

Mizuho Bank, Ltd. Bangkok Branch
Report and financial statements
31 March 2020

Independent Auditor's Report

To the Head Office of Mizuho Bank, Ltd. Bangkok Branch

Opinion

I have audited the accompanying financial statements of Mizuho Bank, Ltd. Bangkok Branch (the Bank), which comprise the statement of financial position as at 31 March 2020, and the related statements of comprehensive income, changes in equity of head office and other branches under the same entity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mizuho Bank, Ltd. Bangkok Branch as at 31 March 2020, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I am responsible for the audit resulting in this independent auditor's report.



Wanwilai Phetsang

Certified Public Accountant (Thailand) No. 5315

EY Office Limited

Bangkok: 20 July 2020

Mizuho Bank, Ltd. Bangkok Branch

Statement of financial position

As at 31 March 2020

(Unit: Thousand Baht)

	Note	31 March 2020	31 March 2019
Assets			
Cash		12,928	5,715
Interbank and money market items	7	62,005,099	62,445,570
Derivatives assets	8	16,201,211	8,077,897
Investments - net	9	122,043,935	122,324,066
Loans to customers and accrued interest receivables	10		
Loans to customers		282,474,734	282,590,090
Accrued interest receivables		536,935	939,513
Total loans to customers and accrued interest receivables		283,011,669	283,529,603
<u>Less</u> Deferred revenue		(6,878)	(9,746)
Allowance for doubtful accounts	11	(3,466,142)	(3,004,140)
Loans to customers and accrued interest receivables - net		279,538,649	280,515,717
Leasehold improvements and equipment - net	12	502,871	605,267
Intangible assets - net	13	275,814	246,953
Accrued interest receivables		722,438	814,062
Deferred tax assets	25.1	422,354	248,329
Other assets - net	14	209,097	146,256
Total assets		481,934,396	475,429,832

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

Mizuho Bank, Ltd. Bangkok Branch

Statement of financial position (continued)

As at 31 March 2020

(Unit: Thousand Baht)

	Note	31 March 2020	31 March 2019
Liabilities and equity of head office and other branches under the same entity			
Liabilities			
Deposits	15	261,411,576	284,243,235
Interbank and money market items	16	3,966,558	2,926,037
Liabilities payable on demand		797,736	1,510,250
Derivatives liabilities	8	9,831,468	8,829,894
Debts issued and borrowings		16,336	-
Provisions for liabilities	17	347,273	343,503
Accrued interest payables		621,859	807,909
Income tax payable		466,420	415,180
Deferred tax liabilities	25.1	85,217	26,933
Payable on purchase of securities		1,953,538	-
Other liabilities	18	856,188	771,887
Total liabilities		280,354,169	299,874,828
Equity of head office and other branches under the same entity			
Funds remitted into Thailand for maintaining assets under section 32 of the Act on Undertaking of Banking business B.E. 2551	19	104,351,623	104,665,179
Net balances of inter-office accounts with head office and other branches under the same entity - net	19	71,829,097	48,313,582
Other component of head office and other branches under the same entity			
Revaluation deficit on available-for-sale investments - net of income taxes	9.2	(403,871)	(163,884)
Retained earnings		25,803,378	22,740,127
Total equity of head office and other branches under the same entity		201,580,227	175,555,004
Total liabilities and equity of head office and other branches under the same entity		481,934,396	475,429,832

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

Mizuho Bank, Ltd.
Bangkok Branch

Yasuhiro Kubota
General Manager

General Manager of Bangkok Branch

Mizuho Bank, Ltd. Bangkok Branch
Statement of comprehensive income
For the year ended 31 March 2020

(Unit: Thousand Baht)

	Note	2020	2019
Profit or loss:			
Interest income	20	10,402,603	10,967,711
Interest expenses	21	6,497,909	6,800,819
Net interest income		3,904,694	4,166,892
Fees and service income		585,242	635,874
Fees and service expenses		50,566	50,038
Net fees and service income	22	534,676	585,836
Net gains on trading and foreign exchange transactions	23	2,392,303	2,152,242
Other operating income		707	844
Total operating income		6,832,380	6,905,814
Other operating expenses			
Employee's expenses		950,451	885,319
Premises and equipment expenses		301,800	342,657
Taxes and duties		743,306	803,689
Expenses allocated from head office	28.1	450,314	547,764
Other expenses		182,050	190,181
Total other operating expenses		2,627,921	2,769,610
Bad debts, doubtful accounts and impairment losses	24	463,408	375,560
Profits before income tax expenses		3,741,051	3,760,644
Income tax expenses	25.2	677,800	738,588
Profits for the years		3,063,251	3,022,056

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

Mizuho Bank, Ltd. Bangkok Branch

Statement of comprehensive income (continued)

For the year ended 31 March 2020

(Unit: Thousand Baht)

	2020	2019
Other comprehensive income:		
<i>Items to be subsequently recognised in profit or loss:</i>		
Loss on revaluation of available-for-sale investments	(299,984)	(379,413)
Income taxes	59,997	75,883
Items to be subsequently recognised in profit or loss		
- net of income taxes	(239,987)	(303,530)
<i>Items not to be subsequently recognised in profit or loss:</i>		
Actuarial loss	-	(22,739)
Income taxes	-	4,548
Items not to be subsequently recognised in profit or loss		
- net of income taxes	-	(18,191)
Other comprehensive loss for the years	(239,987)	(321,721)
Total comprehensive income for the years	2,823,264	2,700,335

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

General Manager of Bangkok Branch

Mizuho Bank, Ltd. Bangkok Branch

Statement of change in equity of head office account and other branches under the same entity

For the year ended 31 March 2020

(Unit: Thousand Baht)

	Funds remitted into Thailand for maintaining assets	Net balances of inter-office accounts with head office and other branches under the same entity	Other component of head office and other branches under the same entity - Revaluation deficit on available-for-sale investments - net of income taxes	Retained earnings	Total
Balance as at 1 April 2018	92,502,731	95,988,314	139,646	19,736,262	208,366,953
Net increase in funds remitted into Thailand	10,601,866	-	-	-	10,601,866
Decrease in balance of inter-office accounts with head office and other branches under the same entity	-	(47,674,732)	-	-	(47,674,732)
Profit for the year	-	-	-	3,022,056	3,022,056
Other comprehensive loss for the year	-	-	(303,530)	(18,191)	(321,721)
Total comprehensive income (loss) for the year	-	-	(303,530)	3,003,865	2,700,335
Foreign exchange translation adjustments	1,560,582	-	-	-	1,560,582
Balance as at 31 March 2019	104,665,179	48,313,582	(163,884)	22,740,127	175,555,004
Balance as at 1 April 2019	104,665,179	48,313,582	(163,884)	22,740,127	175,555,004
Net decrease in funds remitted into Thailand	(2,857,428)	-	-	-	(2,857,428)
Increase in balance of inter-office accounts with head office and other branches under the same entity	-	23,515,515	-	-	23,515,515
Profit for the year	-	-	-	3,063,251	3,063,251
Other comprehensive loss for the year	-	-	(239,987)	-	(239,987)
Total comprehensive income (loss) for the year	-	-	(239,987)	3,063,251	2,823,264
Foreign exchange translation adjustments	2,543,872	-	-	-	2,543,872
Balance as at 31 March 2020	104,351,623	71,829,097	(403,871)	25,803,378	201,580,227

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

Mizuho Bank, Ltd. Bangkok Branch

Statement of cash flows

For the year ended 31 March 2020

(Unit: Thousand Baht)

	2020	2019
Cash flows from operating activities		
Profits before income tax expenses	3,741,051	3,760,644
Adjustments to reconcile profits before income tax expenses to net cash received (paid) from operating activities		
Depreciation and amortisation	181,907	173,663
Bad debts and doubtful accounts	463,408	375,560
Provision for contingent liabilities in respect of off-balance commitments	(9,743)	3,916
Provision for long-term employee benefits	26,563	62,747
Loss on equipment written off	-	14
Unrealised gains on exchange and financial derivatives contracts	2,444,576	1,039,167
Net interest income	(3,904,694)	(4,166,892)
Cash received on interest income	10,295,885	10,009,545
Cash paid on interest expenses	(6,657,588)	(6,130,156)
Cash paid on income taxes	(682,304)	(662,731)
Profit from operating activities before changes in operating assets and liabilities	5,899,061	4,465,477
(Increase) decrease in operating assets		
Interbank and money market items	1,173,323	32,610,923
Derivatives assets	(5,236,245)	6,962,066
Loans to customers	115,355	(38,319,604)
Other assets	(43,848)	(274,467)
Increase (decrease) in operating liabilities		
Deposits	(22,831,659)	54,481,075
Interbank and money market items	1,040,521	857,000
Liabilities payable on demand	(712,513)	573,227
Derivatives liabilities	(2,025,121)	(9,263,478)
Other liabilities	216,206	(46,224)
Net cash provided by (used in) operating activities	(22,404,920)	52,045,995

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

Mizuho Bank, Ltd. Bangkok Branch

Statement of cash flows (continued)

For the year ended 31 March 2020

(Unit: Thousand Baht)

	2020	2019
Cash flows from investing activities		
Cash paid for investments	(137,898,857)	(106,766,950)
Cash received on investments	140,534,704	93,186,980
Cash paid for purchases of equipment	(18,431)	(9,403)
Cash paid for purchases of intangible assets	(89,941)	(94,281)
Net cash provided by (used in) investing activities	2,527,475	(13,683,654)
Cash flows from financing activities		
Cash paid on debts issued and borrowings	(31,558)	-
Cash received on debts issued and borrowings	45,938	-
Net increase (decrease) in funds remitted into Thailand	(2,857,429)	10,601,866
Net increase (decrease) in net balances of inter-office accounts with head office and other branches under the same entity	23,515,515	(47,674,732)
Net cash provided by (used in) financing activities	20,672,466	(37,072,866)
Net increase in cash and cash equivalents	795,021	1,289,475
Cash and cash equivalents at beginning of the years	4,882,398	3,592,923
Cash and cash equivalents at end of the years (Note 27)	5,677,419	4,882,398

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

Mizuho Bank, Ltd. Bangkok Branch

Notes to financial statements

For the year ended 31 March 2020

1. General information

1.1 The Bank's information

The Ministry of Finance granted Mizuho Bank, Ltd. Bangkok Branch ("the Bank") a license to carry out domestic banking business through Mizuho Bank, Ltd. Bangkok Branch under the Commercial Banking Act B.E. 2505.

