BNP PARIBAS BANGKOK BRANCH

Financial Statements

Year ended December 31, 2019

Deloitte.

บริษัท ดีลอยท์ ทูช โธมัทสุ ไชยยศ
สอบบัญชี จำกัด
เอไอเอ สาทร ทาวเวอร์ ชั้น 23-27
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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, 2019, 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, 2019, 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 the 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 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.

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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.

Kornthong Luangvilai
Certified Public Accountant (Thailand)
Registration No. 7210
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

BANGKOK
May 8, 2020

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

BAHT : '000

	Notes	2019	2018
ASSETS			
Cash		889	299
Interbank and money market items, net	9	1,818,959	500,042
Derivatives assets	10	23,506,901	14,436,242
Investments, net	11	22,709,965	16,831,281
Loans to customers and accrued interest receivables, net	12		
Loans to customers		7,255,153	9,071,693
Accrued interest receivables		13,334	13,504
Total loans to customers and accrued interest receivables		7,268,487	9,085,197
Less Deferred income		(4,247)	(5,769)
Less Allowance for doubtful accounts	13	(72,605)	(90,739)
Total loans to customers and accrued interest receivables, net		7,191,635	8,988,689
Leasehold improvement and equipment, net	15	23,146	18,824
Intangible assets, net	16	6,776	9,158
Deferred tax assets	17	19,036	26,238
Account receivable for investments		4,386,664	9,175,505
Other receivables		2,469,188	850,549
Accrued interest from investments		23,499	11,886
Other assets	18	8,163	33,272
TOTAL ASSETS		62,164,821	50,881,985

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2019

BAHT : '000

	Notes	2019	2018
LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY			
Deposits	19	19,845,368	14,342,561
Interbank and money market items, net	20	5,750,306	488,498
Liabilities payable on demand		36,008	39,788
Financial liabilities designated at fair value	21	411,280	420,217
Derivatives liabilities	10	20,508,966	11,595,388
Provision for employee benefits	22	66,628	42,086
Accounts payable for investments		4,345,170	9,513,292
Accrued expenses		161,550	111,673
Other payable		-	8,640
Other liabilities		28,204	30,950
TOTAL LIABILITIES		51,153,480	36,593,093
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	9,311,042
Foreign currency translation adjustments		(656,054)	(149,371)
		8,654,988	9,161,671
Accounts with head office and other branches of the same juristic person, net		1,733,676	4,775,282
Other components of accounts with head office and other branches of the same juristic person		2,931	28
Retained earnings		619,746	351,911
TOTAL HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		11,011,341	14,288,892
TOTAL LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		62,164,821	50,881,985

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

BAHT : '000

	Notes	2019	2018
Interest income	28	833,762	611,551
Interest expenses	29	(685,513)	(627,246)
Net interest income (expenses)		148,249	(15,695)
Fees and service income		100,610	104,269
Fees and service expenses		(33,145)	(41,909)
Net fees and service income	30	67,465	62,360
Gains on tradings and foreign exchange transactions, net	31	801,227	669,343
Losses on financial instrument designated at fair value, net	32	(8,529)	(5,550)
Total operating income		1,008,412	710,458
Other operating expenses			
Employee's expenses	35	289,017	293,947
Premises and equipment expenses		46,046	45,447
Taxes and duties		15,291	13,421
Expenses shared from Head Office	24	69,147	65,136
Cost sharing from financial instruments, net	24	59,681	199,482
Others	35	179,148	141,739
Total other operating expenses		658,330	759,172
Impairment loss of loans (reversal)	33	(5,500)	8,500
Profit (loss) from operating before income tax expense		355,582	(57,214)
Income tax income (expense)	34	(82,192)	3,688
NET PROFIT (LOSS)		273,390	(53,526)

BNP PARIBAS BANGKOK BRANCH

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

FOR THE YEAR ENDED DECEMBER 31, 2019

BAHT : '000

	Notes	2019	2018
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	3,629	(5,523)
Income tax relating to components of other comprehensive income (loss)	11.2	(726)	1,105
		2,903	(4,418)
Items that will never be reclassified to profit or loss			
Gain (loss) on defined benefit plan	22.1	(6,945)	6,796
Income tax relating to components of other comprehensive income (loss)		1,390	(1,359)
		(5,555)	5,437
Net other comprehensive income (loss)		(2,652)	1,019
TOTAL COMPREHENSIVE INCOME (LOSS)		270,738	(52,507)

