BNP PARIBAS BANGKOK BRANCH

Financial Statements

Year ended December 31, 2020

Deloitte.

บริษัท ดีลอยท์ ทู้ช โธมัทสุ ไชยยศ
สอบบัญชี จำกัด
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REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE MANAGEMENT

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, 2020, 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, 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand's regulations.

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 the Bank of Thailand's regulations, 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
April 16, 2021

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

BAHT : '000

	Notes	2020	2019
ASSETS			
Cash		690	889
Interbank and money market items, net	10	4,349,188	1,818,959
Financial assets measured at fair value through profit or loss	11	3,697,736	-
Derivatives assets	12	26,731,694	23,506,901
Investments, net	13	14,293,578	22,709,965
Loans to customers and accrued interest receivables, net	14	6,195,976	7,191,635
Leasehold improvement and equipment, net	17	25,423	23,146
Intangible assets, net	18	4,869	6,776
Deferred tax assets	19	26,304	19,036
Account receivable for investments		1,637,711	4,386,664
Other receivables		815,250	2,469,188
Accrued interest from investments		8,655	23,499
Other assets	20	38,179	8,163
TOTAL ASSETS		57,825,253	62,164,821

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2020

BAHT : '000

	Notes	2020	2019
LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY			
Deposits	21	20,490,565	19,845,368
Interbank and money market items, net	22	464,142	5,750,306
Liabilities payable on demand		35,987	36,008
Financial liabilities designated at fair value through profit or loss	23	102,424	-
Financial liabilities designated at fair value	23	-	411,280
Derivatives liabilities	12	24,397,387	20,508,966
Provisions	24	78,040	66,628
Accounts payable for investments		1,502,346	4,345,170
Accrued expenses		150,609	161,550
Other payable		130,900	-
Other liabilities		52,709	28,204
TOTAL LIABILITIES		47,405,109	51,153,480
HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY			
Fund remitted into Thailand for maintaining assets under law	7.2	9,269,147	9,311,042
Foreign currency translation adjustments		(553,793)	(656,054)
		8,715,354	8,654,988
Accounts with head office and other branches of the same juristic person, net		974,607	1,733,676
Other components of accounts with head office and other branches of the same juristic person		3,192	2,931
Retained earnings		726,991	619,746
TOTAL HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		10,420,144	11,011,341
TOTAL LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		57,825,253	62,164,821

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, 2020

BAHT : '000

	Notes	2020	2019
Interest income	30	570,366	833,762
Interest expenses	31	(343,354)	(685,513)
Net interest income		227,012	148,249
Fees and service income		71,948	100,610
Fees and service expenses		(33,651)	(33,145)
Net fees and service income	32	38,297	67,465
Gain on financial instrument measured at fair value through profit or loss, net	33	719,051	-
Gains on tradings and foreign exchange transactions, net	33	-	801,227
Losses on financial instrument designated at fair value, net	34	-	(8,529)
Total operating income		984,360	1,008,412
Other operating expenses			
Employee's expenses		285,535	289,017
Premises and equipment expenses		51,003	46,046
Taxes and duties		12,276	15,291
Expenses shared from Head Office	26	53,724	69,147
Cost sharing from financial instruments, net	26	86,089	59,681
Others		179,329	179,148
Total other operating expenses		667,956	658,330
Expected credit loss	35	182,934	-
Impairment loss of loans (reversal)	35	-	(5,500)
Profit from operating before income tax expenses		133,470	355,582
Income tax expenses	36	(31,152)	(82,192)
NET PROFIT		102,318	273,390

BNP PARIBAS BANGKOK BRANCH

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

FOR THE YEAR ENDED DECEMBER 31, 2020

BAHT : '000

	Notes	2020	2019
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that are or may be reclassified to profit or loss			
Gain on investments in debt instruments at fair value through other comprehensive income	13.2	326	-
Gain on remeasuring available-for-sale investments	13.2	-	3,629
Income tax relating to components of other comprehensive income (loss)	13.2	(65)	(726)
		261	2,903
Items that will never be reclassified to profit or loss			
Gain (loss) on defined benefit plan	24.1	6,159	(6,945)
Income tax relating to components of other comprehensive income (loss)		(1,232)	1,390
		4,927	(5,555)
Net other comprehensive income (loss)		5,188	(2,652)
TOTAL COMPREHENSIVE INCOME		107,506	270,738

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, 2020

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 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)	13.2	-	-	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

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, 2020

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 on investments in debt instruments at fair value through other comprehensive income investments	Total other components of accounts with head office and other branches of the same juristic person		
Beginning balance as at January 1, 2020		9,311,042	1,733,676	2,931	2,931	619,746	11,667,395
Decrease during the year		(41,895)	-	-	-	-	(41,895)
Repatriation		-	-	-	-	-	-
Transactions with inter-office accounts with head office and other branches of the same juristic person		-	(759,069)	-	-	-	(759,069)
Foreign currency translation adjustments							
At beginning balance of year		(656,054)	-	-	-	-	(656,054)
Decrease during the year		102,261	-	-	-	-	102,261
At ending balance of year		(553,793)	-	-	-	-	(553,793)
Net gain for the year		-	-	-	-	102,318	102,318
Other comprehensive income	13.2	-	-	261	261	4,927	5,188
Ending balance as at December 31, 2020		8,715,354	974,607	3,192	3,192	726,991	10,420,144

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, 2020

BAHT : '000

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operating before income tax expenses		133,470	355,582
Adjustments to reconcile profit (loss) from operating before income tax expenses to cash received (paid) from operating activities			
Depreciation and amortization	17, 18 and 20.1	21,270	10,399
Expected credit loss	35	182,934	-
Impairment loan loss (reversal)	35	-	(5,500)
Premium on debt securities		23,681	23,677
Loss on sales of investment in securities		(200,332)	(175,042)
Unrealized loss (gain) on foreign exchange rate, net		104,295	(506,683)
Gain on financial intrument measured at fair value through profir or loss, net		654,772	-
Unrealized loss (gain) on revaluation of derivatives financial instruments, net		-	(157,081)
Unrealized gain on revaluation of financial instrument designated at fair value, net		-	(8,937)
Provision for employee benefits	24.1 and 24.2	8,896	17,830
Loss on write off of prepaid withholding tax		-	20,409
Interest income	30	(570,366)	(833,762)
Interest expenses	31	343,354	685,513
Interest received		592,360	816,222
Interest paid		(292,527)	(687,299)
Income tax paid		(50,144)	(50,689)
Gain (loss) from operations before changes in operating assets and liabilities		951,663	(495,361)
(Increase) decrease in operating assets :			
Interbank and money market items		(2,510,549)	(1,300,206)
Financial assets measured at fair value through profit or loss		(3,497,404)	-
Investment in trading securities		9,692,817	(6,884,207)
Loans to customers		806,856	1,815,017
Accounts receivable for investment in securities		2,748,953	4,788,842
Other receivables		1,653,938	(1,618,639)

