rates announced by the Bank of Thailand on that date.

Gains and losses resulting from translation are included in the statement of profit or loss and other comprehensive income.

3.12 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.13 Employee benefits

Provident fund

The Bank has a define contribution plan in a provident fund for employee. The assets of which are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the Bank. Contribution to the provident fund is recognized to the statement of profit or loss and other comprehensive income in the year to which they relate.

Long-term employee benefits

The Bank set provision for long-term employee benefits which consisted of legal severance under the Labor Protection Act and long-serviced award. The liability in respect of employee's benefits is measured, using the projected unit credit method which is calculated by an independent actuary in accordance with the actuarial technique. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yield on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and others.

Actuarial gains or losses will be recognized in the statement of profit or loss and other comprehensive income in the period to which they are related.

3.14 Share-based payment

Share-based payment transactions are payments based the value of BNP Paribas's shares (Head Office). The Bank grants employees the deferred share-based or share price-linked cash settled compensation plans.

The expense related to these plans is recognized in the year during which the employee rendered the corresponding services. If the payment is explicitly subject to the employee's continued presence at the vesting date, the service is presumed to have been rendered during the vesting period and the corresponding compensation expense is recognized on a pro rata basis over that period.

3.15 Income tax expense

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

3.15.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

3.15.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the corresponding tax basis used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the statement of financial position date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the asset to be recovered.

The Bank measures deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Bank and subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

Income tax expense or income related to profit or loss are presented in the statement of profit or loss and other comprehensive income. For current income taxes and deferred taxes related to items recognized directly in other components of accounts with Head Office and other branches of the same juristic person's equity in the same or different period, they will be recognized directly in other components of accounts with Head Office and other branches of the same juristic person's equity.

4. ADDITIONAL INFORMATION

4.1 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of financial derivative instruments

In determining the fair value of financial derivative instruments, the management has made judgment by using a variety of valuation techniques. The input parameters to the models used are taken from observable markets, and includes consideration of maturity, interest rate correlation and volatility, etc.

Impairment of loans and commitment and contingent liabilities

The Bank maintains an allowance for doubtful accounts and provision for contingent liabilities to reflect impairment of loans and off-statement of financial position items. They relate to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts and provision for contingent liabilities are significantly impacted by the Bank's assessment of collaterals and/or future cash inflows. Such assessment being based on consideration of historical collection experience, financial position and performance, famous, default and consideration of economics.

Provision for long-term employee benefits

The Bank has commitment on provision for long-term employee benefits to employee on reaching retirement age. The present value of employee benefit liabilities recognized in the statement of financial position is determined on the present value of estimated future cash outflows for staff that is nearly reach retirement age. The assumptions used in determining the net year cost for employee benefits includes the salary and years of services of respective employees which are payable in the future and discount rate.

Actuarial gain or loss are recognized in statement of profit or loss and other comprehensive income.

Past service cost related to the plan amendment is recognized as an expense in the income statement when the plan amendment is effective.

4.2 Capital risk management

The Bank's objectives when managing capital are to ensure that the Bank will be able to continue as a going concern while maximizing the returns to the Bank, the benefits of other stakeholders and complying with the Bank of Thailand rules of the capital fund.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organization are geared towards effectively addressing this matter. The entire process is supervised primarily by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the core businesses, business lines and territories and reports directly to Group Executive Management.

The risk categories reported by the Bank evolve in line with methodological developments and regulatory requirements.

5.1.1 Credit risk

Credit risk is the risk of incurring an economic loss on loans and receivables (existing or potential due to prior commitments) resulting from a change in the credit quality of the Bank's debtors, which can ultimately result in default. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

Counterparty risk is the demonstration of credit risk in market, investment and/or payment transactions that potentially expose the Bank to the default risk of the counterparty. It is a bilateral risk on a counterparty with whom a transaction is entered into and of which the amount may vary over time, in line with market parameters that impact the value of the relevant market instrument.

The Bank adopts a Global Credit Risk Policy & Procedures ("Credit Risk Policy") that is detailed in accordance with the Bank of Thailand's Regulation. The credit risk policy provides guidance on credit risk management and also defines the responsibilities of each of the parties involved in credit risk management.

5.1.2 Market risk

Market risk is the risk of incurring an economic loss as a result of adverse changes in market parameters, whether directly observable or not. Observable market parameters include, but are not limited to, foreign exchange rates, interest rate, price of security and commodity, price of derivatives, and other parameters that can be directly inferred from them, such as credit spreads, implied volatility or implied correlation. Non-observable market parameters are those based on working assumptions such as parameters contained in models or based on statistical analysis.

The Group Risk Management (GRM)'s responsibility in terms of market risk management is to define, measure and analyze sensitivities and risk factors, and to measure and control Value at Risk (VaR) to ensure that all business activity complies with the approved limit.

The interest rate risk and the foreign exchange rate risk are the key market risks of the Bank.

a. Interest rate risk arises from a change in interest rates to have an adverse effect on the value of the Bank's financial instrument or may cause volatility on net interest earnings or cost of the Bank in the current and future years.

b. Foreign exchange rate risk is the risk that occurs from changes in exchange rates which may affect the value of the Bank's financial instruments or may cause volatility in the Bank's earnings or cost of funds (see Notes 9 and 19).