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, 2019

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 balance of year		28,286	-	-	-	-	28,286
Decrease during the year		(177,657)	-	-	-	-	(177,657)
At ending balance 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

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, 2019

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, 2019		9,311,042	4,775,282	28	28	351,911	14,438,263
Increase during the year		-	-	-	-	-	-
Repatriation		-	-	-	-	-	-
Transactions with inter-office accounts with head office and other branches of the same juristic person		-	(3,041,606)	-	-	-	(3,041,606)
Foreign currency translation adjustments							
At beginning balance of year		(149,371)	-	-	-	-	(149,371)
Decrease during the year		(506,683)	-	-	-	-	(506,683)
At ending balance of year		(656,054)	-	-	-	-	(656,054)
Net gain for the year		-	-	-	-	273,390	273,390
Other comprehensive income (loss)	11.2	-	-	2,903	2,903	(5,555)	(2,652)
Ending balance as at December 31, 2019		8,654,988	1,733,676	2,931	2,931	619,746	11,011,341

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, 2019

BAHT : '000

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) from operating before income tax expenses		355,582	(57,214)
Adjustments to reconcile profit (loss) from operating before income tax expenses to cash received (paid) from operating activities			
Depreciation and amortization	15 and 16	10,399	9,223
Impairment loss of loans (reversal)	33	(5,500)	8,500
Premium and discount on debt securities		23,677	26,115
Gain on sales of investment in securities		(175,042)	(46,128)
Loss on write off of leasehold improvement and equipment		-	202
Unrealized gain on foreign exchange rate, net		(506,683)	(177,657)
Unrealized gain on revaluation of derivatives financial instruments, net		(157,081)	(3,961,290)
Unrealized gain on revaluation of financial instrument designated at fair value, net		(8,937)	(11,916)
Provision for employee benefits	22	17,830	5,362
Loss on write off of prepaid withholding tax		20,409	-
Interest income	28	(833,762)	(611,551)
Interest expenses	29	685,513	627,246
Interest received		816,222	639,310
Interest paid		(687,299)	(643,409)
Income tax paid		(50,689)	-
Loss from operations before changes in operating assets and liabilities		(495,361)	(4,193,207)
(Increase) decrease in operating assets:			
Interbank and money market items		(1,300,206)	3,894,425
Investment in trading securities		(6,884,207)	523,983
Loans to customers		1,815,017	(1,175,967)
Accounts receivable for investment in securities		4,788,842	(5,305,809)
Other receivables		(1,618,639)	29,219
Other assets		25,109	(17,268)

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

BAHT : '000

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase (decrease) in operating liabilities :			
Deposits		5,502,807	(1,209,063)
Interbank and money market items		5,261,808	(1,270,151)
Liabilities payable on demand		(3,781)	(5,271)
Commitment to return securities		-	(211,106)
Provision for long-term employee benefits	22	(233)	(155)
Accounts payable for investment in securities		(5,168,122)	5,853,937
Accrued expenses		19,148	(5,992)
Other payables		(8,640)	(3,117)
Other liabilities		(2,746)	12,888
Accounts with head office and other branches of the same juristic person, net		(2,940,230)	4,481,505
Net cash provided by (used in) operating activities		(1,009,434)	1,398,851
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of long-term investment in securities		(22,423,482)	(22,258,010)
Proceeds from sales of long-term investment in securities		23,584,000	20,905,000
Cash paid for purchases of leasehold improvement and equipment and computer software		(12,339)	(12,906)
Net cash provided by (used in) investing activities		1,148,179	(1,365,916)

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

BAHT : '000

	Notes	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in borrowing from other branch of the same juristic person's equity	8	-	126,653
Fund remittance to Head Office	8	-	(125,414)
Net cash provided by (used in) financing activities		-	1,239
Net increase in cash and cash equivalents		138,745	34,174
Cash and cash equivalents as at January 1,		143,062	108,888
Cash and cash equivalents as at December 31,		281,807	143,062
Cash and cash equivalents:			
Cash		889	299
Interbank and money market items		44,808	19,418
Accounts with head office and other branches of the same juristic person's equity		236,110	123,345
Total cash and cash equivalents		281,807	143,062

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, 2019

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 2018) "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, 2019. 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 material impact on the Bank's financial statements.