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

BAHT : '000

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Other assets		(41,424)	25,109
Increase (decrease) in operating liabilities :			
Deposits		645,197	5,502,807
Interbank and money market items		(5,286,165)	5,261,808
Liabilities payable on demand		(21)	(3,781)
Financial liabilities designated at fair value through profit or loss		(300,000)	-
Provision for long-term employee benefits	24.2	(290)	(233)
Accounts payable for investment in securities		(2,842,824)	(5,168,122)
Accrued expenses		(10,941)	19,148
Other payables		130,900	(8,640)
Other liabilities		17,848	(2,746)
Accounts with head office and other branches of the same juristic person, net		(920,517)	(2,940,230)
Net cash provided by (used in) operating activities		1,238,037	(1,009,434)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of long-term investment in securities		(21,848,785)	(22,423,482)
Proceeds from sales of long-term investment in securities		20,549,000	23,584,000
Cash paid for purchases of leasehold improvement and equipment and computer software		(10,231)	(12,339)
Net cash provided by (used in) investing activities		(1,310,016)	1,148,179

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

BAHT : '000

	Notes	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in borrowing from other branch of the same juristic person's equity	9	(41,895)	-
Cash paid for repayment of lease liabilities	9	(11,809)	-
Net cash used in financing activities		(53,704)	-
Net increase (decrease) in cash and cash equivalents		(125,683)	138,745
Cash and cash equivalents as at January 1,		281,807	143,062
Cash and cash equivalents as at December 31,		156,124	281,807
Cash and cash equivalents:			
Cash		690	889
Interbank and money market items		58,683	44,808
Accounts with head office and other branches of the same juristic person's equity		96,751	236,110
Total cash and cash equivalents		156,124	281,807

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, 2020

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's statutory financial statements are in Thai Baht and the Thai language and prepared in accordance with Thai Financial Reporting Standards, accounting treatment guidance promulgated by the Federation of Accounting Professions ("TFAC"), accounting practices generally accepted in Thailand including relevant the Bank of Thailand ("BOT") Notifications.

2.2 The Bank's financial statements have been prepared in accordance with the Thai Accounting Standard (TAS) No. 1 "Presentation of Financial Statements", including the Procedures, Policies and Presentation in accordance with the Bank of Thailand ("BOT") Notification SorNorSor. 21/2561 regarding "the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated October 31, 2018".

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, 2020. 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, except the following financial reporting standards:

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

In the current year, the Bank has initially applied Group of Financial Instruments Standards. The Bank has elected to recognize the cumulative effect of initially adopting of Thai Financial Reporting Standards No. 9 ("TFRS 9") as an adjustment to the opening balance of retained earnings of the reporting period.

TFRS 9 introduces new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting

The Bank has applied TFRS 9 in accordance with the transition provisions set out in TFRS 9.

1) The classification and measurement of financial assets and financial liabilities,

   TFRS 9 requires financial assets to be classified and measured subsequently at amortized cost or fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification and measurement depend on the Bank's business model for managing its financial assets and the contractual cash flow characteristics of financial assets.

   Financial liabilities are generally classified and measured subsequently at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, TFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized.

2) Impairment of financial assets

In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model. The expected credit loss model requires the Bank to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, TFRS 9 requires the Bank to recognize allowance for expected credit losses on:

(1) Financial assets measured subsequently at amortized cost or at FVTOCI;

(2) Trade receivables and contract assets; and

(3) Financial guarantee contracts to which the impairment requirement of TFRS 9 apply.

In particular, TFRS 9 requires the Bank to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses ("ECL") if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Bank are required to measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. TFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and contract assets in certain circumstances.

Impact of initial application of TFRS 9 on financial performance

The tables below show the amount of adjustment for each financial statement line item affected by the initial application of TFRS 9 for the current year.

Unit: Thousand Baht

	Previous Category	Carrying amounts December 31, 2019 As previously reported	Reclassification	Remeasurement			Carrying amounts January 1, 2020	Category January 1, 2020
				ECL	Fair valuation	Others		
ASSETS								
Cash	Cost	889	-	-	-	-	889	Amortized cost
Interbank and money market items, net	Cost less impairment	1,818,959	-	-	-	-	1,818,959	Amortized cost less impairment
Financial assets at fair value through profit or loss	-	-	9,692,817	-	-	-	9,692,817	FVTPL
Derivatives assets	FVTPL	23,506,901	-	-	-	-	23,506,901	FVTPL
Investments, net	Trading, AFS and HTM	22,709,965	(9,692,817)	-	-	-	13,017,148	Amortized cost and FVTOCI
Loans to customers and accrued interest receivables, net	Cost less impairment	7,191,635	-	-	-	-	7,191,635	Amortized cost less impairment
Leasehold improvement and equipment, net	-	23,146	-	-	-	-	23,146	-
Intangible assets, net	-	6,776	-	-	-	-	6,776	-
Deferred tax assets	-	19,036	-	-	-	-	19,036	-
Account receivable for investments	-	4,386,664	-	-	-	-	4,386,664	-
Other receivables	-	2,469,188	-	-	-	-	2,469,188	-
Accrued interest from investments	-	23,499	-	-	-	-	23,499	-
Other assets, net	-	8,163	-	-	-	-	8,163	-
LIABILITIES								
Deposits	Cost	19,845,368	-	-	-	-	19,845,368	Amortized cost
Interbank and money market items, net	Cost	5,750,306	-	-	-	-	5,750,306	Amortized cost
Liabilities payable on demand	Cost	36,008	-	-	-	-	36,008	Amortized cost
Financial liabilities designated at fair value	FVTPL	411,280	-	-	-	-	411,280	FVTPL
Derivatives liabilities	FVTPL	20,508,966	-	-	-	-	20,508,966	FVTPL
Provisions	-	66,628		-	-	-	66,628	-
Accounts payable for investments	-	4,345,170	-	-	-	-	4,345,170	-
Accrued expense	-	161,550	-	-	-	-	161,550	-
Other liabilities	-	28,204	-	-	-	-	28,204	-
EQUITY								
Retained earnings	-	619,746	-	-	-	-	619,746	-

The following table reconciles the aggregate opening allowance for doubtful accounts of financial instruments as of December 31, 2019 to allowance for expected credit loss as of January 1, 2020 in accordance with TFRS 9.