The Bank's registered address is 98 Sathorn Square Office Tower, 32nd - 35th Floors, North Sathorn Road, Silom Sub-district, Bangrak District, Bangkok. The Bank has another branch, which is Eastern Seaboard Branch.

1.2 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 pandemic is continuing to evolve, impacting various businesses and industries both directly and indirectly and resulting in an economic slowdown and fluctuations in the money market and the capital market. This situation could create uncertainties and affect the Bank's business activities, and this may be impacting the operating results and cash flows at present, and is expected to do so in the future. The impact cannot be reasonably estimated at this stage. The Bank's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, including the cash flow management of the Bank and has used estimates and judgement in respect of various issues in order to continuously assess the impact as the situation has evolved.

2. Basis for preparation of financial statements

These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand ("BOT") and the presentation of the financial statements has been made in compliance with the BOT's Notification No. Sor Nor Sor. 21/2558 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 4 December 2015.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from the financial statements in Thai language.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Bank has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Bank's financial statements. However, the new standard involves changes to key principles, which are summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following of accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Bank's financial statements.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020.

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Bank's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the set of these TFRSs becomes effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Bank expects the adoption of this accounting standard to have impacts on the following areas.

- The bank has to recognise an allowance for expected credit losses on its financial assets, in which the management of the Bank expects that there will be no any significant impact on the Bank's financial statements.
- Recognition of derivatives, the Bank has derivatives that are held for banking book with notional amounts of Baht 131,463 million. The Bank records these as off-balance sheet items and presents them on an accrual basis. Upon the adoption of these accounting standards, the Bank will need to recognise derivatives at fair value and adjust the effect of this change in retained earnings as at 1 April 2020.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Bank plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 April 2020, and the comparative information was not restated.

The management of the Bank expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 April 2020 to be to increase the Bank's assets by approximately Baht 506 million and the Bank's liabilities by approximately Baht 506 million.

3.3 Accounting Guidance related to 2 Temporary Relief Measures

Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand No. BOT.RPD.(23)C. 276/2563 "Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy" and the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563 "Measures to provide additional assistance to debtors during the COVID-19 situation" or any other measures announced by the Bank of Thailand. Such entities include credit card businesses, businesses providing loans secured against vehicle registrations without collateral, personal loan businesses under the supervision of the Bank of Thailand and certain entities not under the supervision of the Bank of Thailand, such as leasing, hire-purchase, motorcycle hire-purchase and factoring businesses. Entities providing assistance to debtors in accordance with the Bank of Thailand's measures and electing to apply this Accounting Treatment Guidance have to apply all temporary relief measures in this guidance.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy during the period from 1 January 2020 to 31 December 2021 or until the Bank of Thailand makes changes, with which the entities are to comply. The guidance applies to large debtors, small- and medium-sized debtors and retail debtors who have the ability to run a business or to pay debts in the future and who have been impacted directly or indirectly by such situations, considering the following guidelines.

- Debtors who were not yet non-performing on or after 1 January 2020
- Debtors who became non-performing on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions

Since the Group is an entity providing assistance to affected debtors in accordance with the Bank of Thailand's guidelines, it applies these procedures.

- (1) Loans that are not yet non-performing (Non-NPL) are classified as loans with no significant increase in credit risk (Performing), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563, classification of the debtor remains at the same class as before.
- (2) Non-performing loans (NPL) are classified as performing loans if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- (3) Additional working capital loans provided to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- (4) The guidelines specified in the appendix of the circular of the Bank of Thailand relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to special mention.
- (5) Expected credit losses are determined based on the outstanding balance of the drawn down portion only.
- (6) A newly calculated effective interest rate is applied to determine the present value of loans that have been restructured in accordance with guidelines to assist debtors specified in the circulars of the Bank of Thailand, if the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan. In addition, provided that the provision of assistance is in compliance with the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563, the Group recognises interest income on the basis of this new effective interest rate during the grace period, or in accordance with the Bank of Thailand's new guidelines if there are changes.
- (7) Consideration is given to placing less weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience, in cases where a general approach is used in determining expected credit losses.

As at 31 March 2020, the Bank has entered into the scheme to provide assistance to affected debtors. However, no debtors have been applied with the procedures in accordance with the Accounting Guidance as mentioned above.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic. Its objectives are 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.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

As at 31 March 2020, the Bank has not elected to apply the temporary accounting guidance.

4. Summary of significant accounting policies

4.1 Revenue recognition

(a) Interest and discounts on loans to customers

Interest on loans to customers is recognised as revenue on an accrual basis and is based on the amount of principal outstanding. The Bank ceases accruing interest income for loans to customers on which principal or interest payments have been defaulted for more than three months and reverses accrued interest income previously recognised as revenue from the Bank's accounts. Interest is then recognised as revenue on a cash basis.

Interest or discounts, which are already included in the face values of notes receivable or loans to customers, are recorded as deferred revenue and taken up as revenues evenly throughout the terms of the notes or loans to customers or proportionately according to the collected amounts.

(b) Interest on investments

Interest on investments is recognised as revenue on an accrual basis.

(c) Fees and service income

Fees and service income is recognised as revenue on an accrual basis.

(d) Gains on securities and derivatives trading

Gains (losses) on securities and derivatives trading are recognised as revenues or expenses on the transaction dates.

4.2 Expenses recognition

(a) Interest expenses

Interest expenses are charged as expenses on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expenses and amortised to expenses evenly throughout the term of the notes.

(b) Fees and service expenses

Fees and service expenses are recognised as expenses on an accrual basis.

4.3 Cash and cash equivalents

Cash and cash equivalents in statements of cash flows consist of cash and deposits at banks with an original maturity period of three months or less, excluded cash and deposits at banks that are placed as collateral.

4.4 Investments

Available-for-sale investments are presented at fair value. Changes in fair value of these investments are recorded in other comprehensive income or loss, and will be recognised in profit or loss when the investments are sold.

Premiums/discounts on debt securities are amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of government and state enterprise securities and foreign debt securities are determined in accordance with the BOT's regulations, which is based on market prices or the yield rates quoted in the market.

The Bank recognises losses on impairment (if any) of investments in profit or loss.

The Bank records purchase and sale transactions on debt securities on trade dates and uses the weighted average method for computation of the cost of investments when the investments are sold.

4.5 Securities purchased under resale agreements

The Bank enters into agreements to purchase securities, whereby there are agreements to resell those securities at certain dates, time and at a fixed price in the future. Amounts paid for securities purchased under resale agreements are presented as assets under the caption of "Interbank and money market items" or "Loan", depending on the types of counterparties and the underlying securities are treated as collateral to such receivables.

4.6 Loans

The Bank presents loans at principal balances, excluding accrued interest receivables, except for overdraft which are presented at the principal balances plus accrued interest receivables. Unrecognised deferred revenue and discounts on loans are deducted from the loan balances.

4.7 Allowance for doubtful accounts

- (a) The Bank provides allowance for doubtful accounts in accordance with the Notifications of the BOT on loans that are expected not to be collectible, based on analysis and evaluation of the current status of the debtors, taking into consideration the recovery risk, the value of collateral, and current economic conditions which could affect the debtor's ability to repay loans. Increase (decrease) in allowance for doubtful accounts is recognised as an addition or (a deduction) to expense during the year.

The Bank sets allowance for doubtful accounts for normal loans and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivables) net of collateral value as determined in accordance with the BOT's guidelines.

For non-performing loans, which are classified as substandard, doubtful and doubtful of loss, the Bank records allowance for doubtful accounts at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows from collateral disposal. The present values are determined using the discount rates and expected times required on collateral disposals in accordance with the BOT's guidelines.

- (b) Amounts written off as bad debts and amounts of bad debt recovered are deductions against or additions to allowance for doubtful accounts.

4.8 Leasehold improvements and equipment and depreciation

Leasehold improvements and equipment are stated at cost less accumulated depreciation and less allowance for impairment losses (if any). The cost includes items directly incurred for assets to be in place and ready for use and the estimated removal and restoration costs as a result of obligations arising from the use of assets.