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

The Federation of Accounting Professions has issued the Notification regarding Thai Accounting Standards, Thai Financial Reporting Standards, Thai Accounting Standards Interpretation 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. 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 Bank's management will adopt such TFRSs in the preparation of the Bank's financial statements when it becomes effective. The Bank's management has assessed the impact of these TFRSs and considered that the adoption of these financial reporting standards does not have any material impact on the financial statements of the Bank in the period of initial application, except the financial reporting standards as follow:

Thai Accounting Standard No.12 "Income Taxes"

This revised accounting standard clarifies about recognition the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. An entity shall apply those amendments to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Earlier application is permitted.

Thai Accounting Standard No. 19 "Employee Benefits"

This revised accounting standard clarifies that the past service cost or of the gain or loss on settlement is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment or curtailment or settlement but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). This accounting standard requires prospective method for such amendment. It applies only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which it is first applied. Earlier application is permitted.

Thai Accounting Standard No. 23 "Borrowing Costs"

This revised accounting standard clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. This accounting standard requires prospective method for such amendment. Earlier application is permitted.

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 Bank'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.

The Bank's management is in the process to assess the impact of these Financial Instruments Standards on the financial statements of the Bank in the period of initial application.

Thai Financial Reporting Standards No. 16 "Leases"

This TFRS provides a comprehensive model for the identification if lease arrangements and their treatment in the financial statements of both lessees and lessors.

This TFRS will supersede the following lease Standards and Interpretations upon its effective date, which are Thai Accounting Standard No. 17 "Leases", Thai Accounting Standard Interpretation No. 15 "Operating Lease - Incentives", Thai Accounting Standard Interpretation No. 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease" and Thai Financial Reporting Standard Interpretation No. 4 "Determining whether on Arrangement contains a Lease".

For lessee accounting, there are significant changes to lease accounting in this TFRS by removing the distinction between operating and finance leases under TAS 17 and requiring a lessee to recognize a right-of-use asset and a lease liability at commencement for all leases, except for short-term- leases and leases of low value assets. However, the lessor accounting treatment continues to require a lessor to classify a lease either as an operating lease or a finance lease, using the same concept as TAS 17.

The Bank's management is in the process to assess the impact of this TFRS on the financial statements of the Bank in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of income

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.

Fees and service income

The Bank recognize revenues from contracts with customers in the amount of consideration it expects to receive upon the control of service. The timing of recognition is dependent on whether the Bank satisfy a performance obligation by providing service to a customer over time or at a point in time.

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 expenses 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 an 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 recorded as 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 an 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 for the period they incur.

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 for the period they incur.

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 statement of income 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 parameter 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 parameter, whether directly observable or not. Observable market parameter 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

	2019						
	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	1,220	320	-	-	-	279	1,819
Investments	13,591	7,380	1,739	-	-	-	22,710
Loans to customers	6,377	865	-	-	-	9	7,251
Account receivable for investments	-	-	-	-	-	4,387	4,387
Other monetary assets	-	-	-	-	-	2,496	2,496
Total	21,188	8,565	1,739	-	-	7,171	38,663
Financial Liabilities							
Deposits	17,773	53	-	-	-	2,020	19,846
Interbank and money market items, net	5,259	95	-	396	-	-	5,750
Liabilities payable on demand	-	-	-	-	-	36	36
Commitment to deliver securities	-	-	-	-	-	-	-
Financial liabilities designated at fair value	-	305	106	-	-	-	411
Accounts payable for investments	-	-	-	-	-	4,345	4,345
Other monetary liabilities	-	-	-	-	-	162	162
Total	23,032	453	106	396	-	6,563	30,550

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

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

	2019						
	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	289	1,530	-	-	-	-	1,819
Investments, net*	3,974	9,617	7,380	1,739	-	-	22,710
Loans to customers	26	4,021	623	2,546	35	-	7,251
Account receivable for investments	-	4,387	-	-	-	-	4,387
Other monetary assets	2,469	23	-	4	-	-	2,496
Total monetary assets	6,758	19,578	8,003	4,289	35	-	38,663
Deposits	11,333	8,460	53	-	-	-	19,846
Interbank and money market items, net	49	5,210	95	-	396	-	5,750
Liabilities payable on demand	36	-	-	-	-	-	36
Commitment to deliver securities	-	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	300	111	-	-	411
Accounts payable for investments	-	4,345	-	-	-	-	4,345
Other monetary liabilities	-	162	-	-	-	-	162
Total monetary liabilities	11,418	18,177	448	111	396	-	30,550
Liquidity, net	(4,660)	1,401	7,555	4,178	(361)	-	8,113

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

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.