Significant financial assets and liabilities, analysis by maturity of interest repricing, as at December 31, are as follows:

Unit : Million Baht

	2018						
	0 to 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**NPL**	**Non-interest bearing**	**Total**
Financial Assets							
Interbank and money market items, net	270	7	-	-	-	223	500
Investments	6,838	8,628	1,365	-	-	-	16,831
Loans to customers	7,980	969	117	-	-	-	9,066
Account receivable for investments	-	-	-	-	-	9,176	9,176
Other monetary assets	-	-	-	-	-	910	910
Total	15,088	9,604	1,482	-	-	10,309	36,483
Financial Liabilities							
Deposits	12,950	-	2	-	-	1,391	14,343
Interbank and money market items, net	20	-	95	373	-	-	488
Liabilities payable on demand	-	-	-	-	-	40	40
Commitment to deliver securities	-	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	420	-	-	-	420
Accounts payable for investments	-	-	-	-	-	9,513	9,513
Other monetary liabilities	-	-	-	-	-	120	120
Total	12,970	-	517	373	-	11,064	24,924

Unit : Million Baht

	2017						
	0 to 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**NPL**	**Non-interest bearing**	**Total**
Financial Assets							
Interbank and money market items, net	3,985	176	-	-	-	240	4,401
Investments	5,995	7,898	2,095	-	-	-	15,988
Loans to customers	6,404	403	219	864	-	-	7,890
Account receivable for investments	-	-	-	-	-	3,870	3,870
Other monetary assets	-	-	-	-	-	915	915
Total	16,384	8,477	2,314	864	-	5,025	33,064
Financial Liabilities							
Deposits	14,495	33	1	-	-	1,023	15,552
Interbank and money market items, net	44	1,268	95	352	-	-	1,759
Liabilities payable on demand	-	-	-	-	-	45	45
Commitment to deliver securities	-	-	-	-	-	211	211
Financial liabilities designated at fair value	-	-	432	-	-	-	432
Accounts payable for investments	-	-	-	-	-	3,659	3,659
Other monetary liabilities	-	-	-	-	-	129	129
Total	14,539	1,301	528	352	-	5,067	21,787

5.1.3 Liquidity risk

Liquidity risk is the risk of the Bank being unable to fulfill current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or its financial position.

The Bank manages its liquidity position through a global liquidity policy approved by Group Executive Management and also complies with the Bank of Thailand's liquidity reserve regulations. The objective of the Group's liquidity management is to secure a balanced financing mix to support the Bank's development strategy, ensure that the Bank is always in a position to discharge its obligations to its customer, ensure that it does not trigger a systemic crisis solely by its own action, to comply with the standards set by the local banking supervisor, to keep the cost of refinancing as low as possible; and to cope with any liquidity crisis.

Group ALM Committee authorizes implementation of the liquidity risk management policy. Responsibility for implementing the policy at both central and individual entity level has been delegated to ALM-Treasury Committee. In addition, Group Risk Management (GRM) provides second-line control on risk indicators including regularly monitor the liquidity stress test.

A contractual maturity analysis for the significant monetary assets and liabilities as at December 31, are as follows:

Unit : Million Baht

	2018						
	At call	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**No maturity**	**Total**
Interbank and money market items, net	227	267	6	-	-	-	500
Investments, net*	2,634	4,204	8,628	1,365	-	-	16,831
Loans to customers	-	6,925	125	1,870	146	-	9,066
Account receivable for investments	-	9,176	-	-	-	-	9,176
Other monetary assets	851	53	-	6	-	-	910
Total monetary assets	3,712	20,625	8,759	3,241	146	-	36,483
Deposits	9,332	5,009	-	2	-	-	14,343
Interbank and money market items, net	20	-	-	95	373	-	488
Liabilities payable on demand	40	-	-	-	-	-	40
Commitment to deliver securities	-	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	420	-	-	420
Accounts payable for investments	-	9,513	-	-	-	-	9,513
Other monetary liabilities	-	120	-	-	-	-	120
Total monetary liabilities	9,392	14,642	-	517	373	-	24,924
Liquidity, net	(5,680)	5,983	8,759	2,724	(227)	-	11,559

* Trading securities present the analysis on the intentions to hold basis.

Unit : Million Baht

	2017						
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
Interbank and money market items, net	247	3,979	175	-	-	-	4,401
Investments, net*	3,111	2,884	7,898	2,095	-	-	15,988
Loans to customers	-	6,404	403	1,083	-	-	7,890
Account receivable for investments	-	3,870	-	-	-	-	3,870
Other monetary assets	880	29	-	6	-	-	915
Total monetary assets	4,238	17,166	8,476	3,184	-	-	33,064
Deposits	9,682	5,837	33	-	-	-	15,552
Interbank and money market items, net	44	-	1,268	95	352	-	1,759
Liabilities payable on demand	45	-	-	-	-	-	45
Commitment to deliver securities	-	211	-	-	-	-	211
Financial liabilities designated at fair value	-	-	-	432	-	-	432
Accounts payable for investments	-	3,659	-	-	-	-	3,659
Other monetary liabilities	-	129	-	-	-	-	129
Total monetary liabilities	9,771	9,836	1,301	527	352	-	21,787
Liquidity, net	(5,533)	7,330	7,175	2,657	(352)	-	11,277

* Trading securities present the analysis on the intentions to hold basis.

The Bank disclosed the Liquidity coverage ratio as at December 31, 2018 on its web site at www.bnpparibas.co.th, within April 2019. This is in accordance with the Notification of the Bank of Thailand Sor Nor Sor 2/2561 "The Disclosure of Liquidity coverage ratio disclosure standards" dated January 25, 2018.

6. FAIR VALUE OF ASSETS AND LIABILITIES

From January 1, 2015, the Bank adopted TFRS 13 regarding Fair Value Measurement.

The Bank measure fair values using the following fair value hierarchy based on the degree to which the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 Fair values are determined using directly quoted prices in active markets for identical assets or liabilities.
- Level 2 Fair values are determined using significant inputs other than quoted prices included within level 1, that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Fair values are determined using valuation techniques for which significant inputs are unobservable.