Depreciation is calculated with reference to their costs on a straight-line basis over their estimated useful lives or lease periods of 5 - 12 years.

Depreciation is recognised as expenses in profit or loss.

An item of leasehold improvement and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised as revenue or expenses in profit or loss when the asset is derecognised.

No depreciation is provided for construction in progress.

4.9 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and allowance for impairment losses (if any).

The Bank amortises intangible assets with finite lives on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expenses and loss on impairment are recognised as expenses in profit or loss.

The Bank's intangible assets with finite useful lives are computer softwares, which have an estimated useful life of approximately 5 years.

No amortisation for computer softwares under development.

4.10 Impairment of assets

The Bank assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank realises loss on impairment in profit or loss when the asset's recoverable amount is less than the carrying value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Bank could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

4.11 Employee benefits

(a) Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

(b) Post-employment benefits and other long-term benefits

Defined contribution plan

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plan and other long-term benefit plan

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other long-term benefit plan. The Bank treats its severance payment obligation as a defined benefit plan.

The obligations under the defined benefit plan and other long-term benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from the defined benefit plan are recognised immediately in other comprehensive income and from other long-term benefit plan are recognised immediately in profit or loss.

4.12 Provisions for liabilities

Provisions for liabilities are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.13 Foreign currencies

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

Foreign currency transactions have been translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of the financial reporting periods.

Gains and losses on translation of foreign currencies transactions are recognised in profit or loss.

4.14 Financial derivatives

The Bank has entered into financial derivatives transactions in order to respond to customers' needs and manages the risk of the Bank.

Forward foreign currency contracts, which are originated for trading purposes, are recorded as off-balance items. Gains or losses arising from changes in the fair value of these contracts are recognised in profit or loss. Fair value is determined based on an average rate of buying and selling rates for the remaining period of each contract.

Interest rate swap contracts, cross currency and interest rate swap contracts, interest rate option contracts and currency option contracts, which are originated in response to customers' needs, are recorded as off-balance items. Gains or losses arising from changes in the fair value of these contracts are recognised in profit or loss. Fair value is determined using the discounted cash flows technique.

Forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts, which are not originated for trading purposes, are recorded as off-balance items whereby the foreign currency components are measured at the exchange rates ruling at the end of financial reporting periods and the interest components are recognised on an accrual basis in the same way as those recognised for the underlying hedged assets or liabilities.

4.15 Credit and debit valuation adjustments on derivatives

The Bank adjusts fair value of credit risk on derivatives taking into accounts credit risk of its counterparty (Credit Valuation Adjustment or CVA) and debit risk on derivatives taking into accounts its own credit risk (Debit Valuation Adjustment or DVA). Determination of such fair value reflects probability of default and loss given default of each counterparty. Change in fair value of credit risk on derivatives for both counterparties will be recognised in profit or loss.

4.16 Operating leases

Long-term leases of assets which do not transfer a significant portion of the risks and rewards of ownership of such assets to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised on a straight-line basis over the lease period in profit or loss.

4.17 Income taxes

Income tax expenses represent the sum of corporate income tax currently payable and deferred taxes.

(a) Current income taxes

Current income taxes are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

(b) Deferred taxes

Deferred taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting periods.

The Bank recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences can be utilised.

At each reporting date, the Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of deferred tax assets to be utilised.

The Bank records deferred taxes directly to equity of head office account and other branches under the same entity if the taxes relate to items that are recorded directly to equity of head office account and other branches under the same entity.

4.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Bank applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Bank measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Bank determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

4.19 Related party transactions

Related parties comprise individuals or enterprises that control or are controlled by the Bank, whether directly or indirectly, or which are under common control with the Bank.

They also included individuals or enterprises which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors or officers with authority in the planning and direction of the Bank's operations.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant accounting judgements and estimates are as follows:

5.1 Recognition and derecognition of assets and liabilities

When considering the recognition and derecognition of assets or liabilities, the management is required to use judgement on whether risk and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

5.2 Allowance for doubtful accounts on loans to customers

Allowance for doubtful accounts on loans to customers are intended to adjust the value of loans for probable credit losses. The management uses the BOT's regulation regarding allowance for doubtful accounts and also judgements to estimate losses to be incurred on loans to customers when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowance for doubtful accounts are determined through a combination of credit reviews of each borrower, probability of default, value of collateral and current economic conditions.

5.3 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques. The input to the models used is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

5.4 Fair value of credit risk on derivatives

In determining fair value of credit risk on derivatives for both counterparties, the management exercises judgement, using techniques and models. In valuation, the variables used may be derived from classification of customers and benchmarking with variables available in the market, taking into consideration credit risk of counterparty, terms of cashflows, probability of default, etc. The change in assumptions used to derive those variables may affect fair value as presented in the financial statements.

5.5 Leasehold improvements, equipment and depreciation

In determining depreciation of leasehold improvements and equipment, the management is required to make estimates of the useful lives and salvage values of the leasehold improvements and equipment and to review estimate useful lives and salvage values when circumstance changes.

In addition, the Bank sets up an allowance for impairment losses on leasehold improvements and equipment when the management determines that there is the indication of impairment exists on these assets and record impairment losses in the period when it is determined that their recoverable amounts are lower than the carrying values. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.6 Finance lease/Operating lease

In determining whether a lease is to be classified as an operating lease or a finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred to the Bank for being as the lessee to the leased asset, taking into consideration terms and conditions of the arrangement.

5.7 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

5.8 Provision for long-term employee benefits

The obligations under the defined benefit plan and other long-term benefit plan are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, mortality rate, inflation rate, and staff turnover rate, based on their best knowledge at current situation.

6. Regulatory rule related to capital fund and Liquidity Coverage Ratio (LCR) Disclosure Standards

6.1 Regulatory rule related to capital fund

According to the BOT's Notification Sor Nor Sor 4/2556 Re: Disclosure Requirement on Capital Adequacy for Commercial Banks, commercial banks are required to disclose certain additional capital information for their position. The Bank will disclose such information as at 31 March 2020 in its website (www.mizuhobank.com/thailand/service) by the end of July 2020. The Bank already disclosed such information as at 30 September 2019 on 11 November 2019.

6.2 Regulatory rule related to Liquidity Coverage Ratio (LCR) Disclosure Standards

According to the BOT's Notification Sor Nor Sor 2/2561, commercial banks are required to disclose certain information for Liquidity Coverage Ratio (LCR). The Bank will disclose such information for the second-half period ended 31 March 2020 in its website (www.mizuhobank.com/thailand/service) by the end of July 2020.

7. Interbank and money market items (assets)

	31 March 2020			31 March 2019		
	(Unit: Thousand Baht)					
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	2,163,362	-	2,163,362	1,715,682	-	1,715,682
Commercial banks	881,706	35,443,062	36,324,768	545,477	34,572,135	35,117,612
Specialised financial institutions	11	12,000,000	12,000,011	10	19,000,000	19,000,010
Other financial institutions	2,200,000	100,000	2,300,000	-	500,000	500,000
Total	5,245,079	47,543,062	52,788,141	2,261,169	54,072,135	56,333,304
<u>Add</u> Accrued interest receivables	1,778	4,804	6,582	75	14,410	14,485
<u>Less</u> Deferred revenue	-	(502)	(502)	-	-	-
Allowances for doubtful account	(8,000)	(67,232)	(75,232)	(5,000)	(57,668)	(62,668)
Total domestic items	5,238,857	47,480,132	52,718,989	2,256,244	54,028,877	56,285,121
Foreign						
US dollars	478,192	5,884,517	6,362,709	633,382	3,025,547	3,658,929
Euro	2,624,599	-	2,624,599	2,155,355	-	2,155,355
Australian dollars	233,444	-	233,444	110,126	-	110,126
Hong Kong dollars	21,847	-	21,847	69,232	-	69,232
Other currencies	61,331	25,773	87,104	147,419	28,993	176,412
Total	3,419,413	5,910,290	9,329,703	3,115,514	3,054,540	6,170,054
<u>Add</u> Accrued interest receivables	-	16,702	16,702	-	21,591	21,591
<u>Less</u> Deferred revenue	-	(1,192)	(1,192)	-	(657)	(657)
Allowance for doubtful accounts	-	(59,103)	(59,103)	-	(30,539)	(30,539)
Total foreign items	3,419,413	5,866,697	9,286,110	3,115,514	3,044,935	6,160,449
Total domestic and foreign items	8,658,270	53,346,829	62,005,099	5,371,758	57,073,812	62,445,570

As at 31 March 2020, the Bank had loans to interbank and money market amounting to Baht 56,453 million and allowance for doubtful accounts provided in accordance with the BOT's guidelines amounting to Baht 134 million. All of the loans were classified as "Normal" (31 March 2019: Loans amounted to Baht 57,627 million and allowance for doubtful accounts amounted to Baht 93 million. All of the loans were classified as "Normal").

8. Derivatives

As at 31 March 2020 and 2019, the notional amounts, the fair values of derivatives held for trading, and the adjustments made on an accrual basis of derivatives held for hedging (banking book) were classified by types of risk as follow.