The Bank disclosed the Liquidity coverage ratio as at December 31, 2019 on its website at www.bnpparibas.co.th, within April 2020. 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

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

	2019		
	Level 1	**Level 2**	**Total**
Financial Assets			
Derivative assets	-	23,506,901	23,506,901
Trading securities	-	9,692,817	9,692,817
Available-for-sale securities	-	3,603,042	3,603,042
Total financial assets	-	36,802,760	36,802,760
Financial liabilities			
Derivative liabilities	-	20,508,966	20,508,966
Financial liabilities designated at fair value	-	411,280	411,280
Total financial liabilities	-	20,920,246	20,920,246

There was no transfer between levels of the fair value hierarchy during the year ended December 31, 2019.

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.

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

	2019		
	Level 1	**Level 2**	**Total**
Financial assets			
Held-to-maturity securities	-	9,437,116	9,437,116
Total financial assets	-	9,437,116	9,437,116

Unit : Thousand Baht

	2018		
	Level 1	**Level 2**	**Total**
Financial assets			
Held-to-maturity securities	-	9,646,840	9,646,840
Total financial assets	-	9,646,840	9,646,840

For cash, deposits and interbank and money market items (liabilities), the carrying amounts in the statements of financial position approximate the fair value of the items.

Interbank and money market items (assets) and loans to customers and accrued interest receivable are estimated the fair value based on the carrying amount net of allowance for doubtful accounts.

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	
	2019	**2018**
Total Asset maintained under Section 32	9,414,105	9,650,516
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	8,834,290	9,256,028
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	1,733,676	4,775,282
Total	10,567,966	14,031,310
Regulatory capital fund before deduction	8,834,290	9,256,028
Deductible amount	6,776	9,158
Total capital fund	8,827,514	9,246,870
Total capital funds to risk assets ratio (%)	16.33	16.10
Bank of Thailand regulatory capital ratio requirement (%)	11.00	10.375
Capital after deducting capital add-on arising from Single Lending Limit *	8,827,514	9,246,870
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)*	16.33	16.10

* Effective in January 2015

The Bank disclosed capital maintenance information as at December 31, 2019 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 2020.

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% per annum 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	
	2019	**2018**
Beginning balance	9,161,671	9,212,675
Increase during the year	-	126,653
Loss on exchange rate	(506,683)	(177,657)
Ending balance	8,654,988	9,161,671

8. ADDITIONAL INFORMATION OF CASH FLOWS

The changing of arising from financing activities for the years ended December 31, 2019 and 2018 are as follows:

				Unit : Thousand
	As at January 1, 2019	**Cash flows**	**Non-cash changes**	**As at December 31, 2019**
	Baht	**Baht**	**Baht**	**Baht**
Fund remitted into Thailand for Maintaining assets under law	9,311,042	-	-	9,311,042
Retained earnings	351,911	-	267,835	619,746

				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

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

	2019		
	On demand	Term	Total
Domestic items			
The Bank of Thailand	244,108	-	244,108
Other commercial banks	5,764	1,400,619	1,406,383
Total	249,872	1,400,619	1,650,491
Add Accrued interest receivables	-	5,954	5,954
Less Allowance for doubtful accounts	-	(14,006)	(14,006)
Total domestic items	249,872	1,392,567	1,642,439
Foreign items			
Singapore Dollars	13,094	-	13,094
Swedish Kroners	11,433	-	11,433
Danish Kroners	2,251	-	2,251
Australian Dollars	12,266	-	12,266
US Dollars	-	139,156	139,156
Total	39,044	139,156	178,200
Add Accrued interest receivables	-	1	1
Less Deferred income	-	(292)	(292)
Less Allowance for doubtful accounts	-	(1,389)	(1,389)
Total foreign items	39,044	137,476	176,520
Total domestic and foreign items	288,916	1,530,043	1,818,959