A transfer between the hierarchy occurs when the source or level of observability of input data in fair value measurement has changed.

6.1 Financial instruments carried at fair value

Financial assets, financial liabilities and derivatives measured at fair value.

The fair value hierarchy of financial instruments and derivatives measured at fair value on a recurring basis as at December 31, are as follows:

Unit : Thousand Baht

	2018		
	Level 1	**Level 2**	**Total**
Financial Assets			
Derivative assets	-	14,436,242	14,436,242
Trading securities	-	2,633,569	2,633,569
Available-for-sale securities	-	4,547,196	4,547,196
Total financial assets	-	21,617,007	21,617,007
Financial liabilities			
Derivative liabilities	-	11,595,388	11,595,388
Financial liabilities designated at fair value	-	420,217	420,217
Total financial liabilities	-	12,015,605	12,015,605

There was no transfer between levels of the fair value hierarchy during the year ended December 31, 2018.

Unit : Thousand Baht

	2017		
	Level 1	**Level 2**	**Total**
Financial Assets			
Derivative assets	-	16,760,136	16,760,136
Trading securities	-	3,111,423	3,111,423
Available-for-sale securities	-	12,876,341	12,876,341
Total financial assets	-	32,747,900	32,747,900
Financial liabilities			
Derivative liabilities	-	17,880,573	17,880,573
Financial liabilities designated at fair value	-	432,133	432,133
Total financial liabilities	-	18,312,706	18,312,706

There was no transfer between levels of the fair value hierarchy during the year ended December 31, 2017.

The Bank determines Level 2 of recurring fair value measurement are as follows:

Level 2 fair values for debt securities is determined by using the Bond Yield Curve or the bid price from Thai Bond Market Association Government as of the reporting date. If not available, the Government Bond Yield Curve for the same period is used, adjusted by an appropriate risk premium.

Level 2 fair value of structure notes and the over-the-counter derivatives financial instruments is determined by using the valuation techniques incorporating observable market data. The Bank uses a variety of methods and makes assumption that based on market conditions existing at the end of the reporting period. These valuation techniques are primarily market and income approaches encompassing generally accepted models, such as the estimated discounted cash flows, are used to determine fair value of the financial instrument.

6.2 Financial instruments not measured at fair value

Fair value hierarchy of financial instruments not measured at fair value as at December 31, are as follows:

Unit : Thousand Baht

	2018		
	Level 1	**Level 2**	**Total**
Financial assets			
Interbank and money market, net	-	500,042	500,042
Held-to-maturity securities	-	9,650,516	9,650,516
Loans to customers and accrued interest receivable, net	-	8,988,689	8,988,689
Total financial assets	-	19,139,247	19,139,247
Financial liabilities			
Deposits	-	14,342,561	14,342,561
Interbank and money market, net	-	488,498	488,498
Total financial liabilities	-	14,831,059	14,831,059

Unit : Thousand Baht

	2017		
	Level 1	**Level 2**	**Total**
Financial assets			
Interbank and money market, net	-	4,400,774	4,400,774
Loans to customers and accrued interest receivable, net	-	7,824,606	7,824,606
Total financial assets	-	12,225,380	12,225,380
Financial liabilities			
Deposits	-	15,551,624	15,551,624
Interbank and money market, net	-	1,758,649	1,758,649
Total financial liabilities	-	17,310,273	17,310,273

The following methods and assumptions are used to estimate the fair value of financial assets and liabilities:

- Fair values of interbank and money market items are approximate to the carrying value.
- Loans to customers and accrued interest receivable are estimated the fair value based on the carrying amount net of allowance for doubtful accounts.
- Fair values of deposits are approximate to the carrying value.

7. CAPITAL FUNDS

7.1 Capital fund and assets maintained in Thailand under section 32 of the Financial Institution Act B.E 2551 as at December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Total Asset maintained under Section 32	9,650,516	9,556,349
Total fund for maintenance of assets under Section 32 and net balance of inter-office accounts		
Net capital for maintenance of assets under Section 32	9,256,028	9,298,481
Net balance of inter-office accounts which the branch is the debtor to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	4,775,282	334,062
Total	14,031,310	9,632,543
Regulatory capital fund before deduction	9,256,028	9,298,481
Deductible amount	9,158	2,021
Total capital fund	9,246,870	9,296,460
Total capital funds to risk assets ratio (%)	16.10	16.77
Bank of Thailand regulatory capital ratio requirement (%)	10.375	9.75
Capital after deducting capital add-on arising from Single Lending Limit *	9,246,870	9,296,460
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)*	16.10	16.77

* Effective in January 2015

The Bank will disclose capital maintenance information as at December 31, 2018 in accordance with the Notification of the Bank of Thailand "Public Disclosure of Capital Maintenance Information for Commercial Banks" on its web site at www.bnpparibas.co.th in April 2019.

On November 8, 2012, the Bank of Thailand has issued the new Notification regarding supervisory guideline on capital fund for the branch of foreign commercial bank to comply with global regulatory framework (Basel III) of Basel Committee on Banking Supervision (BCBS) which is effective by phase starting on January 1, 2013 up to January 1, 2019. The Bank of Thailand regulatory capital ratio requirement is 8.50% as at January 1, 2013 until reaching 11.00% in 2019. The capital adequacy is the initial implementation with the objective to improve the quality of the Bank's capital so as to be able to support the loss which may incur in the normal and crisis situation.