(Unit: Thousand Baht)

	31 March 2020			31 March 2019		
	Fair values/Adjustments made on			Fair values/Adjustments made on		
	an accrual basis		Notional	an accrual basis		Notional
	Assets	Liabilities	Amount ⁽¹⁾	Assets	Liabilities	Amount ⁽¹⁾
Types of risk:						
Foreign exchange rate						
Derivatives for trading	6,646,169	6,039,849	553,328,781	6,359,178	5,323,142	580,403,798
Derivatives for banking book	4,858,565	163,550	55,758,324	191,593	2,058,614	37,821,437
Interest rate						
Derivatives for trading	4,696,477	3,628,069	599,602,748	1,527,126	1,448,138	820,111,659
Derivatives for banking book	-	-	16,900,000	-	-	21,600,000
Total	16,201,211	9,831,468	1,225,589,853	8,077,897	8,829,894	1,459,936,894

⁽¹⁾ Disclosed only in case that the Bank has an obligation to pay

Derivatives held for hedging (banking book) are obligations under forward contracts, which are not held for trading, and are measured on an accrual basis. For foreign currency components, gains or losses on exchange at the end of the reporting periods are presented under "Derivatives assets" or "Derivatives liabilities". For interest components, they are presented as a part of "Accrued interest receivables" or "Accrued interest payables" in the statements of financial position.

Fair values and the adjustments made on an accrual basis for derivatives made with counterparties, who are head office and other branches under the same entity, are presented under inter-office accounts with head office and other branches under the same entity.

As at 31 March 2020 and 2019, proportions of derivatives transactions classified by types of counterparties, determined based on the notional amount, are as follows.

(Unit: Percent)

Counterparties	31 March 2020	31 March 2019
Financial institutions	48	58
Companies within the Group ⁽¹⁾	32	27
Third parties	20	15
Total	100	100

⁽¹⁾ Head office or other branches under the same entity

9. Investments

9.1 Classified by type of investment

	(Unit: Thousand Baht)			
	31 March 2020		31 March 2019	
	Cost	Fair value	Cost	Fair value
Available-for-sale investments				
Government and state enterprise securities	102,456,017	102,808,683	97,874,853	97,888,451
Foreign debt securities	20,092,757	19,235,252	24,654,068	24,435,615
Total	122,548,774	122,043,935	122,528,921	122,324,066
<u>Less</u> Revaluation allowance	(504,839)	-	(204,855)	-
Investments - net	<u>122,043,935</u>	<u>122,043,935</u>	<u>122,324,066</u>	<u>122,324,066</u>

9.2 Revaluation deficit on available-for-sale investments

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
Revaluation surplus on investments in debt securities	353,370	52,905
Revaluation deficit on investments in debt securities	(858,209)	(257,760)
Revaluation deficit on available-for-sale investments	(504,839)	(204,855)
<u>Add</u> Income taxes	100,968	40,971
Revaluation deficit on available-for-sale investments - net	<u>(403,871)</u>	<u>(163,884)</u>

9.3 Investments subject to obligation

As at 31 March 2020 and 2019, investments in government and state enterprise securities and foreign debt securities totalling Baht 96,961 million and Baht 100,189 million, respectively, were maintained as assets under Section 32 of the Act on Undertaking of Banking Business B.E. 2551.

As at 31 March 2020, there is no investments placed as collateral against repurchase transactions (31 March 2019: Baht 1,000 million).

10. Loans to customers and accrued interest receivables

10.1 Classified by loan type

		(Unit: Thousand Baht)	
		31 March 2020	31 March 2019
Overdrafts		74,885	-
Loans		275,338,661	275,525,586
Discounted bills		7,061,188	7,064,504
Total loans to customers		282,474,734	282,590,090
<u>Less</u> Deferred revenue		(6,878)	(9,746)
Total loans to customers net of deferred revenue		282,467,856	282,580,344
<u>Add</u> Accrued interest receivables		536,935	939,513
Total loans to customers net of deferred revenue and accrued interest receivables		283,004,791	283,519,857
<u>Less</u> Allowance for doubtful accounts - Provision at BOT's minimum required rates		(3,466,142)	(3,004,140)
Loans to customers and accrued interest receivables - net		279,538,649	280,515,717

10.2 Classified by currency and borrowers' residency

		(Unit: Thousand Baht)					
		31 March 2020			31 March 2019		
		Domestic	Foreign	Total	Domestic	Foreign	Total
Baht		182,483,813	-	182,483,813	177,194,226	-	177,194,226
US Dollar		70,770,594	1,939,407	72,710,001	79,382,089	2,340,864	81,722,953
Yen		20,288,253	-	20,288,253	18,154,221	-	18,154,221
Other currencies		6,985,789	-	6,985,789	5,508,944	-	5,508,944
Total loans to customers net of deferred revenue		280,528,449	1,939,407	282,467,856	280,239,480	2,340,864	282,580,344

10.3 Classified by business type and loan classification

(Unit: Thousand Baht)

	31 March 2020					
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	3,930,538	-	-	-	-	3,930,538
Manufacturing and commerce	119,072,377	7,809,082	489,581	23,000	-	127,394,040
Real estate and construction	8,199,578	2,724,310	-	68,000	-	10,991,888
Public utilities and service	72,302,499	752,950	-	-	-	73,055,449
Others	66,923,941	172,000	-	-	-	67,095,941
Total loans to customers net of deferred revenue	270,428,933	11,458,342	489,581	91,000	-	282,467,856

(Unit: Thousand Baht)

	31 March 2019					
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	4,781,755	-	-	-	-	4,781,755
Manufacturing and commerce	120,144,309	4,973,023	-	73,000	-	125,190,332
Real estate and construction	8,890,088	1,942,113	-	68,000	-	10,900,201
Public utilities and service	64,338,889	619,525	-	-	-	64,958,414
Others	75,441,772	1,307,870	-	-	-	76,749,642
Total loans to customers net of deferred revenue	273,596,813	8,842,531	-	141,000	-	282,580,344

10.4 Non-performing loans

As at 31 March 2020 and 2019, the Bank had non-performing loans classified in accordance with the BOT's guidelines (including loans classified as sub-standard, doubtful and doubtful of loss, but excluding accrued interest receivables) as follows:

(Unit: Thousand Baht)

	31 March 2020	31 March 2019
Non-performing loans before allowance for doubtful accounts	580,581	141,000

As at 31 March 2020 and 2019, the Bank did not have loans to customers classified as "Normal" and "Special mention" on which interest income recognition under an accrual basis has been discontinued.

10.5 Classified by loan classification

As at 31 March 2020 and 2019, the Bank's loans and allowance for doubtful accounts, classified in accordance with the BOT's guidelines, are as below.

(Unit: Thousand Baht)

31 March 2020				
	Net balance used			
	Loans to customers and accrued interest receivables ⁽¹⁾	in setting up allowance for doubtful accounts ⁽²⁾	Minimum percentage required by BOT	Allowance for doubtful accounts
			(%)	
Normal	270,955,741	265,629,533	1	2,656,295
Special mention	11,468,370	11,458,342	2	229,167
Sub-standard	489,655	489,655	100	489,655
Doubtful	91,025	91,025	100	91,025
Doubtful of loss	-	-	100	-
Total	283,004,791	277,668,555		3,466,142

(Unit: Thousand Baht)

31 March 2019				
	Net balance used			
	Loans to customers and accrued interest receivables ⁽¹⁾	in setting up allowance for doubtful accounts ⁽²⁾	Minimum percentage required by BOT	Allowance for doubtful accounts
			(%)	
Normal	274,518,553	268,514,813	1	2,685,148
Special mention	8,859,163	8,842,530	2	176,851
Sub-standard	-	-	100	-
Doubtful	142,141	142,141	100	142,141
Doubtful of loss	-	-	100	-
Total	283,519,857	277,499,484		3,004,140

⁽¹⁾ Loans to customers net of deferred revenue plus accrued interest receivables.

⁽²⁾ The net balance used in setting allowance for doubtful accounts for loans classified as "Normal" and "Special mention" is the principal balance net of deferred revenue, excluding accrued interest receivables, and after deducting collateral values, while loans classified as "Substandard", "Doubtful" and "Doubtful of loss", it is the principal balance net of deferred revenue plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

11. Allowance for doubtful accounts

(Unit: Thousand Baht)

For the year ended 31 March 2020

	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	2,685,148	176,851	-	142,141	-	3,004,140
Increase during the year (decrease)	(50,956)	48,703	478,031	(51,116)	-	424,662
Foreign exchange translation	22,103	3,613	11,624	-	-	37,340
Balance - end of the year	<u>2,656,295</u>	<u>229,167</u>	<u>489,655</u>	<u>91,025</u>	<u>-</u>	<u>3,466,142</u>

(Unit: Thousand Baht)

For the year ended 31 March 2019

	Normal	Special mention	Sub - standard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	2,320,396	157,513	-	94,289	-	2,572,198
Increase during the year	352,026	19,578	-	47,852	-	419,456
Foreign exchange translation	12,726	(240)	-	-	-	12,486
Balance - end of the year	<u>2,685,148</u>	<u>176,851</u>	<u>-</u>	<u>142,141</u>	<u>-</u>	<u>3,004,140</u>

12. Leasehold improvements and equipment

(Unit: Thousand Baht)

	Leasehold improvements	Office equipment	Computer equipment	Total
Cost				
1 April 2018	648,124	138,159	262,248	1,048,531
Additions	-	3,791	5,612	9,403
Disposals/Write-off	-	(130)	(8,678)	(8,808)
31 March 2019	648,124	141,820	259,182	1,049,126
Additions	-	8,302	10,128	18,430
Disposals/Write-off	-	(7)	-	(7)
31 March 2020	648,124	150,115	269,310	1,067,549
Accumulated depreciation				
1 April 2018	125,136	62,319	143,640	331,095
Depreciation charged for the year	53,824	27,072	40,662	121,558
Accumulated depreciation on disposals/write-off	-	(130)	(8,664)	(8,794)
31 March 2019	178,960	89,261	175,638	443,859
Depreciation charged for the year	53,852	26,545	40,429	120,826
Accumulated depreciation on disposals/write-off	-	(7)	-	(7)
31 March 2020	232,812	115,799	216,067	564,678
Net book value				
31 March 2019	469,164	52,559	83,544	605,267
31 March 2020	415,312	34,316	53,243	502,871
Depreciation charged in profit or loss for the years ended				
31 March 2019				121,558
31 March 2020				120,826

As at 31 March 2020 and 2019, the Bank had certain items of leasehold improvements and equipment, which were fully depreciated but were still in use. The original costs, before deducting accumulated depreciation, of those assets amounted to approximately Baht 128 million and Baht 83 million, respectively.