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

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	2019		
	Fair Value		
	Assets	Liabilities	Notional amount*
Exchange rate risk	16,725,111	13,050,154	690,149,257
Interest rate risk	6,780,843	7,458,812	712,833,758
Credit risk	947	-	488,463
Total	23,506,901	20,508,966	1,403,471,478

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

* 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 counterparties as at December 31, are as follows:

Counterparties	2019 (%)	2018 (%)
Financial institutions	60	58
Group companies	26	30
Third parties	14	12
Total	100	100

11. INVESTMENTS, NET

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

	Unit : Thousand Baht	
	2019	2018
	Fair value/ Amortized cost	Fair value/ Amortized cost
Trading securities		
Government and state enterprise securities	9,692,817	2,633,569
Total trading securities	9,692,817	2,633,569
Available-for-sale securities		
Government and state enterprise securities	3,603,042	4,547,196
Total available-for-sale securities	3,603,042	4,547,196
Held-to-maturity securities		
Government and state enterprise securities	9,414,106	9,650,516
Total held-to-maturity securities	9,414,106	9,650,516
Total investments, net	22,709,965	16,831,281

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,	
	2019	2018
Beginning balances	28	4,446
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 years	3,629	(856)
Relating income tax	(726)	172
Ending balances	2,931	28

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 gains (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

	2019	2018
Overdrafts	26,353	29,723
Loans	7,228,800	9,041,546
Staff loans	-	424
Less Deferred income	(4,247)	(5,769)
Total loans net of deferred income	7,250,906	9,065,924
Add Accrued interest receivables	13,334	13,504
Total loans net of deferred income plus accrued interest receivables	7,264,240	9,079,428
Less Allowance for doubtful accounts		
BOT requirement (Individual approach)	(72,509)	(90,659)
Surplus reserve	(96)	(80)
Loans and accrued interest receivables, net	7,191,635	8,988,689

12.2 Grouped by currency and resident

Unit : Thousand Baht

	2019			2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	5,299,349	40,139	5,339,488	8,504,796	-	8,504,796
US Dollar	882,855	-	882,855	556,539	-	556,539
EURO	16,631	1,011,932	1,028,563	4,589	-	4,589
Total	6,198,835	1,052,071	7,250,906	9,065,924	-	9,065,924

12.3 Grouped by business sector and classifications

Unit : Thousand Baht

	2019					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	-	-	-	-	-	-
Manufacturing and commerce	5,039,926	-	-	-	-	5,039,926
Utilities and services	1,788,357	-	-	-	-	1,788,357
Real estate and construction	422,623	-	-	-	-	422,623
Housing loans	-	-	-	-	-	-
Total	7,250,906	-	-	-	-	7,250,906

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

12.4 Grouped by classifications

Unit : Thousand Baht

	2019			
	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	7,264,240	7,250,907	1	72,509
Special mention	-	-	2	-
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful of loss	-	-	100	-
Total	7,264,240	7,250,907		72,509
Surplus reserve				96
				72,605

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

13. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

Unit : Thousand Baht

	2019					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Balance at beginning of year	90,739	-	-	-	-	90,739
Add Additional allowance during the year	(18,134)	-	-	-	-	(18,134)
Balance at end of year	72,605	-	-	-	-	72,605

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

14. TROUBLED DEBT RESTRUCTURINGS

The Bank has no receivables which have been restructured during the years ended December 31, 2019 and 2018.

For the years ended December 31, 2019 and 2018, 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, 2019

Unit : Thousand Baht

	Balance as at January 1, 2019	Additions	Disposals	Balance as at December 31, 2019
Cost:				
Leasehold improvement	7,823	1,470	(178)	9,115
Furniture and office equipment	57,624	10,817	-	68,441
Total cost	65,447	12,287	(178)	77,556
Accumulated depreciation:				
Leasehold improvement	(4,149)	(624)	178	(4,595)
Furniture and office equipment	(42,474)	(7,341)	-	(49,815)
Total accumulated depreciation	(46,623)	(7,965)	178	(54,410)
Leasehold improvement and equipment, net	18,824			23,146

As at December 31, 2018

	Balance as at January 1, 2018	Additions	Disposals	Balance as at December 31, 2018
				Unit : Thousand Baht
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
Depreciation for the years ended December 31,				
2019				7,965
2018				8,010

As at December 31, 2019 and 2018, 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 43.68 million and Baht 31.94 million, respectively.