7.2 Fund remitted into Thailand for maintaining assets under law

Movements in the value of fund remitted into Thailand for maintaining assets under law for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Beginning balance	9,212,675	9,907,825
Loss on exchange rate	(51,004)	(695,150)
Ending balance	9,161,671	9,212,675

8. ADDITIONAL INFORMATION OF CASH FLOWS

The changing of arising from financing activities for the years ended December 31, 2018 and 2017 are as follows:

				Unit : Thousand
	As at January 1, 2018	**Cash flows**	**Non-cash changes**	**As at December 31, 2018**
	Baht	**Baht**	**Baht**	**Baht**
Fund remitted into Thailand for Maintaining assets under law	9,184,389	-	126,653	9,311,042
Retained earnings	525,414	(125,414)	(48,089)	351,911

				Unit : Thousand
	As at January 1, 2017	**Cash flows**	**Non-cash changes**	**As at December 31, 2017**
	Baht	**Baht**	**Baht**	**Baht**
Fund remitted into Thailand for Maintaining assets under law	9,265,942	-	(81,553)	9,184,389
Retained earnings	645,622	(245,622)	125,414	525,414

9. INTERBANK AND MONEY MARKET ITEMS, NET - ASSETS

Interbank and money market items, net - assets as at December 31, are as follows:

Unit : Thousand Baht

	2018		
	On demand	Term	Total
Domestic items			
The Bank of Thailand	207,285	-	207,285
Other commercial banks*	5,199	-	5,199
Total	212,484	-	212,484
Add Accrued interest receivables	-	-	-
Total domestic items	212,484	-	212,484
Foreign items			
Singapore Dollars	1,566	-	1,566
Swedish Kroners	2,497	-	2,497
Danish Kroners	1,664	-	1,664
Australian Dollars	8,493	-	8,493
US Dollars	-	277,294	277,294
Total	14,220	277,294	291,514
Add Accrued interest receivables	-	-	-
Less Deferred income	-	(1,195)	(1,195)
Less Allowance for doubtful accounts	-	(2,761)	(2,761)
Total foreign items	14,220	273,338	287,558
Total domestic and foreign items	226,704	273,338	500,042

Unit : Thousand Baht

	2017		
	On demand	Term	Total
Domestic items			
The Bank of Thailand	219,066	-	219,066
Other commercial banks*	14,892	3,650,000	3,664,892
Total	233,958	3,650,000	3,883,958
Add Accrued interest receivables	-	531	531
Total domestic items	233,958	3,650,531	3,884,489
Foreign items			
Singapore Dollars	5,446	-	5,446
Swedish Kroners	3,670	-	3,670
Danish Kroners	1,126	-	1,126
Australian Dollars	2,383	-	2,383
US Dollars	-	510,469	510,469
Total	12,625	510,469	523,094
Add Accrued interest receivables	-	3	3
Less Deferred income	-	(1,725)	(1,725)
Less Allowance for doubtful accounts	-	(5,087)	(5,087)
Total foreign items	12,625	503,660	516,285
Total domestic and foreign items	246,583	4,154,191	4,400,774

* Specialized financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation.

10. DERIVATIVES

Derivatives held for trading

10.1 Fair value and notional amount classified by type of risks as at December 31, are as follows:

Unit : Thousand Baht

Type of Risk	2018		
	Fair Value		
	Assets	Liabilities	Notional amount*
Exchange rate risk	10,778,471	6,830,203	748,318,654
Interest rate risk	3,655,200	4,765,185	793,407,170
Credit risk	2,571	-	502,811
Total	14,436,242	11,595,388	1,542,228,635

Unit : Thousand Baht

Type of Risk	2017		
	Fair Value		
	Assets	Liabilities	Notional amount*
Exchange rate risk	12,389,403	12,051,462	798,104,642
Interest rate risk	4,365,955	5,829,111	699,458,842
Credit risk	4,778	-	1,104,256
Total	16,760,136	17,880,573	1,498,667,740

* Interest rate derivative is the contractual amount. Other derivatives are the contractual amounts under the Bank's commitment to pay.

10.2 Proportion of the notional of derivative transactions classified by counter parties as at December 31, are as follows:

Counterparties	2018 (%)	2017 (%)
Financial institutions	58	58
Group companies	30	31
Third parties	12	11
Total	100	100

11. INVESTMENTS, NET

11.1 Investments, net as at December 31, are as follows:

Unit : Thousand Baht

	2018 Fair value/ Amortized cost	2017 Fair value/ Amortized cost
Trading securities		
Government and state enterprise securities	2,633,569	3,111,423
Total trading securities	2,633,569	3,111,423
Available-for-sale securities		
Government and state enterprise securities	4,547,196	12,876,341
Total available-for-sale securities	4,547,196	12,876,341
Held-to-maturity securities		
Government and state enterprise securities	9,650,516	-
Total held-to-maturity securities	9,650,516	-
Total investments, net	16,831,281	15,987,764

11.2 Gains (losses) on remeasuring available-for-sale investments which present in other components of accounts with head office and other branches of the same juristic person

Unit : Thousand Baht

	For the years ended December 31, 2018	2017
Beginning balances	4,446	(22,240)
Less Gain on the reclassification of investments from available-for-sale securities to held-to-maturity securities	(4,667)	-
Relating income tax	933	-
Add Remeasuring investment during the year	(856)	33,357
Relating income tax	172	(6,671)
Ending balances	28	4,446

On January 1, 2018, the certain amount of the available-for-sale investments is reclassified to held-to-maturity investments because the Bank has the intent and ability to hold the securities to maturity. The difference between the book value and the fair value as of the reclassification date, gain of Baht 4.67 million which present as gain (losses) on remeasuring the available-for-sale securities in the other components of accounts with head office and other branches of the same juristic person, is amortized over the remaining period of the securities by using the straight line method.

12. LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET

Loans to customers and accrued interest receivables, net as at December 31, are as follows:

12.1 Grouped by type of contracts

Unit : Thousand Baht

	2018	2017
Overdrafts	29,723	16,734
Loans	9,041,546	7,878,967
Staff loans	424	601
Less Deferred income	(5,769)	(6,346)
Total loans net of deferred income	9,065,924	7,889,956
Add Accrued interest receivables	13,504	14,563
Total loans net of deferred income plus accrued interest receivables	9,079,428	7,904,519
Less Allowance for doubtful accounts		
BOT requirement (Individual approach)	(90,659)	(78,900)
Surplus reserve	(80)	(1,013)
Loans and accrued interest receivables, net	8,988,689	7,824,606

12.2 Grouped by currency and resident

Unit : Thousand Baht

	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	8,504,796	-	8,504,796	5,313,707	27,139	5,340,846
US Dollar	556,539	-	556,539	1,634,045	915,065	2,549,110
Others	4,589	-	4,589	-	-	-
Total	9,065,924	-	9,065,924	6,947,752	942,204	7,889,956

12.3 Grouped by business sector and classifications

Unit : Thousand Baht

	2018					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	-	-	-	-	-	-
Manufacturing and commerce	6,661,815	-	-	-	-	6,661,815
Utilities and services	2,003,685	-	-	-	-	2,003,685
Real estate and construction	400,000	-	-	-	-	400,000
Housing loans	424	-	-	-	-	424
Total	9,065,924	-	-	-	-	9,065,924

Unit : Thousand Baht

	2017					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	-	-	-	-	-	-
Manufacturing and commerce	4,679,497	-	-	-	-	4,679,497
Utilities and services	3,134,858	-	-	-	-	3,134,858
Real estate and construction	75,000	-	-	-	-	75,000
Housing loans	601	-	-	-	-	601
Total	7,889,956	-	-	-	-	7,889,956

12.4 Grouped by classifications

Unit : Thousand Baht

	2018			
	Loans and accrued interest receivables	Net amount used for set the allowance	Percentage used for set the allowance (%)	Allowance for doubtful accounts
Minimum allowance followed BOT regulations				
Normal	9,079,428	9,065,924	1	90,659
Special mention	-	-	2	-
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful of loss	-	-	100	-
Total	9,079,428	9,065,924		90,659
Surplus reserve				80
				90,739

Unit : Thousand Baht

	2017			
	Loans and accrued interest receivables	Net amount used for set the allowance	Percentage used for set the allowance (%)	Allowance for doubtful accounts
Minimum allowance followed BOT regulations				
Normal	7,904,519	7,889,956	1	78,900
Special mention	-	-	2	-
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful of loss	-	-	100	-
Total	7,904,519	7,889,956		78,900
Surplus reserve				1,013
				79,913

13. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts as at December 31, are as follows:

Unit : Thousand Baht

	2018					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Balance at beginning of year	79,913	-	-	-	-	79,913
Add Additional allowance during the year	10,826	-	-	-	-	10,826
Balance at end of year	90,739	-	-	-	-	90,739

Unit : Thousand Baht

	2017					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Balance at beginning of year	64,222	-	-	-	-	64,222
Add Additional allowance during the year	15,691	-	-	-	-	15,691
Balance at end of year	79,913	-	-	-	-	79,913

14. TROUBLED DEBT RESTRUCTURINGS

The Bank has no receivables which have been restructured during the years ended December 31, 2018 and 2017.

For the years ended December 31, 2018 and 2017, the Bank has no loss from debt restructuring and interest received from restructured customer.

15. LEASEHOLD IMPROVEMENT AND EQUIPMENT, NET

Leasehold improvement and equipment, net as at December 31, are as follows:

As at December 31, 2018

Unit : Thousand Baht

	Balance as at January 1, 2018	Additions	Disposals /Write off	Balance as at December 31, 2018
Cost:				
Leasehold improvement	7,781	361	(319)	7,823
Furniture and office equipment	56,720	4,196	(3,292)	57,624
Total cost	64,501	4,557	(3,611)	65,447
Accumulated depreciation:				
Leasehold improvement	(3,676)	(590)	117	(4,149)
Furniture and office equipment	(38,346)	(7,420)	3,292	(42,474)
Total accumulated depreciation	(42,022)	(8,010)	3,409	(46,623)
Leasehold improvement and equipment, net	22,479			18,824

As at December 31, 2017

Unit : Thousand Baht

	Balance as at January 1, 2017	Additions	Disposals /Write off	Balance as at December 31, 2017
Cost:				
Leasehold improvement	12,922	292	(5,433)	7,781
Furniture and office equipment	66,575	9,575	(19,430)	56,720
Total cost	79,497	9,867	(24,863)	64,501
Accumulated depreciation:				
Leasehold improvement	(8,580)	(529)	5,433	(3,676)
Furniture and office equipment	(50,765)	(7,010)	19,429	(38,346)
Total accumulated depreciation	(59,345)	(7,539)	24,862	(42,022)
Leasehold improvement and equipment, net	20,152			22,479
Depreciation for the years ended December 31,				
2018				8,010
2017				7,539

As at December 31, 2018 and 2017, there are leasehold improvement and furniture and office equipment items which have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounting to Baht 31.94 million and Baht 25.61 million, respectively.