Unit: Thousand Baht

	Allowance for doubtful accounts amounts December 31, 2019	Remeasurement	Allowance for ECL amounts January 1, 2020
Allowance for			
Interbank and money market items	15,395	-	15,395
Loans to customers and accrued interest receivables	72,605	-	72,605
Total	**88,000**	**-**	**88,000**

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 supersedes 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 date for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. 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.

Financial impact of the initial application of TFRS 16

Starting from January 1, 2020 onwards, the Bank applied TFRS 16 using the modified retrospective method of which the cumulative effect of initially applying TFRS 16 was recognized at the date of initial application and therefore comparative information has not been restated.

The Bank recognized lease liabilities in relation to leases, which had previously been classified as operating leases under the principles of TAS 17. The right-of-use assets were measured at amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. These liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rates. The weight average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position on January 1, 2020 is 1.00%.

The following table shows the operating lease commitments disclosed applying TAS 17 as at December 31, 2019, discounted using incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

	Unit : Thousand Baht
Operating lease commitments as at December 31, 2019	6,083
Short-term leases and leases of low-value assets	(3,895)
Effect of discounting the above amounts	(14)
Lease liabilities recognized as at January 1, 2020	2,174

The Bank has recognized Baht 2.17 million of right-of-use assets and Baht 2.17 million of lease liabilities upon transition to TFRS 16.

In addition, the Federation of Accounting Professions has announced two Accounting Treatment Guidances, which have been announced in the Royal Gazette on April 22, 2020, detail as follows:

Accounting Treatment Guidance on "The temporary relief measures for entities supporting their debtors who are effected from the situations that affected Thailand's economy"

The objective of this accounting treatment guidance is to grant the temporary relief measures for entities helping their debtors who are effected from the situations that affected Thailand's economy with the helping period during January 1, 2020 to December 31, 2021 or until there are any changes from the Bank of Thailand, which require the compliance for such changes. The entities who support their debtors and elect to apply this accounting treatment guidance should be comply with all relief measures specified in this accounting treatment guidance.

Accounting Treatment Guidance on "The temporary relief measures for additional accounting alternatives to alleviate the impacts from COVID-19 outbreak"

This accounting treatment guidance is the option for all entities applying Financial Reporting Standards for Publicly Accountable Entities. Since the preparation of financial statements during the period, which COVID-19 situation still be highly uncertainty as at the end of reporting period may cause the entities' management to use the critical judgment in the estimation or the measurement and recognition of accounting transactions. Objective of this accounting treatment guidance is to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation. The entities can apply this accounting treatment guidance for the preparation of financial statements with the reporting period ending within the period from January 1, 2020 to December 31, 2020.

The Bank has not adopted such Accounting Treatment Guidance in the preparation of the financial statements for the year ended December 31, 2020.

2.5 Thai Financial Reporting Standard No.16 "Leases"

TFRS 16 has been amended for the Rent Concessions related to COVID-19, which is effective from June 1, 2020 with earlier application permitted. The amendment permits lessees, as a practical expedient, not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. In addition, the revised TFRS 16 also added the requirements for the temporary exception arising from interest rate benchmark reform, which an entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. This revised TFRS 16 has been announced in the Royal Gazette on January 27, 2021.

2.6 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, 2021 onwards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revisions to references to the Conceptual Framework in TFRSs, except for the revisions of definitions and accounting requirements as follows:

Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting consisted of the revised definitions and recognition criteria of asset and liability as well as new guidance on measurement, derecognition of asset and liability, presentation and disclosure. In addition, this Conceptual Framework for Financial Reporting clearly clarifies management's stewardship of the entity's economic resources, prudence, and measurement uncertainty of financial information.

Definition of Business

The revised Thai Financial Reporting Standard No.3 "Business Combinations" clearly clarifies the definition of business and introduce an optional concentration test. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. This revised financial reporting standard requires prospective method for such amendment. Earlier application is permitted.

Definition of Materiality

The revised definition of materiality resulted in the amendment of Thai Accounting Standards No.1 "Presentation of Financial Statements" and Thai Accounting Standards No.8 "Accounting Policies, Changes in Accounting Estimates and Errors", including other financial reporting standards which refer to materiality. This amendment is intended to make the definition of material to comply with the Conceptual Framework which requires prospective method for such amendment. Earlier application is permitted.

The Interest Rate Reform

Due to the interest rate reform, there are the amendments of specific hedge accounting requirements in Thai Financial Reporting Standard No.9 "Financial Instruments" and Thai Financial Reporting Standard No.7 "Financial Instruments: Disclosures".

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 in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 Financial Instruments

a) Policies applicable from January 1, 2020
The Company recognizes financial assets and financial liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.2.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirely at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost;

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI);

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Bank may make the following irrevocable election at initial recognition of a financial asset;

- The Bank may irrevocable designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (3) below).

(1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized in profit or loss and is included in the "Interest income" line item.

(2) Debt instruments classified as at FVTOCI

The debt instruments held by the Bank are classified as at FVTOCI. The debt instruments are initially measured at fair value plus transaction costs. Subsequently changes in the carrying amount of these instruments as a result of foreign exchange gains and losses, impairment gains or losses (see below), and interest income calculated using the effective interest method (see (1) above) are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these instruments are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(3) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (1) to (2) above) are measured at FVTPL. Specifically;

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (1) and (2) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Bank has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Gain on financial instrument measured at fair value through profit or loss, net" line item. Fair value is determined in the manner described in Note 3.8.

Impairment of financial assets

The Bank recognizes allowance for expected credit losses for loans to customers, interbank and money market items (assets) and financial guarantee contracts. The expected credit losses on these financial assets are estimated using a provision matrix based on the Bank's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The amount of expect credit losses is updated at each reporting period date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Bank recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(1) Write-off policy

The Bank derecognizes all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or the Bank transfer the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset.