13. Intangible assets

(Unit: Thousand Baht)

	Computer softwares	Computer softwares under development	Total
Cost			
1 April 2018	406,731	40,044	446,775
Additions	49,570	44,711	94,281
Transfers in/(Transfers out)	12,316	(12,316)	-
31 March 2019	468,617	72,439	541,056
Additions	31,956	57,985	89,941
Transfers in/(Transfers out)	6,410	(6,410)	-
31 March 2020	506,983	124,014	630,997
Accumulated amortisation			
1 April 2018	241,998	-	241,998
Amortisation for the year	52,105	-	52,105
31 March 2019	294,103	-	294,103
Amortisation for the year	61,080	-	61,080
31 March 2020	355,183	-	355,183
Net book value			
31 March 2019	174,514	72,439	246,953
31 March 2020	151,800	124,014	275,814
Amortisation expenses included in profit or loss for the years ended			
31 March 2019			52,105
31 March 2020			61,080

As at 31 March 2020 and 2019, computer softwares had remaining amortisation periods of 0 - 5 years.

As at 31 March 2020 and 2019, the Bank had computer softwares, which were fully amortised but were still in use. The original costs, before deducting accumulated amortisation, of those assets amounted to approximately Baht 199 million and Baht 170 million, respectively.

14. Other assets

(Unit: Thousand Baht)		
	31 March 2020	31 March 2019
Deposits	26,884	26,929
Fees income receivable	10,261	19,084
Collateral from Credit Support Annex agreements	135,792	97,771
Others	36,172	2,476
Total	209,109	146,260
<u>Less</u> Allowance for impairment	(12)	(4)
Other assets - net	209,097	146,256

15. Deposits

15.1 Classified by type of deposits

(Unit: Thousand Baht)		
	31 March 2020	31 March 2019
Demand deposits	7,135,629	5,646,990
Saving deposits	100,679,741	88,686,879
Term deposits	153,596,206	189,909,366
Total deposits	261,411,576	284,243,235

15.2 Classified by currency and depositors' residency

(Unit: Thousand Baht)						
	31 March 2020			31 March 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	186,810,885	72,590	186,883,475	188,549,285	48,744	188,598,029
US dollar	67,503,485	1,367,294	68,870,779	87,838,275	1,839,281	89,677,556
Yen	2,704,615	-	2,704,615	3,734,666	-	3,734,666
Other currencies	2,952,376	331	2,952,707	2,232,984	-	2,232,984
Total deposits	259,971,361	1,440,215	261,411,576	282,355,210	1,888,025	284,243,235

16. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 March 2020			31 March 2019		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	600,225	653,423	1,253,648	225	1,000,000	1,000,225
Specialised financial institutions	1,800,000	-	1,800,000	1,632,000	-	1,632,000
Other financial institutions	789,477	-	789,477	171,491	10,000	181,491
Total domestic items	3,189,702	653,423	3,843,125	1,803,716	1,010,000	2,813,716
Foreign						
Baht	117,090	-	117,090	111,453	-	111,453
Us dollar	6,343	-	6,343	868	-	868
Total foreign items	123,433	-	123,433	112,321	-	112,321
Total domestic and foreign items	3,313,135	653,423	3,966,558	1,916,037	1,010,000	2,926,037

17. Provisions for liabilities

(Unit: Thousand Baht)

	For the year ended 31 March 2020			
	Provision for long-term employee benefits	Provision for contingent liabilities in respect of off-balance commitments	Provision for removal and restoration costs	Total
Balance as at 1 April 2019	217,923	16,580	109,000	343,503
Increase during the year	26,562	-	-	26,562
Decrease during the year	-	(9,743)	-	(9,743)
Paid during the year	(13,049)	-	-	(13,049)
Balance as at 31 March 2020	231,436	6,837	109,000	347,273

(Unit: Thousand Baht)

For the year ended 31 March 2019				
	Provision for long-term employee benefits	Provision for contingent liabilities in respect of off-balance commitments	Provision for removal and restoration costs	Total
Balance as at 1 April 2018	133,156	12,664	109,000	254,820
Increase during the year	85,485	7,150	-	92,635
Decrease during the year	-	(3,234)	-	(3,234)
Paid during the year	(718)	-	-	(718)
Balance as at 31 March 2019	217,923	16,580	109,000	343,503

Provision for long-term employee benefits

Provision for long-term employee benefits is obligations on compensations on employees upon retirement and other long-term benefit plan, the movements of which can be summarised as follows:

(Unit: Thousand Baht)		
For the years ended 31 March		
	2020	2019
Provision for long-term employee benefits at beginning of the years	217,923	133,156
Included in profit or loss:		
Current service cost	20,958	13,244
Interest cost	5,604	4,072
Past service costs	-	45,260
Actuarial loss arising from		
- Financial assumptions changes	-	36
- Demographic assumptions changes	-	62
- Experience adjustments	-	72
Included in other comprehensive income:		
Actuarial loss arising from		
- Financial assumptions changes	-	3,329
- Demographic assumptions changes	-	14,938
- Experience adjustments	-	4,472
Benefits paid during the years	(13,049)	(718)
Provision for long-term employee benefits at end of the years	231,436	217,923

As at 31 March 2020 and 2019, the Bank expected to pay Baht 13.8 million and Baht 14.2 million on long-term employee benefits during the next one-year period.

Principal actuarial assumptions at the valuation dates were as follows:

	31 March 2020	31 March 2019
	(% per annum)	(% per annum)
Average discount rate	1.70 - 3.61	1.70 - 3.61
Future salary incremental rates	6.00 - 9.00	6.00 - 9.00
Staff turnover rate (depend on employee's age)	0.00 - 20.00	0.00 - 20.00

The result of sensitivity analysis on principal assumptions to the present value of employee benefit obligations as at 31 March 2020 and 2019 were summarised below:

Principal assumptions	(Unit: Thousand Baht)	
	Increase (decrease) in provision	
	for long-term employee benefits as at	
	31 March 2020	31 March 2019
Average discount rate increased by 1%	(19,226)	(18,672)
Average discount rate decreased by 1%	21,913	21,334
Future salary incremental rates increased by 1%	23,287	20,373
Future salary incremental rates decreased by 1%	(20,767)	(18,239)
Staff turnover rate increased by 20%	(11,429)	(9,689)
Staff turnover rate decreased by 20%	12,769	10,768

As at 31 March 2020 and 2019, the weighted average duration of employee benefit obligations were 11.8 years.

On 5 April 2019, the Labour Protection Act (No.7) B.E.2562 was announced in the Royal Gazette. This act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Bank has additional provision for long-term employee benefits of Baht 45 million. The Bank recorded the effect of the change by recognising past services costs as expenses in the statement of comprehensive income for the previous period.

18. Other liabilities

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
Revenue received in advance	470,487	386,230
Contribution payables to the Deposit Protection Agency and the Bank of Thailand	118,890	220,700
Accrued expenses	266,811	164,957
Total other liabilities	856,188	771,887

19. Capital funds

The primary objective of the Bank's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at 31 March 2020 and 2019, funds remitted into Thailand for maintaining assets under Section 32 of the Act on Undertaking of Banking business B.E. 2551 were as follows:

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
<u>Funds remitted into Thailand</u>		
Funds from head office	10,670,800	10,670,800
Borrowings from other branches under the same entity	93,680,823	93,994,379
Total	104,351,623	104,665,179

As at 31 March 2020 and 2019, the Bank's capital adequacy ratios in accordance with the Act on Undertaking of Banking business B.E. 2551 were as follows:

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
1. Assets required to be maintained under Section 32 (Note 9.3)	96,960,650	100,189,235
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts	174,209,630	150,778,816
2.1 Net capital for maintenance of assets under Section 32	102,380,533	102,465,234
2.2 Net balance of inter-office accounts which are debtor (creditor) balances to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	71,829,097	48,313,582
3. Total regulatory capital (3.1 - 3.2)	96,699,399	99,942,282
3.1 Total regulatory capital before deduction items (the lowest amount among item 1, item 2 and item 2.1)	96,960,650	100,189,235
3.2 Deduction items	(261,251)	(246,953)