16. INTANGIBLE ASSETS, NET

Intangible assets, net as at December 31, are as follows:

As at December 31, 2018

Unit : Thousand Baht

	Balance as at January 1, 2018	Additions	Disposals	Balance as at December 31, 2018
Cost:				
Computer software	10,749	8,349	-	19,098
Total cost	10,749	8,349	-	19,098
Accumulated amortization:				
Computer software	(8,727)	(1,213)	-	(9,940)
Total accumulated amortization	(8,727)	(1,213)	-	(9,940)
Intangible assets, net	2,022			9,158

As at December 31, 2017

Unit : Thousand Baht

	Balance as at January 1, 2017	Additions	Disposals	Balance as at December 31, 2017
Cost:				
Computer software	10,749	-	-	10,749
Total cost	10,749	-	-	10,749
Accumulated amortization:				
Computer software	(7,358)	(1,369)	-	(8,727)
Total accumulated amortization	(7,358)	(1,369)	-	(8,727)
Intangible assets, net	3,391			2,022
Amortization for the years ended December 31,				
2018				1,213
2017				1,369

17. DEFERRED TAX ASSETS

Deferred tax assets as at December 31, are as follows:

Unit : Thousand Baht

	2018	2017
Deferred tax assets	28,299	21,309
Deferred tax liabilities	(2,061)	(3,356)
Deferred tax assets - net	26,238	17,953

Movements of deferred tax assets during the years are as follows:

Unit : Thousand Baht

	Balance as at January 1, 2018	Items as recognized into profit and loss	Items as recognized into other comprehensive income	Items as recognized into retained earnings	Balance as at December 31, 2018
Deferred tax assets					
Temporary differences					
Loan	7,955	9,345	-	-	17,300
Provisions	8,734	1,042	-	(1,359)	8,417
Other	4,620	(2,038)	-	-	2,582
Total	21,309	8,349	-	(1,359)	28,299
Deferred tax liabilities					
Temporary differences					
Investments	(3,356)	190	1,105	-	(2,061)
Total	(3,356)	190	1,105	-	(2,061)
Deferred tax assets - net	17,953	8,539	1,105	(1,359)	26,238

Unit : Thousand Baht

	Balance as at January 1, 2017	Items as recognized into profit and loss	Items as recognized into other comprehensive income	Items as recognized into retained earnings	Balance as at December 31, 2017
Deferred tax assets					
Temporary differences					
Loan	13,091	(5,136)	-	-	7,955
Provisions	7,547	1,187	-	-	8,734
Other	6,672	(2,052)	-	-	4,620
Total	27,310	(6,001)	-	-	21,309
Deferred tax liabilities					
Temporary differences					
Investments	5,014	(1,699)	(6,671)	-	(3,356)
Total	5,014	(1,699)	(6,671)	-	(3,356)
Deferred tax assets - net	32,324	(7,700)	(6,671)	-	17,953

18. OTHER ASSETS

Other assets as at December 31, are as follows:

Unit : Thousand Baht

	2018	2017
Deposits	5,979	5,989
Others	27,293	10,566
Total	33,272	16,555

19. DEPOSITS

Deposits as at December 31, are as follows:

19.1 Grouped by types

Unit : Thousand Baht

	2018	2017
On demand	1,390,929	1,023,080
Savings	7,940,994	9,042,782
Term	5,010,638	5,485,762
Total deposits	14,342,561	15,551,624

19.2 Grouped by currency

	Unit : Thousand Baht	
	2018	**2017**
US Dollar	2,839,729	4,687,793
Thai Baht	10,509,029	10,358,677
Other currencies	993,803	505,154
Total deposits	14,342,561	15,551,624

20. INTERBANK AND MONEY MARKET ITEMS - LIABILITIES

Interbank and money market items - liabilities as at December 31, are as follows:

	Unit : Thousand Baht		
	2018		
	On demand	**Term**	**Total**
Domestic			
Commercial bank	20,250	-	20,250
Other financial institution	-	468,248	468,248
Total	20,250	468,248	488,498

	Unit : Thousand Baht		
	2017		
	On demand	**Term**	**Total**
Domestic			
Commercial bank	43,955	-	43,955
Other financial institution	-	1,714,694	1,714,694
Total	43,955	1,714,694	1,758,649

As at December 31, 2018 and 2017, the Bank has outstanding balance of the bills of exchange with embedded derivative that are not designated at fair value to the financial institution amount of Baht 95 million and Baht 395 million, respectively.

21. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Financial instrument designated at fair value are bills of exchange with embedded derivatives as at December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Bills of exchange with embedded derivatives	420,217	432,133
Total	420,217	432,133

The bills of exchange with embedded derivatives carry fixed interest rates and/or the floating rate which refer to the fluctuation of the swap curve or other index. The Bank also has the right to early redeem the bill of exchange with embedded derivatives following to conditions specified in the agreements.

Proportion of contractual balance by counterparty as at December 31, are as follows:

	2018 (%)	2017 (%)
Financial institution	100	100
Total	100	100

22. PROVISION FOR EMPLOYEE BENEFIT

Provision for employee benefit as at December 31, are as follows:

	Unit : Thousand Baht	
	2018	2017
Provision for post-employee benefit (see Note 22.1)	39,878	40,712
Provision for long-serviced award benefit (see Note 22.2)	2,208	2,963
Total	42,086	43,675

22.1 PROVISION FOR POST-EMPLOYEE BENEFIT

Movements in the present value of provision for post-employee benefit for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	2017
Beginning balance of provision for post-employee benefit	40,712	35,168
Current service costs	4,741	4,489
Interest costs	1,221	1,055
Actuarial gain	(6,796)	-
Benefits paid	-	-
Ending balance of provision for post-employee benefit	39,878	40,712

Actuarial gain from updated assumptions recognized in the other comprehensive income for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Included in retained earnings:		
As at January 1,	(5,554)	(5,554)
Recognized gain during the years	6,796	-
As at December 31,	1,242	(5,554)

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

	2018	**2017**
Discount rate	3%	3%
Future salary growth rate	5%	5%
Price inflation rate	3%	3%
Retirement age	60 years old	60 years old

Sensitivity analysis

Reasonably possible changes at the reporting date to the individual actuarial assumptions, holding other assumptions constant, would have affected provision for post-employee benefit as at December 31, by the amounts shown below:

	Unit : Thousand Baht	
	2018	**2017**
Effect increase (decrease) on provision for post-employee benefit		
+1% discount rate	(3,485)	(4,669)
-1% discount rate	3,951	5,395
+1% salary growth rate	3,836	5,231
-1% salary growth rate	(3,457)	(4,627)

The Labor Protection Act (No. 7) B.E. 2562 has been announced in the Royal Gazette on April 5, 2019, which will be effective after 30 days from the date announced in Royal Gazette. This Labor Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than 400 days at the employees' latest wage rate. This change is considered an amendment to post-employment benefits plan. The Bank will reflect the effect of such change by recognizing past service cost as an expense in the statement of profit or loss and other comprehensive income of the period in which the law is effective. (see Note 35).