16. INTANGIBLE ASSETS, NET

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

As at December 31, 2019

	Balance as at January 1, 2019	Additions	Disposals	Balance as at December 31, 2019
				Unit : Thousand Baht
Cost:				
Computer software	19,098	52	-	19,150
Total cost	19,098	52	-	19,150
Accumulated amortization:				
Computer software	(9,940)	(2,434)	-	(12,374)
Total accumulated amortization	(9,940)	(2,434)	-	(12,374)
Intangible assets, net	9,158			6,776

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
Amortization for the years ended December 31,				
2019				2,434
2018				1,213

17. DEFERRED TAX ASSETS

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

Unit : Thousand Baht

	2019	2018
Deferred tax assets	26,570	28,299
Deferred tax liabilities	(7,534)	(2,061)
Deferred tax assets, net	19,036	26,238

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

Unit : Thousand Baht

	Balance as at January 1, 2019	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, 2019
Deferred tax assets					
Temporary differences					
Loans	17,300	(6,752)	-	-	10,548
Provisions	8,417	3,519	-	1,390	13,326
Others	2,582	114	-	-	2,696
Total	28,299	(3,119)	-	1,390	26,570
Deferred tax liabilities					
Temporary differences					
Investments	(2,061)	(4,747)	(726)	-	(7,534)
Total	(2,061)	(4,747)	(726)	-	(7,534)
Deferred tax assets, net	26,238	(7,866)	(726)	1,390	19,036

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					
Loans	7,955	9,345	-	-	17,300
Provisions	8,734	1,042	-	(1,359)	8,417
Others	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

18. OTHER ASSETS

Other assets as at December 31, are as follows:

Unit : Thousand Baht

	2019	2018
Deposits	3,579	5,979
Others	4,584	27,293
Total	8,163	33,272

19. DEPOSITS

Deposits as at December 31, are as follows:

19.1 Grouped by types

Unit : Thousand Baht

	2019	2018
On demand	2,019,540	1,390,929
Savings	9,313,236	7,940,994
Term	8,512,592	5,010,638
Total deposits	19,845,368	14,342,561

19.2 Grouped by currency

Unit : Thousand Baht

	2019	2018
US Dollar	5,454,230	2,839,729
Thai Baht	13,979,419	10,509,029
Other currencies	411,719	993,803
Total deposits	19,845,368	14,342,561

20. INTERBANK AND MONEY MARKET ITEMS - LIABILITIES

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

Unit : Thousand Baht

	2019		
	On demand	Term	Total
Domestic			
Commercial banks	-	5,210,000	5,210,000
Other financial institutions	49,359	490,947	540,306
Total	49,359	5,700,947	5,750,306

Unit : Thousand Baht

	2018		
	On demand	Term	Total
Domestic			
Commercial banks	20,250	-	20,250
Other financial institutions	-	468,248	468,248
Total	20,250	468,248	488,498

As at December 31, 2019 and 2018, 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.

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

	2019	2018
Bills of exchange with embedded derivatives	411,280	420,217
Total	411,280	420,217

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:

	2019 (%)	2018 (%)
Financial institution	100	100
Total	100	100

22. PROVISION FOR EMPLOYEE BENEFITS

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

	Unit : Thousand Baht	
	2019	**2018**
Provision for post-employee benefit (see Note 22.1)	64,012	39,878
Provision for long-serviced award benefit (see Note 22.2)	2,616	2,208
Total	66,628	42,086

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	
	2019	**2018**
Beginning balance of provision for post-employee benefit	39,878	40,712
Past service cost	9,994	-
Current service costs	5,760	4,741
Interest costs	1,435	1,221
Actuarial (gains) losses		
arising from changes in financial assumptions	6,945	(6,796)
Ending balance of provision for post-employee benefit	64,012	39,878

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

	Unit : Thousand Baht	
	2019	**2018**
Included in retained earnings:		
As at January 1,	1,242	(5,554)
Recognized during the years	(6,945)	6,796
As at December 31,	(5,703)	1,242

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

	2019	**2018**
Discount rate	1.8%	3.1%
Future salary growth rate	5%	5%
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	
	2019	**2018**
Effect increase (decrease) on provision for post-employee benefit		
Increase 1% discount rate	(5,936)	(3,485)
Decrease 1% discount rate	6,777	3,951
Increase 1% salary growth rate	6,490	3,836
Decrease 1% salary growth rate	(5,819)	(3,457)

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 has 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 for the year ended December 31, 2019 amount of Baht 9.99 million.