(2) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Bank's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For a financial guarantee contracts, as the Bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder, the debtor or any other parties.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Bank has elected on initial recognition to measure at FVTOCI, the reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.2.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Bank, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (1) contingent consideration of an acquirer in a business combination (2) held for trading or (3) it is designated as at FVTPL.

A financial liability is classified as held for trading if;

- It has been acquired principally for the purpose of repurchasing it in the near term; or

- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Bank that are designated by the Bank as at FVTPL are recognized in profit or loss. Fair value is determined in the manner described in Note 3.8.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective date is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between; (1) the carrying amount of the liability before the modification; and (2) the present value of cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

3.2.3 Derivative financial instruments

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Bank has both legal right and intention to offset.

Embedded derivatives

Embedded derivatives are a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of TFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of TFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Bank generally designates the whole hybrid contract at FVTPL.

b) Policies applicable prior to January 1, 2020

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.

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.

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 as expenses 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.

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.

3.3 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.

3.4 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.

3.5 Lease

a) Policies applicable from January 1, 2020

The Bank as a lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lease, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leases assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

The lease liability is included in the line "Other liabilities" in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a yield interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the line "Other assets" in the statement of financial position.

The Bank applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment" policy.

Variable rents that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Premises and equipment expenses" in the statement of profit or loss and other comprehensive income.

b) Policies applicable prior to January 1, 2020

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.

3.6 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 sets 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.

3.7 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.

3.8 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

The Bank determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model, and interpolation techniques). They maximize the use of observable inputs and minimize the use of unobservable inputs. They are calibrated to reflect current market conditions and valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs but are nevertheless considered by market participants when setting the exit price.

Assets and liabilities measured or disclosed at fair value are categorised into the three following levels of the fair value hierarchy, based on the degree to which the significance of the inputs to the fair value measurement :

- 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.

3.9 Recognition of income

Interest income

a) Policies applicable from January 1, 2020
The Bank recognizes interest income by using the Effective Interest Rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments or, when appropriate, a shorter period, to the net carrying amount of the financial assets. The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial assets. When a financial asset becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net carrying amount of the financial assets. If the asset is no longer credit-impaired, the Bank reverts to calculating interest income on a gross carrying amount.

b) Policies applicable prior to January 1, 2020
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

a) Policies applicable from January 1, 2020

Fee and service income other than those that are an integral part of EIR, is recognized based on 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.

b) Policies applicable prior to January 1, 2020

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.

3.10 Recognition of interest expenses

a) Policies applicable from January 1, 2020
The Bank recognizes interest expenses by using the effective interest method. Unless included in the effective interest calculation, fee expenses are recognized on an accrual basis.

b) Policies applicable prior to January 1, 2020
Interest on borrowings and deposits are recognized as an expense on accrual basis.

3.11 Net gain on financial instruments measured at FVTPL

Net gain on financial instruments comprises gains less losses related to trading, fair value changes, transfer of financial assets measured at FVTPL or foreign exchange differences.

3.12 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.

3.13 Income tax expense

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

3.13.1 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.

3.13.2 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.

3.14 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.

4. ADDITIONAL INFORMATION

4.1 Critical accounting judgments and key source of estimation uncertainty

4.1.1 Use of management's judgments

The preparation of financial statements in conformity with Thai Financial Reporting Standards (TFRSs) requires the Bank's management to exercise various judgments in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although, these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

Critical judgments in applying the Bank's accounting policies are as follows:

(1) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see financial assets sections of Note 3.2.1). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(2) Significant increase in credit risk

As explained in Note 3.2.1, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. TFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(3) 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.

4.1.2 Key sources of estimation uncertainty

The Bank estimates with the assumptions concerning the future. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates. The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is outlined below.

(1) 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.

(2) Calculation of loss allowance

When measuring expected credit losses, the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of defaults is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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 10, 14 and 21).

Interest rate sensitivity analysis

Interest rate risks related to banking activities are managed by the cross-functional ALM-Treasury Department under the supervision of Assets and Liabilities Committee (ALCO). The interest rate risk is analyses in terms of interest rate gaps, sensitivity analysis of net interest income to interest rate change, and sensitivity of the value of net assets of the banking activities to interest rate change. The methods used in sensitivity analysis do not change from the previous period. The sensitivity analysis result is well below threshold used by Bank of Thailand.

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

Unit : Million Baht

	2020						
	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	3,199	802	-	-	-	348	4,349
Financial assets measured at FVTPL	3,476	222	-	-	-	-	3,698
Investments, net	6,748	7,546	-	-	-	-	14,294
Loans to customers	5,772	672	-	-	-	-	6,444
Account receivable for investments	-	-	-	-	-	1,638	1,638
Other monetary assets	-	-	-	-	-	815	815
Total	19,195	9,242	-	-	-	2,801	31,238
Financial Liabilities							
Deposits	17,289	90	-	-	-	3,112	20,491
Interbank and money market items, net	44	-	-	420	-	-	464
Liabilities payable on demand	-	-	-	-	-	36	36
Financial liabilities measured at FVTPL	102	-	-	-	-	-	102
Accounts payable for investments	-	-	-	-	-	1,502	1,502
Other monetary liabilities	-	-	-	-	-	131	131
Total	17,435	90	-	420	-	4,781	22,726

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, net	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

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

	2020						
	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	352	3,195	802	-	-	-	4,349
Financial assets measured at FVTPL*	1,479	2,182	37	-	-	-	3,698
Investments, net	-	6,748	7,546	-	-	-	14,294
Loans to customers	1,351	2,687	461	1,930	15	-	6,444
Account receivable for investments	-	1,638	-	-	-	-	1,638
Other monetary assets	-	815	-	-	-	-	815
Total monetary assets	3,182	17,265	8,846	1,930	15	-	31,238
Deposits	12,050	8,351	90	-	-	-	20,491
Interbank and money market items, net	44	-	-	-	420	-	464
Liabilities payable on demand	36	-	-	-	-	-	36
Financial liabilities designated at fair value	-	102	-	-	-	-	102
Accounts payable for investments	-	1,502	-	-	-	-	1,502
Other monetary liabilities	-	131	-	-	-	-	131
Total monetary liabilities	12,130	10,086	90	-	420	-	22,726
Liquidity, net	(8,948)	7,179	8,756	1,930	(405)	-	8,512

* Present the analysis on the intentions to hold basis

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.