22.2 PROVISION FOR LONG-SERVICED AWARD BENEFIT

Movements in the present value of provision for long-serviced award benefit for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Beginning balance of provision for long-serviced award benefit	2,963	2,573
Current service costs	494	488
Interest costs	84	74
Actuarial gain	(1,178)	-
Benefits paid	(155)	(172)
Ending balance of provision for long-serviced award benefit	2,208	2,963

For the year ended December 31, 2018 the actuarial gains are recognized in profit or loss by Baht 1,178 thousand.

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

	2018	**2017**
Discount rate	3%	3%
Gold price inflation rate	5%	6%
Retirement age	60 years old	60 years old

Sensitivity analysis

Reasonably possible changes at the reporting date to the individual actuarial assumptions, holding other assumptions constant, would have affected provision for long-serviced award benefit as at December 31, by the amounts shown below:

	Unit : Thousand Baht	
	2018	**2017**
Effect increase (decrease) on provision for post-employee benefit		
+1% discount rate	(131)	(203)
-1% discount rate	147	230
+1% salary growth rate	-	-
-1% salary growth rate	-	-

23. COMMITMENTS AND CONTINGENT LIABILITIES

The Bank has commitments and contingent liabilities which were incurred in the normal course of business as at December 31, as follows:

Unit : Thousand Baht

	2018			2017		
	Thai Baht	Foreign currency	Total	Thai Baht	Foreign currency	Total
Letters of credit	5,944,537	-	5,944,537	-	2,200,795	2,200,795
Guarantees on loans	162,249	2,000	164,249	-	65,362	65,362
Liabilities under unmatured bills	54,233	-	54,233	-	7,387	7,387
Other commitments	14,402,297	11,431,807	25,834,104	11,658,443	17,874,075	29,532,518
Spot exchange contracts - bought	13,105,826	3,374,713	16,480,539	2,000,898	8,123,459	10,124,357
Spot exchange contracts - sold	3,373,502	13,114,175	16,487,677	8,120,148	2,005,943	10,126,091
Forward exchange contracts - bought	70,499,940	15,115,843	85,615,783	18,981,451	99,867,366	118,848,817
Forward exchange contracts - sold	52,579,669	33,289,862	85,869,531	48,576,662	70,898,600	119,475,262
Currency swap contracts - bought	126,095,107	108,513,505	234,608,612	70,354,691	112,783,432	183,138,123
Currency swap contracts - sold	124,256,936	108,240,206	232,497,142	91,513,921	92,596,927	184,110,848
Interest rate swap contracts	178,782,446	610,414,378	789,196,824	478,520,166	220,743,676	699,263,842
Cross currency interest rate swap contracts - bought	225,218,681	186,713,831	411,932,512	236,429,231	249,191,982	485,621,213
Cross currency interest rate swap contracts - sold	239,972,292	170,584,860	410,557,152	191,696,924	293,636,979	485,333,903
Currency option instruments - bought	2,741,321	1,886,500	4,627,821	1,547,200	1,418,351	2,965,551
Currency option instruments - sold	304,034	-	304,034	6,790	68,630	75,420
Interest option instrument - bought	1,172,356	-	1,172,356	-	-	-
Interest option instrument - sold	2,842,990	-	2,842,990	-	-	-
Credit Default Swap	202,811	-	202,811	300,000	204,256	504,256
Forward exchange option - bought	1,946,988	2,699,205	4,646,193	1,456,730	1,496,785	2,953,515
Forward exchange option - sold	-	288,700	288,700	69,315	6,536	75,851
Unused committed loan	-	-	-	-	1,634,045	1,634,045
Total	1,063,658,215	1,265,669,585	2,329,327,800	1,161,232,570	1,174,824,586	2,336,057,156

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

24. 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, the Bank, including holding companies, subsidiaries and fellow subsidiaries are related parties. Associates and individuals owning, directly or indirectly, an interest in the voting rights 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 only the legal form.

The significant related party transactions made with Head Office and other branches of the same juristic person, subsidiaries, and associates of BNP Paribas are as follows:

Unit : Thousand Baht

	As at December 31, 2018	As at December 31, 2017
Statements of financial positions		
Assets		
Loans to customers and accrued interest receivables, net	406,657	961,413
Liabilities		
Deposits	54,405	165
Interbank and money market items, net	4,838,759	1,094,470
Accrued expenses	288,774	200,840
Fund remitted into Thailand for maintaining assets under law	9,161,671	9,212,675
Contingencies	580,576,629	546,177,962

	For the years ended December 31, 2018	For the years ended December 31, 2017
Statements of profit or loss and other comprehensive income		
Interest income	13,307	16,527
Interest expenses	335,089	269,424
Other operating expenses		
- Cost sharing from financial instruments, net	199,482	108,068
- Head Offices allocation expenses	65,136	54,212
- Intercompany service fee	82,131	95,674
Management remuneration		
- Short-term benefits	57,179	66,904
- Long-term benefits	969	922

Transactions between the Bank and related parties are priced at and contained similar conditions as with the Bank's general customers and conformed to normal banking practice.