20. Interest income

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2020	2019
Interest income incurred on:		
Interbank and money market items	1,193,962	1,628,521
Investments in debt securities	2,325,974	2,288,448
Loans to customers	6,878,212	7,049,452
Others	4,455	1,290
Total interest income	10,402,603	10,967,711

21. Interest expenses

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2020	2019
Interest expenses incurred on:		
Deposits	3,258,006	2,787,506
Interbank and money market items	2,475,876	3,198,590
Contribution fees to the Deposit Protection Agency and the Bank of Thailand	763,747	814,723
Others	280	-
Total interest expenses	6,497,909	6,800,819

22. Net fees and service income

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2020	2019
Fees and service income on:		
Acceptance, aval and guarantees	94,673	90,466
Management fees	261,138	284,234
Others	229,431	261,174
Total fees and service income	585,242	635,874
Total fees and service expenses	(50,566)	(50,038)
Fees and service income - net	534,676	585,836

23. Net gains on trading and foreign exchange transactions

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2020	2019
Gain on foreign currencies and derivatives relating to foreign exchange	3,090,271	2,239,183
Loss on derivatives relating to interest rate	(637,490)	(155,530)
Unrealised gains (losses) on credit/debit value adjustments	(60,478)	68,589
Total	2,392,303	2,152,242

24. Bad debts and doubtful accounts

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2020	2019
Bad debts and doubtful accounts (reversal) on:		
Interbank and money market items	38,739	(43,898)
Loans to customers	424,662	419,456
Other receivables	7	2
Total	463,408	375,560

25. Deferred tax assets and liabilities/Income tax expenses

25.1 Deferred tax assets and liabilities

As at 31 March 2020 and 2019, deferred tax assets and liabilities comprise:

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
Deferred tax assets	422,354	248,329
Deferred tax liabilities	85,217	26,933
Deferred tax assets - net	337,137	221,396

(Unit: Thousand Baht)

For the year ended 31 March 2020				
	Beginning balances	Recognised in profit or loss	Recognised in other comprehensive income	Ending balances
Deferred tax assets arose from:				
Credit/debit valuation adjustments				
on derivatives	15,037	13,605	-	28,642
Available-for-sale investments	51,551	-	120,090	171,641
Intangible assets and leasehold improvements and equipment	23,424	3,057	-	26,481
Provisions for liabilities	68,701	754	-	69,455
Others	89,616	36,519	-	126,135
Total deferred tax assets	248,329	53,935	120,090	422,354
Deferred tax liabilities arose from:				
Available-for-sale investments	10,581	-	60,093	70,674
Amortisation of removal and restoration costs	16,352	(1,816)	-	14,536
Others	-	7	-	7
Total deferred tax liabilities	26,933	(1,809)	60,093	85,217
Net	221,396	55,744	59,997	337,137

(Unit: Thousand Baht)

For the year ended 31 March 2019				
	Beginning balances	Recognised in profit or loss	Recognised in other comprehensive income	Ending balances
Deferred tax assets arose from:				
Credit/debit valuation adjustments				
on derivatives	28,755	(13,718)	-	15,037
Available-for-sale investments	4,353	-	47,198	51,551
Intangible assets and leasehold improvements and equipment	25,198	(1,774)	-	23,424
Provisions for liabilities	50,964	13,189	4,548	68,701
Others	14,723	74,893	-	89,616
Total deferred tax assets	123,993	72,590	51,746	248,329
Deferred tax liabilities arose from:				
Available-for-sale investments	39,266	-	(28,685)	10,581
Amortisation of removal and restoration costs	18,168	(1,816)	-	16,352
Total deferred tax liabilities	57,434	(1,816)	(28,685)	26,933
Net	66,559	74,406	80,431	221,396

25.2 Income tax expenses

Income tax expenses for the years ended 31 March 2020 and 2019 were made up as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2020	2019
Current income tax		
Corporate income taxes for the years	733,543	812,994
Deferred taxes		
Deferred taxes relating to origination and reversal of temporary differences	(55,743)	(74,406)
Income tax expenses recognised in profit or loss	677,800	738,588

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 March 2020 and 2019 and the applicable tax rate were as follow:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2020	2019
Accounting profits before income tax expenses	3,741,051	3,760,644
Applicable corporate income tax rate	20%	20%
Accounting profits before income tax expenses multiplied by applicable tax rate	748,210	752,129
Net tax effect on income not taxable or expenses not deductible in determining taxable profits	(70,410)	(13,541)
Income tax expenses recognised in profit or loss	677,800	738,588

26. Provident fund

The Bank and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed by the employees at the rate of 5 - 15 percent of the employee's salary and by the Bank at a rate of 5 - 10 percent of the employees' salary. The fund will be paid to the employees upon termination of employment in accordance with the rules of the fund. During 2020 and 2019, the Bank contributed approximately Baht 27 million and Baht 26 million, respectively to the fund.

27. Cash and cash equivalents

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
Cash	12,928	5,715
Interbank and money market items - deposits at banks	5,664,491	4,876,683
Total cash and cash equivalents	5,677,419	4,882,398

28. Related party transactions

The Bank has had significant business transactions with its head office, other branches under the same entity and certain related companies, related by way of common shareholders and/or common directors. Such significant transactions, which have been concluded on the terms and basis as determined by the Bank and those parties, are summarised below.

28.1 Transactions with related parties occurred during the years

	(Unit: Thousand Baht)			
	For the years ended		Pricing policy	
	31 March			
	2020	2019	2020	2019
Transactions with other related companies in Mizuho Financial Group				
Gains (losses) on financial derivative contracts	(359,456)	(143,587)	At the rates stipulated in the contracts	At the rates stipulated in the contracts
Transactions with head office and other branches under the same entity⁽¹⁾				
Interest income from lendings	250,270	391,911	At interest rates between 0.001 - 2.08 percent per annum	At interest rates between 0.001 - 3.01 percent per annum
Interest expenses on borrowings	3,389,999	4,546,434	At interest rates between 0.01 - 2.77 percent per annum	At interest rates between 0.001 - 3.09 percent per annum
Losses on financial derivative contracts	(1,810,185)	(839,035)	At the rates stipulated in the contracts	At the rates stipulated in the contracts
Expenses allocated from head office	450,314	547,764	As per invoices charged from head office	As per invoices charged from head office

⁽¹⁾ The amounts presented are net amount of all entities

28.2 Outstanding balances with related parties

As at 31 March 2020 and 2019, the outstanding balances with related parties were as follows:

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
Balances with other related companies in		
Mizuho Financial Group		
Loans	473	-
Off-balance items - financial derivative contracts ⁽¹⁾	14,784,674	21,498,118
Balances with other related banks in Mizuho Financial Group		
Interbank and money market items - assets	10,655	31,358
Interbank and money market items - liabilities	117,090	111,453
Net balances of inter-office accounts with head office and other branches under the same entity⁽²⁾		
Borrowings and accrued interest payables	70,973,145	47,916,460
Deposits/inter-office balances - assets (liabilities)	(855,952)	(397,123)
Off-balance items - financial derivative contracts ⁽¹⁾	360,834,858	397,160,405
Funds remitted into Thailand	104,351,623	104,665,179

⁽¹⁾ Amounts presented are notional amounts.

⁽²⁾ The amounts presented are net amount of all branches.

29. Operating segments

For management purposes, the Bank is organised into business units based on its products and services and has the following 2 reportable segments:

1. Banking business : Provision of financial services, in the form of loans and related services
2. Treasury business: Responsible for asset and liability management activities of the Bank.

The Bank's operations are mainly carried on in Thailand.

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment.

The operating results presented by operating segment for the years ended 31 March 2020 and 2019 were as follows:

(Unit: Million Baht)			
For the year ended 31 March 2020			
	Banking business	Treasury business	Total
Net interest income	3,892	13	3,905
Net fees and service income	545	(10)	535
Net gain (loss) on trading and foreign exchange transactions and other operating income	1,769	624	2,393
Total operating income	6,206	627	6,833
Total operating expenses	(2,448)	(180)	(2,628)
Profit (loss) from operation before bad debts and doubtful accounts and income tax expenses	3,758	447	4,205
Bad debt and doubtful accounts and income tax expenses			(1,142)
Profit for the year			3,063

(Unit: Million Baht)			
For the year ended 31 March 2019			
	Banking business	Treasury business	Total
Net interest income	4,035	132	4,167
Net fees and service income	599	(13)	586
Net gain (loss) on trading and foreign exchange transactions and other operating income	1,673	480	2,153
Total operating income	6,307	599	6,906
Total operating expenses	(2,588)	(182)	(2,770)
Profit (loss) from operation before bad debts and doubtful accounts and income tax expenses	3,719	417	4,136
Bad debt and doubtful accounts and income tax expenses			(1,114)
Profit for the year			3,022

As at 31 March 2020 and 2019, assets classified by operating segment were as follows:

(Unit: Million Baht)			
	Banking business	Treasury business	Total
Total assets			
As at 31 March 2020	448,911	33,023	481,934
As at 31 March 2019	444,271	31,159	475,430

30. Financial position and results of operations classified by domestic and foreign activities

30.1 Financial position classified by type of operations

(Unit: Million Baht)