The Bank disclosed the Liquidity coverage ratio as at December 31, 2020 on its website at www.bnpparibas.co.th, within April 2021. 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

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

	2020		
	Level 1	**Level 2**	**Total**
Financial Assets			
Financial assets measured at fair value through profit or loss	-	3,697,736	3,697,736
Derivative assets	-	26,731,694	26,731,694
Investments measured at FVOCI	-	3,494,407	3,494,407
Total financial assets	-	33,923,837	33,923,837
Financial liabilities			
Derivative liabilities	-	24,397,387	24,397,387
Financial liabilities designated at fair value	-	102,424	102,424
Total financial liabilities	-	24,499,811	24,499,811

There was no transfer between levels of the fair value hierarchy during the year ended December 31, 2020.

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.

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

	2020		
	Level 1	**Level 2**	**Total**
Financial Assets			
Investment in debt securities measured at amortized cost	-	10,820,752	10,820,752
Total financial assets	-	10,820,752	10,820,752

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

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 expected credit loss/ 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

	2020	2019
Total Asset maintained under Section 32	9,355,224	9,414,105
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	8,898,981	8,834,290
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	974,607	1,733,676
Total	9,873,588	10,567,966
Regulatory capital fund before deduction	8,898,981	8,834,290
Deductible amount	4,869	6,776
Total capital fund	8,894,112	8,827,514
Total capital funds to risk assets ratio (%)	16.40	16.33
Bank of Thailand regulatory capital ratio requirement (%)	11.00	11.00
Capital after deducting capital add-on arising from Single Lending Limit *	8,894,112	8,827,514
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)*	16.40	16.33

* Effective in January 2015

The Bank disclosed capital maintenance information as at December 31, 2020 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 2021.

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 2020. 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	
	2020	**2019**
Beginning balance	8,654,988	9,161,671
Decrease during the year	(41,895)	-
Gain (loss) on exchange rate	102,261	(506,683)
Ending balance	8,715,354	8,654,988

8. CLASSIFICATION OF FINANCIAL QASSETS AND FINANCIAL LIABILITIES

Classification of financial assets and financial liabilities as at December 31, 2020 consist of the following:

Unit: Thousand Baht

	Financial instruments measured at fair value through profit or loss	Financial instrument measured at fair value through other comprehensive income	Financial instrument measured at amortised cost	Total
Financial assets				
Cash	-	-	690	690
Interbank and money market items, net	-	-	4,349,188	4,349,188
Financial Instruments at FVTPL	3,697,736	-	-	3,697,736
Derivatives assets	26,731,694	-	-	26,731,694
Investments, net	-	3,494,407	10,799,171	14,293,578
Loans to customers and accrued interest receivables, net	-	-	6,195,976	6,195,976
Deferred tax assets	-	-	23,743	23,743
Account receivable for investments	-	-	1,637,711	1,637,711
Other receivables	-	-	815,250	815,250
Total	30,429,430	3,494,407	23,821,729	57,745,566
Financial liabilities				
Deposits	-	-	20,490,565	20,490,565
Interbank and money market items, net	-	-	464,142	464,142
Liabilities payable on demand	-	-	35,987	35,987
Financial liabilities designated at fair value	102,424	-	-	102,424
Derivatives liabilities	24,397,387	-	-	24,397,387
Accounts payable for investments	-	-	1,502,346	1,502,346
Other payable	-	-	130,900	130,900
Total	24,499,811	-	22,623,940	47,123,751

9. ADDITIONAL INFORMATION OF CASH FLOWS

The changing of arising from financing activities for the years ended December 31, 2020 and 2019 are as follows:

Unit : Thousand Baht

	As at January 1, 2020 Baht	Effect from first-time adoption of TFRS 16 Baht	Cash flows Baht	Non-cash changes Baht	As at December 31, 2020 Baht
Fund remitted into Thailand for Maintaining assets under law	9,311,042	-	(41,895)	-	9,269,147
Lease liabilities	-	2,174	(11,809)	35,298	25,663
Retained earnings	619,746	-	-	107,245	726,991

Unit : Thousand Baht

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

10. INTERBANK AND MONEY MARKET ITEMS, NET - ASSETS

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

Unit : Thousand Baht

	2020		
	On demand	Term	Total
Domestic items			
The Bank of Thailand	299,756	-	299,756
Commercial banks	4,216	877,802	882,018
Specialized financial institutions	-	2,700,000	2,700,000
Total	303,972	3,577,802	3,881,774
Add Accrued interest receivables	-	1,090	1,090
Less Deferred income	-	(146)	(146)
Less Allowance for expected credit losses	-	(49)	(49)
Total domestic items	303,972	3,578,697	3,882,669
Foreign items			
Singapore Dollars	4,778	-	4,778
Swedish Kroners	3,027	-	3,027
Danish Kroners	124	-	124
Australian Dollars	4,889	-	4,889
Euro	-	408,356	408,356
US Dollars	-	14,783	14,783
Other currencies	41,649	-	41,649
Total	54,467	423,139	477,606
Add Accrued interest receivables	-	407	407
Less Deferred income	-	(6,410)	(6,410)
Less Allowance for expected credit losses	-	(5,084)	(5,084)
Total foreign items	54,467	412,052	466,519
Total domestic and foreign items	358,439	3,990,749	4,349,188

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

11. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at fair value through profit or loss as at December 31, 2020 consist of the following:

Unit : Thousand Baht

	2020
Government and state enterprise securities	3,697,736
Total	3,697,736

12. DERIVATIVES

Derivatives held for trading

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

Unit : Thousand Baht

Type of Risk	2020		
	Fair Value		
	Assets	Liabilities	Notional amount*
Exchange rate risk	18,234,718	14,124,701	684,605,854
Interest rate risk	8,496,976	10,272,686	741,697,691
Credit risk	-	-	-
Total	26,731,694	24,397,387	1,426,303,545

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

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

12.2 Proportion of the notional of derivative transactions classified by counterparties as at December 31, are as follows:

Counterparties	2020 (%)	2019 (%)
Financial institutions	57	60
Group companies	28	26
Third parties	15	14
Total	100	100

13. INVESTMENTS, NET

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

Unit : Thousand Baht

	2020 Fair value/ Amortized cost
Investment in Debt securities measured at fair value through other comprehensive income	
Government and state enterprise securities	3,494,407
Total	3,494,407
Investment in Debt securities measured at amortized cost	
Government and state enterprise securities	10,799,171
Total	10,799,171
Total investments, net	14,293,578