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	
	2019	**2018**
Beginning balance of provision for long-serviced award benefit	2,208	2,963
Current service costs	369	494
Interest costs	63	84
Actuarial (gains) losses		
arising from changes in financial assumptions	209	(1,178)
Benefits paid	(233)	(155)
Ending balance of provision for long-serviced award benefit	2,616	2,208

For the year ended December 31, 2019, the actuarial losses are recognized in profit or loss by Baht 0.21 million.

For the year ended December 31, 2018, the actuarial gains are recognized in profit or loss by Baht 1.18 million.

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

	2019	2018
Discount rate	1.8%	3.1%
Gold price inflation rate	5%	5%
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

	2019	2018
Effect increase (decrease) on provision for post-employee benefit		
Increase 1% discount rate	(167)	(131)
Decrease 1% discount rate	189	147
Increase 1% salary growth rate	-	-
Decrease 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

	2019			2018		
	Thai Baht	Foreign currency	Total	Thai Baht	Foreign currency	Total
Letters of credit	-	1,869,871	1,869,871	5,944,537	-	5,944,537
Guarantees on loans	500	75,385	75,885	162,249	2,000	164,249
Liabilities under unmatured bills	-	77,013	77,013	54,233	-	54,233
Other commitments	8,972,548	8,405,001	17,377,549	14,402,297	11,431,807	25,834,104
Spot exchange contracts - bought	12,876,035	350,054	13,226,089	13,105,826	3,374,713	16,480,539
Spot exchange contracts - sold	351,992	12,860,681	13,212,673	3,373,502	13,114,175	16,487,677
Forward exchange contracts - bought	11,939,441	78,194,168	90,133,609	70,499,940	15,115,843	85,615,783
Forward exchange contracts - sold	56,908,458	34,099,159	91,007,617	52,579,669	33,289,862	85,869,531
Currency swap contracts - bought	110,312,679	100,649,220	210,961,899	126,095,107	108,513,505	234,608,612
Currency swap contracts - sold	98,037,883	112,007,640	210,045,523	124,256,936	108,240,206	232,497,142
Interest rate swap contracts	589,321,557	112,646,927	701,968,484	178,782,446	610,414,378	789,196,824
Cross currency interest rate swap contracts - bought	165,810,997	218,851,945	384,662,942	225,218,681	186,713,831	411,932,512
Cross currency interest rate swap contracts - sold	157,442,463	225,005,721	382,448,184	239,972,292	170,584,860	410,557,152
Currency option instruments - bought	211,152	2,284,089	2,495,241	2,741,321	1,886,500	4,627,821
Currency option instruments - sold	21,620	126,647	148,267	304,034	-	304,034
Interest option instrument - bought	-	5,335,137	5,335,137	1,172,356	-	1,172,356
Interest option instrument - sold	-	5,335,137	5,335,137	2,842,990	-	2,842,990
Credit default swap	-	188,463	188,463	202,811	-	202,811
Forward exchange option - bought	2,318,470	211,078	2,529,548	1,946,988	2,699,205	4,646,193
Forward exchange option - sold	127,865	21,108	148,973	-	288,700	288,700

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,	
	2019	2018
Statements of financial positions		
Assets		
Interbank and money market items, net	1,924,885	406,657
Liabilities		
Deposits	45,739	54,405
Interbank and money market items, net	3,240,506	4,838,759
Accrued expenses	372,316	288,775
Fund remitted into Thailand for maintaining assets under law	8,654,988	9,161,671
Contingencies	439,419,618	580,576,629

	For the years ended December 31,	
	2019	2018
Statements of profit or loss and other comprehensive income		
Interest income	25,547	13,307
Interest expenses	315,955	335,089
Other operating expenses		
- Cost sharing from financial instruments, net	59,681	199,482
- Expenses shared from Head Office	69,147	65,136
- Intercompany service fee	87,574	82,131
Management remuneration		
- Short-term benefits	55,531	57,179
- Long-term benefits	925	969

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	
	2019	**2018**
Expense (reversal) of share-based payment	4,141	(4,020)
Total	4,141	(4,020)