	As at 31 March					
	2020			2019		
	Domestic operations	Foreign operations	Total	Domestic operations	Foreign operations	Total
Total assets	470,156	11,778	481,934	466,511	8,919	475,430
Interbank and money market items						
- net	52,719	9,286	62,005	56,285	6,161	62,446
Investments - net	122,044	-	122,044	122,324	-	122,324
Loans to customers and accrued interest receivables - net	277,605	1,934	279,539	278,153	2,363	280,516
Total liabilities	277,978	2,376	280,354	297,538	2,337	299,875
Deposits	259,972	1,440	261,412	282,355	1,888	284,243
Interbank and money market items						
- net	3,843	124	3,967	2,814	112	2,926

30.2 Results of operations classified by type of operations

(Unit: Million Baht)

	For the years ended 31 March					
	2020			2019		
	Domestic operations	Foreign operations	Total	Domestic operations	Foreign operations	Total
Interest income	9,845	558	10,403	10,274	694	10,968
Interest expenses	(3,089)	(3,409)	(6,498)	(3,560)	(3,241)	(6,801)
Net interest income	6,756	(2,851)	3,905	6,714	(2,547)	4,167
Net fees and service income	442	93	535	343	243	586
Other operating income	230	2,163	2,393	1,061	1,092	2,153
Other operating expenses	(2,178)	(450)	(2,628)	(2,222)	(548)	(2,770)
Bad debts and doubtful accounts	(464)	-	(464)	(375)	-	(375)
Profits from operation before income tax expenses	4,786	(1,045)	3,741	5,521	(1,760)	3,761

31. Commitments and contingent liabilities

31.1 Commitments

	(Unit: Thousand Baht)	
	31 March 2020	31 March 2019
Aval to bills and guarantees of loans	-	902,286
Liability under unmatured import bills	90,237	360,293
Letter of credits	2,382,117	2,906,975
Other obligations		
- Undrawn bank overdrafts	3,726,715	3,942,700
- Undrawn commitment	49,254,592	44,362,759
- Guarantee - others	31,358,154	31,004,076
- Undrawn credit line	443,259,149	390,754,673
Total	530,070,964	474,233,762

Furthermore, the Bank had commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and currency option contracts as mentioned in Note 8 to the financial statements.

31.2 Commitments under operating lease agreements

As at 31 March 2020 and 2019, the Bank had rental and related service commitments related to 1 - 5 years office lease agreements. Under the lease agreements, the Bank has an option to renew the lease period and the lessor has the right to adjust the rental fee when the lease is renewed. Future minimum lease payments required under such contracts were as follows:

	(Unit: Thousand Baht)	
	As at 31 March	
Payable within	2020	2019
1 year	65,204	84,227
1 to 5 years	10,989	76,193

Furthermore, as at 31 March 2020 and 2019, the Bank had commitments under the car rental and services agreements totaling approximately Baht 34 million and Baht 26 million, respectively.

32. Financial instruments

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Bank's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items, investments, loans to customers, deposits, liability payable on demand, debts issued and borrowings, funds remitted to Thailand – borrowings from other branches under the same entity and net balance of inter-office accounts with head office and other branches under the same entity.

The Bank enters into off-balance financial instruments in the normal course of its business in order to meet customer needs and to reduce its own exposure risk from fluctuations in foreign exchange rates and interest rates. The Bank's risk management accords with the head office's policy, which limits the scope of foreign exchange transactions and money market transactions.

32.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfill its contractual obligations, causing the Bank to incur a financial loss. The maximum amount of credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statement of financial position, and the off-balance sheet transactions exposure arising from avals and guarantees on loans and other obligations.

The Bank manages credit risk based on analysis of the capability of debtors to make payment and their financial position. In addition, the Bank manages the concentration of its loan portfolio by grading debtors by reliability of industry, and taking into consideration risk factors to ensure the effectiveness of the Bank's capital funds.

32.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may affect the financial position of the Bank.

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates.

As at 31 March 2020 and 2019, financial assets and liabilities classified by type of interest rate were as follows:

(Unit: Million Baht)

Descriptions	31 March 2020			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	13	13
Interbank and money market items	3,936	52,518	5,662	62,116
Investments	28,855	93,694	-	122,549
Loans to customers	270,955	11,513	-	282,468
<u>Financial liabilities</u>				
Deposits	100,680	153,596	7,136	261,412
Interbank and money market items	88	3,754	125	3,967
Liabilities payable on demand	-	-	798	798
Debt issued and borrowings	-	16	-	16
Funds remitted into Thailand – borrowings from other branches under the same entity	93,681	-	-	93,681
Net balance of inter-office accounts with head office and other branches under the same entity	58,216	13,555	58	71,829

(Unit: Million Baht)

Descriptions	31 March 2019			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	6	6
Interbank and money market items	2,730	54,899	4,874	62,503
Investments	44,506	78,023	-	122,529
Loans to customers	274,561	8,019	-	282,580
<u>Financial liabilities</u>				
Deposits	88,687	189,909	5,647	284,243
Interbank and money market items	3	2,809	114	2,926
Liabilities payable on demand	-	-	1,510	1,510
Funds remitted into Thailand – borrowings from other branches under the same entity	93,994	-	-	93,994
Net balance of inter-office accounts with head office and other branches under the same entity	62,948	(15,365)	731	48,314

With respect to financial instruments that carry fixed interest rates, the periods from the financial reporting date to the repricing or maturity dates (whichever is the earlier) were presented below:

(Unit: Million Baht)

	31 March 2020					
	Repricing or maturity dates					Weighted
	0 – 3	3 – 12	1 – 5	Over		average
	months	months	years	5 years	Total	interest rate
						(%)
<u>Financial assets</u>						
Interbank and money market items	46,535	1,654	3,022	1,307	52,518	1.19
Investments	18,162	50,592	24,940	-	93,694	1.46
Loans to customers	10,665	848	-	-	11,513	3.28
<u>Financial liabilities</u>						
Deposits	130,409	22,487	700	-	153,596	1.17
Interbank and money market items	3,754	-	-	-	3,754	0.60
Debt issued and borrowings	16	-	-	-	16	1.69
Net balance of inter-office accounts with head						
office and other branches under the						
same entity	9,961	3,594	-	-	13,555	0.99

(Unit: Million Baht)

	31 March 2019					
	Repricing or maturity dates					Weighted
	0 – 3	3 – 12	1 – 5	Over		average
	months	months	years	5 years	Total	interest rate
						(%)
<u>Financial assets</u>						
Interbank and money market items	52,343	37	2,519	-	54,899	1.87
Investments	29,128	40,060	8,835	-	78,023	0.91
Loans to customers	7,636	383	-	-	8,019	3.28
<u>Financial liabilities</u>						
Deposits	173,076	15,653	1,180	-	189,909	2.00
Interbank and money market items	2,809	-	-	-	2,809	1.66
Net balance of inter-office accounts with head office and other branches under the same entity	(24,909)	9,544	-	-	(15,365)	1.75

In addition, the Bank has interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Bank and the average rate of interest for the years ended 31 March 2020 and 2019 can be summarized as follows:

(Unit: Million Baht)

	For the years ended 31 March					
	2020			2019		
	Average	Average rate		Average	Average rate	
		(Percent			(Percent	
	balances	Interest	per annum)	balances	Interest	per annum)
<u>Interest bearing financial assets</u>						
Interbank and money market items and inter-office accounts with head office and other branches under the same entity	73,940	1,194	1.61	92,614	1,629	1.76
Investments	125,524	2,326	1.85	117,358	2,288	1.95
Loans to customers	278,537	6,878	2.47	270,738	7,049	2.60
<u>Interest bearing financial liabilities</u>						
Deposits	263,833	3,258	1.23	238,518	2,788	1.17
Debt issued and borrowings	20	-	1.03	-	-	-
Interbank and money market items and borrowings and inter-office accounts with head office and other branches under the same entity	174,395	2,476	1.42	205,585	3,199	1.56

(b) Foreign exchange risk

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

As at 31 March 2020 and 2019, the Bank's significant foreign currency positions were summarized as follows:

	31 March 2020				31 March 2019			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	Dollar	Euro	Yen	Others	Dollar	Euro	Yen	Others
Foreign currency position in								
<u>the statement of financial position</u>								
<u>Financial assets</u>								
Interbank and money market items	7,995	2,625	-	317	5,885	2,155	-	327
Investments	20,093	-	-	-	24,654	-	-	-
Loans to customers and accrued								
interest receivables	72,891	6,957	20,315	32	82,057	4,789	18,181	728
<u>Financial liabilities</u>								
Deposits	68,871	2,674	2,705	279	89,678	2,026	3,735	207
Interbank and money market items	660	-	-	-	1	-	-	-
Liabilities payable on demand	383	-	107	-	859	-	66	-
Debt issued and borrowings	16	-	-	-	-	-	-	-
Funds remitted into Thailand –								
borrowings from other branches								
under the same entity	86,154	-	7,527	-	86,814	-	7,180	-
Net balance of inter-office accounts								
with head office and other								
branches under the same entity	53,254	4,838	15,627	666	34,820	5,914	11,575	312

(Unit: Million Baht)

	31 March 2020				31 March 2019			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	Dollar	Euro	Yen	Others	Dollar	Euro	Yen	Others
Foreign currency position of obligations								
Liability under unmatured import bills	70	20	-	-	358	2	-	-
Guarantees	4,375	126	4,849	4,946	5,854	1,021	4,876	726
Letters of credit	2,047	80	235	18	2,298	113	465	3
Foreign exchange contracts								
- Bought	144,052	9,486	27,692	2,022	154,372	3,527	23,910	1,581
- Sold	77,394	16,324	26,404	2,103	76,200	3,558	25,793	1,617
Cross currency and interest rate swap contracts								
- Bought	179,818	1,079	57,876	173	168,492	-	50,807	881
- Sold	120,295	1,079	56,195	173	132,386	-	49,508	881
Interest rate swap contracts								
- Bought	313,845	-	15,230	-	346,399	-	6,778	-
- Sold	313,849	-	15,230	-	346,399	-	6,778	-
Currency option contracts								
- Bought	348	-	-	-	857	-	-	-
- Sold	348	-	-	-	857	-	-	-

(c) Securities price risk

Securities price risk is the risk that changes in the market prices of securities will results in fluctuations in revenues or in the values of financial assets. The maximum amount of securities price risk exposure is the carrying amount of investments as stated in the statement of financial position.