	Unit : Thousand Baht 2019 Fair value/ Amortized cost
Trading securities	
Government and state enterprise securities	9,692,817
Total	9,692,817
Available-for-sale securities	
Government and state enterprise securities	3,603,042
Total	3,603,042
Held-to-maturity securities	
Government and state enterprise securities	9,414,106
Total	9,414,106
Total investments, net	22,709,965

13.2 Gains on investments in debt instruments at fair value through other comprehensive income/ Gains on remeasuring available-for-sale 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,	
	2020	2019
Beginning balance	2,931	28
Add Remeasuring investment during the years	326	3,629
Relating income tax	(65)	(726)
Ending balance	3,192	2,931

14. LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET

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

14.1 Grouped by type of contracts

	Unit : Thousand Baht 2020
Overdrafts	38,994
Loans	6,408,211
Less Deferred income	(3,155)
Total loans net of deferred income	6,444,050
Add Accrued interest receivables	10,799
Total loans net of deferred income plus accrued interest receivables	6,454,849
Less Allowance for expected credit losses	(258,873)
Loans and accrued interest receivables, net	6,195,976

	Unit : Thousand Baht 2019
Overdrafts	26,353
Loans	7,228,800
Less Deferred income	(4,247)
Total loans net of deferred income	7,250,906
Add Accrued interest receivables	13,334
Total loans net of deferred income plus accrued interest receivables	7,264,240
Less Allowance for doubtful accounts	
BOT requirement (Individual approach)	(72,509)
Surplus reserve	(96)
Loans and accrued interest receivables, net	7,191,635

14.2 Grouped by currency and resident

Unit : Thousand Baht

	2020			2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	4,093,396	-	4,093,396	5,299,349	40,139	5,339,488
US Dollar	686,203	-	686,203	882,855	-	882,855
EURO	558,161	1,106,290	1,664,451	16,631	1,011,932	1,028,563
Total	5,337,760	1,106,290	6,444,050	6,198,835	1,052,071	7,250,906

14.3 Grouped by classification

Unit: Thousand Baht

	2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit loss
Stage 1 Performing	4,806,189	62,714
Stage 2 Under-performing	1,648,660	196,159
Stage 3 Non-performing	-	-
Total	6,454,849	258,873

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

15. ALLOWANCE FOR EXPECTED CREDIT LOSS / ALLOWANCE FOR DOUBTFUL ACCOUNTS

The movements of the allowance for expected credit loss for loans to customers and interest receivables for the year ended December 31, 2020 are as follows:

Unit : Thousand Baht

	Allowance for expected credit loss			Allowance for doubtful accounts	Total
	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)		
Balance as at December 31, 2019	-	-	-	72,605	72,605
Impact of adoption of TFRS 9	72,605*	-	-	(72,605)	-
Balance as at January 1, 2020	72,605	-	-	-	72,605
Changes in staging	(12,764)	12,764	-	-	-
New financial assets originated or purchased	1,604	-	-	-	1,604
Net remeasurement of loss allowance	1,269	183,395	-	-	184,664
Financial assets derecognized	-	-	-	-	-
Balance as at December 31, 2020	62,714	196,159	-	-	258,873

* The Bank managed excess reserves in accordance with the BOT's guidelines, BOT. ForNorSor. (23) Wor. 1603/2562 by gradually reducing excess reserves on the first day within 5 years to be in compliance with TFRS 9 and as appropriate to be in line with the bank's business operations. The Bank had excess reserves on the first-time adoption date of TFRS 9 amounting to Baht 51.76 million. During the year, the Bank released the excess reserve amounting to Baht 10.35 million and recognized as expected credit loss in the statement of profit or loss and other comprehensive income for the year ended December 31, 2020.

Allowance for doubtful accounts as at December 31, 2019 is 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

16. TROUBLED DEBT RESTRUCTURINGS

The Bank has no receivables which have been restructured during the years ended December 31, 2020 and 2019.

For the years ended December 31, 2020 and 2019, the Bank had no loss from debt restructuring and interest received from restructured customer.

17. LEASEHOLD IMPROVEMENT AND EQUIPMENT, NET

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

As at December 31, 2020

Unit : Thousand Baht

	Balance as at January 1, 2020	Additions	Disposals	Balance as at December 31, 2020
Cost:				
Leasehold improvement	9,115	-	-	9,115
Furniture and office equipment	68,441	10,231	(4,055)	74,617
Total cost	77,556	10,231	(4,055)	83,732
Accumulated depreciation:				
Leasehold improvement	(4,595)	(871)	-	(5,466)
Furniture and office equipment	(49,815)	(7,083)	4,055	(52,843)
Total accumulated depreciation	(54,410)	(7,954)	4,055	(58,309)
Leasehold improvement and equipment, net	23,146			25,423

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
Depreciation for the years ended December 31,				
2020				7,954
2019				7,965

As at December 31, 2020 and 2019, 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 52.31 million and Baht 43.68 million, respectively.

18. INTANGIBLE ASSETS, NET

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

As at December 31, 2020

Unit : Thousand Baht

	Balance as at January 1, 2020	Additions	Disposals	Balance as at December 31, 2020
Cost:				
Computer software	19,150	-	-	19,150
Total cost	19,150	-	-	19,150
Accumulated amortization:				
Computer software	(12,374)	(1,907)	-	(14,281)
Total accumulated amortization	(12,374)	(1,907)	-	(14,281)
Intangible assets, net	6,776			4,869

As at December 31, 2019

Unit : Thousand Baht

	Balance as at January 1, 2019	Additions	Disposals	Balance as at December 31, 2019
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
Amortization for the years ended December 31,				
2020				1,907
2019				2,434

19. DEFERRED TAX ASSETS

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

Unit : Thousand Baht

	2020	2019
Deferred tax assets	30,117	26,570
Deferred tax liabilities	(3,813)	(7,534)
Deferred tax assets, net	26,304	19,036

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

Unit : Thousand Baht

	Balance as at January 1, 2020	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, 2020
Deferred tax assets					
Temporary differences					
Loans	10,548	2,146	-	-	12,694
Provisions	13,326	1,721	-	(1,232)	13,815
Others	2,696	912	-	-	3,608
Total	26,570	4,779	-	(1,232)	30,117
Deferred tax liabilities					
Temporary differences					
Investments	(7,534)	3,814	(65)	-	(3,785)
Leases	-	(28)	-	-	(28)
Total	(7,534)	3,786	(65)	-	(3,813)
Deferred tax assets, net	19,036	8,565	(65)	(1,232)	26,304