26. LONG-TERM 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	**2019**	**2018**
Within 1 year	13,104	12,580
Over 1 year to 5 years	27,134	5,153
Total long-term operating lease commitment	40,238	17,733

Minimum lease payment recognized as expenses for the years ended December 31, 2019 and 2018 are Baht 13.96 million and Baht 13.77 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	
	2019	2018
Interbank and money market items	96,321	65,069
Investment and trading transactions	190,108	73,774
Investment in debt securities	235,613	198,938
Loans	284,529	253,701
Others	27,191	20,069
Total interest income	833,762	611,551

29. INTEREST EXPENSES

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

	Unit : Thousand Baht	
	2019	2018
Deposits	124,700	73,075
Interbank and money market items	504,737	495,416
Contributions for deposit protection	54,451	43,114
Others	1,625	15,641
Total interest expense	685,513	627,246

30. NET FEES AND SERVICE INCOME

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

	Unit : Thousand Baht	
	2019	2018
Fees and service income		
Acceptance, aval and guarantees	49,165	72,711
Others	51,445	31,558
Total fees and service income	100,610	104,269
Fees and service expenses	(33,145)	(41,909)
Net fees and service income	67,465	62,360

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	
	2019	**2018**
Gains (losses) on tradings and foreign exchange transactions		
Foreign currencies and exchange derivatives	1,231,724	554,952
Interest derivatives	(622,064)	60,470
Credit derivatives	485	766
Debt securities	191,082	53,155
Net gains on trading and foreign exchange	801,227	669,343

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	
	2019	**2018**
Gain from net change in fair value of bills of exchange with embedded derivatives	8,937	11,916
Loss on redemptions and interest expenses	(17,466)	(17,466)
Losses on financial instrument designated at fair value	(8,529)	(5,550)

33. IMPAIRMENT LOSS OF LOANS

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

	Unit : Thousand Baht	
	2019	**2018**
Interbank and money market items (reversal)	12,634	(2,326)
Loans	(18,134)	10,826
Total	(5,500)	8,500

34. INCOME TAX EXPENSE

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

	Unit : Thousand Baht	
	2019	2018
Current income tax expense for the period	74,326	4,851
Deferred tax expense (income) and temporary differences	7,866	(8,539)
Total income tax expense (income)	82,192	(3,688)

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

						Unit : Thousand Baht
	2019			2018		
	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	3,629	(726)	2,903	(5,523)	1,105	(4,418)
Gains (losses) on provision for employee benefits	(6,945)	1,390	(5,555)	6,796	(1,359)	5,437
Other comprehensive income (losses)	(3,316)	664	(2,652)	1,273	(254)	1,019

Reconciliation of effective tax rate

	2019		2018	
	(Thousand Baht)	Rate (%)	(Thousand Baht)	Rate (%)
Profit (loss) before income tax expense	355,582	20	(57,214)	20
Income tax at the domestic tax rate	71,116		(11,443)	
Tax effect of income and expense that are not taxable income or not deductible in determining taxable profit, net	10,376		7,755	
Tax adjustments	700		-	
Income tax expense (income) as the statement of profit or loss and other comprehensive income	82,192	23	(3,688)	6

The Bank used tax rate of 20% for the corporate income tax and deferred tax calculation for the years ended December 31, 2019 and 2018.

35. RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements for the year ended December 31, 2018, to conform to the classification used in current period's financial statements. Such reclassifications have no effect to previously reported net profit, total comprehensive income and head office and other branches of the same juristic person's equity. The reclassifications are as follows:

Unit : Thousand Baht

	Before reclassification	Reclassification	After reclassification
Statement of profit or loss and other comprehensive income for the year ended December 31, 2018			
Employee's expenses	330,773	(36,826)	293,947
Others	104,913	36,826	141,739

36. EVENT AFTER THE REPORTING PERIOD

On March 31, 2020, the Bank of Thailand has issued the Circular No. BOT.PhorNhorSor. (23) Wor. 395/2563 regarding "The relief measures for the compliance with the Bank of Thailand's regulations during the COVID-19 situation" in order to temporarily relieve certain regulations of the Bank of Thailand. Accordingly, the submission period of the financial statements to the Bank of Thailand has been relieved and it is required to follow the regulations as soon as the situation return to normal.

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Bank's management on May 8, 2020.