32.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate their financial assets or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrence of a financial loss.

As at 31 March 2020 and 2019, the periods to maturity, counting from the financial position date, of financial instruments were as follows:

(Unit: Million Baht)

	31 March 2020					
		Less				
		than	3 - 12	1 - 5	Over	
Transactions	At call	3 months	months	years	5 years	Total
<u>Financial assets</u>						
Cash	13	-	-	-	-	13
Interbank and money market items	8,664	45,835	1,981	4,329	1,307	62,116
Derivatives assets	-	4,941	4,168	2,648	4,444	16,201
Investments	-	18,162	60,393	43,994	-	122,549
Loans to customers	182	9,560	108,973	131,325	32,428	282,468
<u>Financial liabilities</u>						
Deposits	107,815	130,409	22,488	700	-	261,412
Interbank and money market items	3,313	654	-	-	-	3,967
Liabilities payable on demand	798	-	-	-	-	798
Derivatives liabilities	-	2,024	3,228	2,187	2,392	9,831
Debt issued and borrowings	-	16	-	-	-	16
Funds remitted into Thailand – borrowings from						
other branches under the same entity	-	12,579	8,331	72,771	-	93,681
Net balance of inter-office accounts with head						
office and other branches under the same						
entity	67	26,494	29,809	14,378	1,081	71,829
<u>Off-balance items – obligations</u>						
Liabilities under unmatured import bills	-	70	20	-	-	90
Letters of credit	86	2,048	248	-	-	2,382
Other obligations	497,410	6,377	16,492	7,307	13	527,599

(Unit: Million Baht)

31 March 2019						
Transactions	Less					Total
	At call	than 3 months	3 – 12 months	1 – 5 years	Over 5 years	
<u>Financial assets</u>						
Cash	6	-	-	-	-	6
Interbank and money market items	5,377	52,168	213	4,745	-	62,503
Derivatives assets	-	1,140	2,140	3,841	957	8,078
Investments	-	29,128	64,280	24,349	4,772	122,529
Loans to customers	146	19,712	108,070	100,827	53,825	282,580
<u>Financial liabilities</u>						
Deposits	94,334	173,076	15,653	1,180	-	284,243
Interbank and money market items	1,916	1,010	-	-	-	2,926
Liabilities payable on demand	1,510	-	-	-	-	1,510
Derivatives liabilities	-	2,205	2,468	3,595	562	8,830
Funds remitted into Thailand – borrowings from other branches under the same entity	-	1,590	1,336	91,068	-	93,994
Net balance of inter-office accounts with head office and other branches under the same entity	717	(20,403)	35,169	32,753	78	48,314
<u>Off-balance items – obligations</u>						
Liabilities under unmatured import bills	-	359	2	-	-	361
Letters of credit	128	2,275	177	327	-	2,907
Other obligations	441,864	6,296	13,198	9,546	62	470,966

32.4 Fair value

As at 31 March 2020 and 2019, the Bank had financial assets and liabilities, which were presented according to the fair value hierarchy as follows:

(Unit: Million Baht)

	31 March 2020			
		Fair value		
	Carrying value	Level 1	Level 2	Total
<u>Financial assets and liabilities measured at fair value</u>				
Derivatives assets	11,342	-	11,342	11,342
Investments	122,044	-	122,044	122,044
Derivatives liabilities	9,668	-	9,668	9,668
<u>Financial assets and liabilities for which fair value were disclosed</u>				
Cash	13	13	-	13
Interbank and money market items (assets)	62,005	5,664	56,341	62,005
Derivatives assets	4,859	-	4,977	4,977
Loans to customers	279,539	-	279,539	279,539
Deposits	261,412	107,816	153,596	261,412
Interbank and money market items (liabilities)	3,967	213	3,754	3,967
Liabilities payable on demand	798	798	-	798
Derivatives liabilities	164	-	294	294
Debt issued and borrowings	16	-	16	16
Funds remitted into Thailand - borrowings from other branches under the same entity	93,681	-	93,681	93,681
Net balance of inter-office accounts with head office and other branches under the same entity	71,829	-	71,829	71,829

(Unit: Million Baht)

31 March 2019

		Fair value		
	Carrying value	Level 1	Level 2	Total
<u>Financial assets and liabilities measured at fair value</u>				
Derivatives assets	7,886	-	7,886	7,886
Investments	122,324	-	122,324	122,324
Derivatives liabilities	6,771	-	6,771	6,771
<u>Financial assets and liabilities for which fair value were disclosed</u>				
Cash	6	6	-	6
Interbank and money market items (assets)	62,446	4,877	57,569	62,446
Derivatives assets	192	-	389	389
Loans to customers	280,516	-	280,516	280,516
Deposits	284,243	94,334	189,909	284,243
Interbank and money market items (liabilities)	2,926	117	2,809	2,926
Liabilities payable on demand	1,510	1,510	-	1,510
Derivatives liabilities	2,059	-	1,822	1,822
Funds remitted into Thailand - borrowings from other branches under the same entity	93,994	-	93,994	93,994
Net balance of inter-office accounts with head office and other branches under the same entity	48,314	-	48,314	48,314

Valuation techniques and inputs used for fair value measurement

Cash	Fair value is determined to approximate to its carrying value as stated in the statement of financial position.
Interbank and money market items (assets)	Fair value is determined to approximate to their carrying value as stated in statement of financial position due to having short-term maturity periods or bearing floating interest rates.
Derivatives	Fair value of derivatives is determined based on quoted market price in active markets. In case that there is no active market, the fair value is determined using valuation technique and observable market data (e.g. interest rate, foreign exchange rate) obtained from reliable sources and adjusted with counterparty credit risk and other risks when appropriate.
Investments	Investment in government market, the fair and state enterprise debt securities, the fair value is determined using government yield curves or bid prices from the Thai Bond Market Association. The fair value of investments in foreign debt securities is determined using bid prices from Bloomberg. If it is not available, indicative price from custodian is used.
Loans to customers	<p>Fair value of floating interest rate loans is determined to approximate their carrying value as stated in the statement of financial position, net of deferred revenue and allowance for doubtful accounts.</p> <p>Fair value of fixed interest rate loans is determined by discount cash flow method using relevant market interest rates and the then-determined fair value does not significantly differ from the carrying value.</p>

Deposits and Interbank and money market items (liabilities)	Fair value is determined to approximate their carrying value as stated in the statement of financial position. The majority of them carries fixed interest rate that the repricing period is less than one year.
Liabilities payable on demand	Fair value is determined to approximate their carrying value as stated in the statement of financial position due to having short-term maturity periods.
Funds remitted into Thailand - borrowings from other branches under the same entity	Fair value is determined approximate their carrying value as stated in the statement of financial position. The majority of them carries floating interest rates.
Net balance of inter-office accounts with head office and other branches under the same entity	Fair value is determined approximate their carrying value as stated in the statement of financial position. The majority of them carries floating interest rates and fixed interest rate that the repricing period is less than one year or the outstanding balance of which are inter-company transactions that are due on call.

During the current year, the Bank did not transfer any items among fair value hierarchy levels.

32.5 Financial derivatives

The Bank enters into financial derivatives as required in the normal course of its business, in order to response to customer needs and to manage the risk of the Bank which will be incurred from the fluctuations in exchange rates and interest rates.

As at 31 March 2020 and 2019, the Bank's financial derivatives can be classified by period to maturity as follows:

	31 March 2020			31 March 2019		
	Less than	Over	Total	Less than	Over	Total
	1 year	1 year		1 year	1 year	
Foreign exchange contracts						
Bought	250,590	4,603	255,193	256,524	2,464	258,988
Sold	248,085	4,592	252,677	256,913	2,461	259,374
Cross currency and interest rate swap contracts						
Bought	181,423	176,925	358,348	153,992	203,273	357,265
Sold	179,547	176,515	356,062	154,266	203,728	357,994
Interest rate swap contracts						
Bought	290,115	326,384	616,499	466,040	375,671	841,711
Sold	290,115	326,388	616,503	466,040	375,671	841,711
Currency option contracts						
Bought	348	-	348	857	-	857
Sold	348	-	348	857	-	857

33. Approval of financial statements

These financial statements were authorized for issue by the General Manager of Bangkok Branch on 20 July 2020.