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

20. OTHER ASSETS

Other assets as at December 31, are as follows:

Unit : Thousand Baht

	2020	2019
Deposits	3,904	3,579
Right-of-use assets (see Note 20.1)	25,803	-
Others	8,472	4,584
Total	38,179	8,163

20.1 Right-of-use assets

Right-of-use assets, net as at December 31, 2020 is as follow: (2019 : Nil)

Unit : Thousand Baht

	Balance as at January 1, 2020	Effect from TFRS 16 adoption	Additions	Disposal	Balance as at December 31, 2020
Cost:					
Building	-	1,404	35,038	(1,404)	35,038
Equipment	-	770	-	-	770
Total cost	-	2,174	35,038	(1,404)	35,808
Accumulated depreciation:					
Building	-	-	(11,137)	1,404	(9,733)
Equipment	-	-	(272)	-	(272)
Total accumulated depreciation	-	-	(11,409)	1,404	(10,005)
Right-of-use assets, net	-				25,803
Depreciation for the year ended December 31, 2020					11,409

21. DEPOSITS

Deposits as at December 31, are as follows:

21.1 Grouped by types

	Unit : Thousand Baht	
	2020	2019
On demand	3,111,331	2,019,540
Savings	8,938,535	9,313,236
Term	8,440,699	8,512,592
Total deposits	20,490,565	19,845,368

21.2 Grouped by currency

	Unit : Thousand Baht	
	2020	2019
US Dollar	5,666,878	5,454,230
Thai Baht	14,354,130	13,979,419
Other currencies	469,557	411,719
Total deposits	20,490,565	19,845,368

22. INTERBANK AND MONEY MARKET ITEMS - LIABILITIES

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

	Unit : Thousand Baht		
	2020		
	On demand	Term	Total
Domestic			
Commercial banks	-	-	-
Other financial institutions	44,051	420,091	464,142
Total	44,051	420,091	464,142

	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

As at December 31, 2019, 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 95.00 million. (2020 : Nil)

23. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/ FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Financial instrument designated at fair value through profit or loss/ financial instrument designated at fair value are bills of exchange with embedded derivatives as at December 31, are as follows:

	Unit : Thousand Baht	
	2020	2019
Bills of exchange with embedded derivatives	102,424	411,280
Total	102,424	411,280

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:

	2020 (%)	2019 (%)
Financial institution	100	100
Total	100	100

24. PROVISIONS

Provisions for the years ended December 31, 2020 and 2019 are as follows:

Unit : Thousand Baht

	Balance at January 1, 2020	Increase	Balance at December 31, 2020
Allowance for expected credit loss for loan commitments and financial guarantee contracts	-	8,965	8,965
Provision for employee benefits	66,628	2,447	69,075
Total	66,628	11,412	78,040

Unit : Thousand Baht

	Balance at January 1, 2019	Increase	Balance at December 31, 2019
Provision for employee benefits	42,086	24,542	66,628
Total	42,086	24,542	66,628

24. PROVISION FOR EMPLOYEE BENEFITS

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

	Unit : Thousand Baht	
	2020	**2019**
Provision for post-employee benefit (see Note 24.1)	65,457	64,012
Provision for long-serviced award benefit (see Note 24.2)	3,618	2,616
Total	69,075	66,628

24.1 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	
	2020	**2019**
Beginning balance of provision for post-employee benefit	64,012	39,878
Past service cost	-	9,994
Current service costs	6,493	5,760
Interest costs	1,111	1,435
Actuarial (gain) loss arising from changes in financial assumptions	(6,159)	6,945
Ending balance of provision for post-employee benefit	65,457	64,012

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

	Unit : Thousand Baht	
	2020	**2019**
Included in retained earnings:		
As at January 1,	(5,703)	1,242
Recognized during the years	6,159	(6,945)
As at December 31,	459	(5,703)

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

	2020	**2019**
Discount rate	1.7%	1.8%
Future salary growth rate	4%	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	
	2020	**2019**
Effect increase (decrease) on provision for post-employee benefit		
Increase 1% discount rate	(6,070)	(5,936)
Decrease 1% discount rate	6,930	6,777
Increase 1% salary growth rate	6,637	6,490
Decrease 1% salary growth rate	(5,950)	(5,819)

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 reflected 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. (2020 : Nil)

24.2 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	
	2020	**2019**
Beginning balance of provision for long-serviced award benefit	2,616	2,208
Current service costs	430	369
Interest costs	45	63
Actuarial losses arising from changes in financial assumptions	817	209
Benefits paid	(290)	(233)
Ending balance of provision for long-serviced award benefit	3,618	2,616

For the years ended December 31, 2020 and 2019, the actuarial losses are recognized in profit or loss by Baht 0.82 million and Baht 0.21 million, respectively.

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

	2020	2019
Discount rate	1.7%	1.8%
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

	2020	2019
Effect increase (decrease) on provision for post-employee benefit		
Increase 1% discount rate	(232)	(167)
Decrease 1% discount rate	262	189
Increase 1% salary growth rate	-	-
Decrease 1% salary growth rate	-	-

25. 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

	2020			2019		
	Thai Baht	Foreign currency	Total	Thai Baht	Foreign currency	Total
Letters of credit	350,819	2,026,763	2,377,582	-	1,869,871	1,869,871
Guarantees on loans	700	1,325	2,025	500	75,385	75,885
Liabilities under unmatured bills	-	17,969	17,969	-	77,013	77,013
Other commitments	19,313,057	35,050,307	54,363,364	8,972,548	8,405,001	17,377,549

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

26. RELATED PARTY TRANSACTIONS

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control, 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,	
	2020	2019
Statements of financial positions		
Assets		
Interbank and money market items, net	1,145,374	1,924,885
Liabilities		
Deposits	4,887	45,739
Interbank and money market items, net	1,897,669	3,240,506
Accrued expenses	247,358	372,316
Fund remitted into Thailand for maintaining assets under law	8,715,354	8,654,988
Contingencies	467,021,802	439,419,618

	For the years ended December 31,	
	2020	2019
Statements of profit or loss and other comprehensive income		
Interest income	4,491	25,547
Interest expenses	178,482	315,955
Other operating expenses		
- Cost sharing from financial instruments, net	86,089	59,681
- Expenses shared from Head Office	53,724	69,147
- Intercompany service fee	114,804	87,574
Management remuneration		
- Short-term benefits	50,163	55,531
- Long-term benefits	754	925

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.