Net (profit) cost sharing from financial instrument includes the sharing of revenues and expenses between related parties, which may be cross-border, of the capital market activities. All these related parties will have a number of functions which can be categorized as trading, sales and marketing, management and support functions, involved in these capital market activities. The (profit) cost sharing principles of these agreements are based on Organization for Economic Co-operation and Development (OECD) guidelines and applied arm's length remunerations of all parties.

The Bank has not extended extraordinary monetary and/or non-monetary benefits to the Banks' executives at the level of Managing Director and higher, except for ordinary benefits to the executives such as salary, benefits, bonus (if any) and employee benefits. The Bank has not sold, given or leased any properties to the Managing Director and higher and their related parties and has not purchased or leased any assets from those persons included contingency benefits from employment agreements compensation and other benefit from those persons.

25. SHARE-BASED PAYMENT

The Bank set up share-based payment for certain employees, the Bank grants employees the share price-linked cash settled compensation plans which are linked to the share price of BNP Paribas shares (Head Office).

Expenses (reversal) of share-based payment for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Expense (reversal) of share-based payment	(4,020)	5,590
Total	(4,020)	5,590

26. OPERATING LEASE COMMITMENT

The future aggregate minimum lease payments under operating lease agreements for office building and equipment as at December 31, are as follows:

	Unit : Thousand Baht	
Periods	**2018**	**2017**
Within 1 year	12,580	12,986
Over 1 year to 5 years	5,153	12,966
Total operating lease commitment	17,733	25,952

Minimum lease payment recognized as expenses for the years ended December 31, 2018 and 2017 are Baht 13.77 million and Baht 13.65 million, respectively.

27. THE POSITION AND THE SIGNIFICANT RESULTS OF OPERATION BY DOMESTIC AND FOREIGN OPERATIONS

The Bank has been operating in a single segment, which is banking business carrying out in Thailand only. As a result, revenues, expenses, profit, assets and liabilities as reflected in the Bank's financial statements pertaining to the domestic operation.

28. INTEREST INCOME

Interest income for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Interbank and money market items	65,069	68,022
Investment and trading transactions	73,774	96,761
Investment in debt securities	198,938	213,944
Loans	253,701	205,500
Others	20,069	2,171
Total interest income	611,551	586,398

29. INTEREST EXPENSES

Interest expenses for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Deposits	73,075	59,727
Interbank and money market items	495,416	400,830
Contributions for deposit protection	43,114	42,394
Other	15,641	21,522
Total interest expense	627,246	524,473

30. NET FEES AND SERVICE INCOME

Net fees and service income for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Fees and service income		
Acceptance, aval and guarantees	72,711	80,853
Other	31,558	33,711
Total fees and service income	104,269	114,564
Fees and service expenses	(41,909)	(33,656)
Net fees and service income	62,360	80,908

31. GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS

Gains on tradings and foreign exchange transactions for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Gains (losses) on tradings and foreign exchange transactions		
Foreign currencies and exchange derivatives	554,952	744,210
Interest derivatives	60,470	(145,158)
Credit derivatives	766	3,640
Debt securities	53,155	93,905
Net gains on trading and foreign exchange	669,343	696,597

32. LOSSES ON FINANCIAL INSTRUMENT DESIGNATED AT FAIR VALUE

Losses on financial instrument designated at fair value for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Gain from net change in fair value of bills of exchange with embedded derivatives	11,916	2,609
Loss on redemptions and interest expenses	(17,466)	(17,569)
Losses on financial instrument designated at fair value	(5,550)	(14,960)

33. IMPAIRMENT LOSS OF LOANS

Impairment loss of loans for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Interbank and money market items (reversal)	(2,326)	4,309
Lending	10,826	15,691
Total	8,500	20,000

34. INCOME TAX EXPENSE

Income tax recognised in profit or loss for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2018	**2017**
Current income tax expense for the period	4,852	32,223
Deferred tax expense (income) and temporary differences	(8,540)	7,700
Total income tax expense (income)	(3,688)	39,923

Income tax recognized in other comprehensive income for the years ended December 31, are as follows:

	Unit : Thousand Baht					
	2018			**2017**		
	Amount before tax	**Tax income (expenses)**	**Net amount After tax**	**Amount before tax**	**Tax income (expenses)**	**Net amount After tax**
Gains (losses) on remeasuring available-for-sale investment	(5,523)	1,105	(4,418)	33,357	(6,671)	26,686
Gains (losses) on provision for employee benefits	6,796	(1,359)	5,437	-	-	-
Other comprehensive income (losses)	1,273	(254)	1,019	33,357	(6,671)	26,686

Reconciliation of effective tax rate

	2018		**2017**	
	(in Thousand Baht)	**Rate (%)**	**(in Thousand Baht)**	**Rate (%)**
Profit (loss) before income tax expense	(57,213)	20	165,337	20
Income tax at the domestic tax rate	(11,443)		33,067	
Tax effect of income and expense that are not taxable income or not deductible in determining taxable profit, net	7,755		6,856	
Income tax expense (income) as the statement of profit or loss and other comprehensive income	(3,688)	6	39,923	24

The Bank used tax rate of 20% for the corporate income tax and deferred tax calculation for the years ended December 31, 2018 and 2017 in order to comply with such change.

35. EVENT AFTER THE REPORTING RERIOD

The Labor Protection Act (No. 7) B.E. 2562 has been announced in the Royal Gazette on April 5, 2019. The Bank will additionally recognize past service cost in the financial statements which the Bank is in the process of impact assessment (see Note 22.1).

36. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Bank's management on April 12, 2019.