27. 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 of share-based payment for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2020	2019
Expense of share-based payment	7,337	4,141
Total	7,337	4,141

28. 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	2020	2019
Within 1 year	1,534	3,427
Over 1 year to 5 years	1,900	2,656
Total long-term operating lease commitment	3,434	6,083

Minimum lease payment recognized as expenses for the years ended December 31, 2020 and 2019 are Baht 1.99 million and Baht 13.96 million, respectively.

29. 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.

30. INTEREST INCOME

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

	Unit : Thousand Baht	
	2020	2019
Interbank and money market items	47,868	96,321
Investment and trading transactions	153,298	190,108
Investment in debt securities	133,383	235,613
Loans	228,769	284,529
Others	7,048	27,191
Total interest income	570,366	833,762

31. INTEREST EXPENSES

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

	Unit : Thousand Baht	
	2020	2019
Deposits	57,697	124,700
Interbank and money market items	247,228	504,737
Contributions for deposit protection	34,197	54,451
Others	4,232	1,625
Total interest expense	343,354	685,513

32. NET FEES AND SERVICE INCOME

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

	Unit : Thousand Baht	
	2020	2019
Fees and service income		
Acceptance, aval and guarantees	42,173	49,165
Others	29,775	51,445
Total fees and service income	71,948	100,610
Fees and service expenses	(33,651)	(33,145)
Net fees and service income	38,297	67,465

33. GAINS ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Gains on financial instruments measured at fair value through profit or loss for the year ended December 31, 2020 is as follows:

	Unit : Thousand Baht
	2020
Gains (losses) on trading and foreign exchange transactions	
- Foreign currencies and exchange derivatives	2,051,460
- Interest derivatives	(1,520,544)
- Credit derivatives	19
- Debt securities	190,469
Total	721,404
Gains (losses) on financial instruments designated at FVTPL	
- Net change in fair value - bills of exchange with embedded derivatives	8,856
- Interest expenses	(11,209)
Total	(2,353)
Net gain on financial instruments measured at fair value through profit or loss	719,051

Gains on trading and foreign exchange transactions for the year ended December 31, 2019 is as follows:

	Unit : Thousand Baht 2019
Gains (losses) on trading and foreign exchange transactions	
- Foreign currencies and exchange derivatives	1,231,724
- Interest derivatives	(622,064)
- Credit derivatives	485
- Debt securities	191,082
Net gain on trading and foreign exchange	801,227

34. LOSSES ON FINANCIAL INSTRUMENT DESIGNATED AT FAIR VALUE

Losses on financial instrument designated at fair value for the year ended December 31, 2019 is as follows:

	Unit : Thousand Baht 2019
Gain from net change in fair value of bills of exchange with embedded derivatives	8,937
Loss on redemptions and interest expenses	(17,466)
Net loss on financial instrument designated at fair value	(8,529)

35. EXPECTED CREDIT LOSS

Expected credit loss for the year ended December 31, 2020 is as follows :

	Unit : Thousand Baht 2020
Interbank and money market items	4,960
Loans to customers and accrued interest receivables	174,141
Loan commitments and financial guarantees	3,833
Total	182,934

Impairment loss for the year ended December 31, 2019 is as follows :

	Unit : Thousand Baht 2019
Interbank and money market items	12,634
Loans to customers and accrued interest receivables (reversal)	(18,134)
Total	(5,500)

36. INCOME TAX EXPENSE

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

	Unit : Thousand Baht	
	2020	2019
Current income tax expense for the period	39,717	74,326
Deferred tax expense (income) and temporary differences	(8,565)	7,866
Total income tax expense	31,152	82,192

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

Unit : Thousand Baht

	2020			2019		
	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	326	(65)	261	3,629	(726)	2,903
Gains (losses) on provision for employee benefits	6,159	(1,232)	4,927	(6,945)	1,390	(5,555)
Other comprehensive income (losses)	6,485	(1,297)	5,188	(3,316)	664	(2,652)

Reconciliation of effective tax rate

	2020		2019	
	Thousand Baht	Rate (%)	Thousand Baht	Rate (%)
Profit (loss) before income tax expense	133,470	20	355,582	20
Income tax at the domestic tax rate	26,694		71,116	
Tax effect of income and expense that are not taxable income or not deductible in determining taxable profit, net	4,183		10,376	
Tax adjustments	275		700	
Income tax expense (income) as the statement of profit or loss and other comprehensive income	31,152	23	82,192	23

The Bank used tax rate of 20% for the corporate income tax and deferred tax calculation for the years ended December 31, 2020 and 2019.

37. CORONAVIRUS OUTBREAK (COVID-19)

On March 11, 2020, the coronavirus outbreak characterised by the World Health Organisation as a pandemic as well as measures introduced by governments and regulators to tackle the outbreak have affected the global supply chain as well as demand for goods and services and therefore had a significant impact on the global growth. At the same time, fiscal and monetary policies have been eased to sustain the economy.

The financial statements of the Bank have been prepared on a going concern basis. The impacts of the pandemic, mitigated by all countercyclical measures such as government and financial support to customers, mainly relate to expected credit losses.

The relief measures to alleviate the impact of COVID-19 outbreak on households and businesses announced by Bank of Thailand (BOT)

Bank of Thailand has issued a series of measures, covering payment moratoriums, government guarantees as well as payment holidays to get bank helped affected borrowers and industries that are encountering short-term cash flow problems to resume repayment ability at the end. The BOT in collaboration with TFAC announced some accounting guidelines "The temporary relief measures for entities supporting their debtors who are affected from the situations that affected Thailand's economy" to be applied during 2-year period of 2020 and 2021, in particular:

- Non-NPL modified loans (Pre-emptive restructures) can be classified as stage1 performing immediately based on management's assessment of likely to pay borrowers, or else they remain at the stage before entering into relief programs

- NPL modified loans (Troubled Debt Restructuring: TDR) can be classified as stage 1 performing only if they can repay 3 consecutives installments.

Regarding the impacts of results from operations, the Bank has no receivable with payment moratoriums and has no modified loans. However, the Bank has closely monitored to assess the borrowers' debt serviceability.

38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Bank's management on April 16, 2021.

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