

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Report and financial statements
31 December 2020

Independent Auditor's Report

To the Shareholders of Deutsche Bank Aktiengesellschaft, Bangkok Branch

Opinion

I have audited the accompanying financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch ("the Bank"), which comprise the statement of financial position as at 31 December 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 Deutsche Bank Aktiengesellschaft, Bangkok Branch as at 31 December 2020, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand's regulations.

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.

Emphasis of Matters

I draw attention to the following notes to the financial statements.

- (1) Note 5 regarding prior year adjustment of deferred tax assets. The Bank has restated the statements of financial position as at 31 December 2019, and the statements of comprehensive income and changes in equity of head office and other branches under the same entity for the year ended 31 December 2019, presented as comparative information, in order to reflect the adjustment, and presented the statement of financial position as at 1 January 2019 as comparative information after making a similar adjustment to reduce deferred tax assets.
- (2) Note 6 relating to adoption of the set of Thai Financial Reporting Standards related to financial instruments in preparation of the current year financial statements, and the recognition of the cumulative effect of these financial reporting standards and the Bank of Thailand's guidelines.

My opinion is not modified in respect of these matters.

Other Matters

The financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch for the year ended 31 December 2019 (before adjustment) and as at 31 December 2018 (used to make adjustment in preparation of the statement of financial position as at 1 January 2019, as described above) were audited by another auditor, who expressed an unqualified opinion on those statements under her report dated 28 April 2020 and 26 April 2019, respectively.

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.



Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 23 April 2021

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statements of financial position

As at 31 December 2020

(Unit: Thousand Baht)

	31 December	31 December	1 January
Note	2020	2019	2019
		(Restated)	
Assets			
Cash	19,548	38,091	44,101
Interbank and money market items - net	8 1,351,991	12,478,238	1,800,160
Financial assets measured at fair value through profit or loss	9 21,814,444	-	-
Derivative assets	10 19,027,800	18,175,524	13,504,853
Investments - net	11 20,479,321	26,302,873	30,087,295
Loans to customers and accrued interest receivables - net	12 19,360,163	25,555,626	25,083,728
Leasehold improvement and equipment - net	13 44,015	44,973	19,016
Right-of-use assets - net	14 79,478	-	-
Deferred tax assets	15 13,686	34,086	54,491
Trade securities receivables	1,054,539	223,007	465,060
Collateral receivables under the Credit Support Annex agreements	-	207,507	136,378
Other assets	16 97,925	82,158	96,465
Total assets	<u>83,342,910</u>	<u>83,142,083</u>	<u>71,291,547</u>

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statements of financial position (continued)

As at 31 December 2020

(Unit: Thousand Baht)

	Note	31 December 2020	31 December 2019 (Restated)	1 January 2019
Liabilities and equity of head office and other branches under the same entity				
Liabilities				
Deposits	17	36,199,905	39,678,538	30,111,895
Interbank and money market items	18	1,558,506	2,214,797	3,414,759
Liabilities payable on demand		803,046	909,206	853,014
Financial liabilities measured at fair value through profit or loss	19	83,626	-	-
Derivative liabilities	10	17,626,013	16,729,744	11,381,958
Lease liabilities	20	79,718	-	-
Provisions for liabilities	21	123,926	105,210	85,183
Trade securities payables		1,046,241	438,200	266,643
Other liabilities	22	1,113,750	1,475,375	1,432,639
Total liabilities		58,634,731	61,551,070	47,546,091
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		17,800,000	17,800,000	17,800,000
Net balances of inter-office accounts with head office and other branches under the same entity		6,614,134	3,358,804	5,811,958
Other components of head office and other branches under the same entity	24	60,344	-	-
Retained earnings		233,701	432,209	133,498
Total equity of head office and other branches under the same entity		24,708,179	21,591,013	23,745,456
Total liabilities and equity of head office and other branches under the same entity		83,342,910	83,142,083	71,291,547
		-	-	-

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of comprehensive income

For the year ended 31 December 2020

(Unit: Thousand Baht)

	Note	2020	2019 (Restated)
Profit or loss:			
Interest income	25	672,947	1,097,639
Interest expenses	26	531,791	1,082,590
Net interest income		141,156	15,049
Fees and service income		218,451	228,466
Fees and service expenses		81,203	75,993
Net fees and service income	27	137,248	152,473
Net gain on financial instruments measured at fair value through profit or loss	28	989,044	-
Net gain on trading and foreign exchange transactions	28	-	1,367,553
Net gain on investments	29	111,424	-
Other operating income		151,301	100,612
Total operating income		1,530,173	1,635,687
Operating expenses			
Employee expenses		339,728	371,418
Premises and equipment expenses		67,247	111,892
Taxes and duties		23,941	28,297
Expenses allocated from head office		756,877	634,135
Other expenses		145,640	109,750
Total operating expenses		1,333,433	1,255,492
Reversal of expected credit loss	30	(57,938)	-
Bad debts, doubtful accounts and impairment loss	30	-	11,190
Profit before income tax expenses		254,678	369,005
Income tax expenses	15.2	59,439	80,789
Profit for the year		195,239	288,216

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch**Statements of comprehensive income (continued)**

For the year ended 31 December 2020

(Unit: Thousand Baht)

Note	2020	2019
		(Restated)
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Gain on valuation of investments in debt securities measured at fair value through other comprehensive income	75,430	-
Income tax effect	15.3 (15,086)	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax	<u>60,344</u>	<u>-</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Actuarial gain (loss)	(3,150)	13,118
Income tax effect	15.3 630	(2,623)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax	<u>(2,520)</u>	<u>10,495</u>
Other comprehensive income for the year	<u>57,824</u>	<u>10,495</u>
Total comprehensive income for the year	<u><u>253,063</u></u>	<u><u>298,711</u></u>

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statements of changes in equity of head office and other branches under the same entity

For the year ended 31 December 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 components of head office and other branches under the same entity - Revaluation surplus (deficit) on investments	Retained earnings	Total
Balance as at 1 January 2019	17,800,000	5,811,958	-	246,133	23,858,091
The prior year adjustment (Note 5)	-	-	-	(112,635)	(112,635)
Balance as at 1 January 2019 - as restated	17,800,000	5,811,958	-	133,498	23,745,456
Decrease in net balance of inter - office accounts with head office and other branches under the same entity	-	(2,453,154)	-	-	(2,453,154)
Profit for the year	-	-	-	288,216	288,216
Other comprehensive income for the year	-	-	-	10,495	10,495
Total comprehensive income for the year	-	-	-	298,711	298,711
Balance as at 31 December 2019	17,800,000	3,358,804	-	432,209	21,591,013
Balance as at 1 January 2020	17,800,000	3,358,804	-	552,319	21,711,123
The prior year adjustment (Note 5)	-	-	-	(120,110)	(120,110)
Balance as at 1 January 2020 - as restated	17,800,000	3,358,804	-	432,209	21,591,013
Increase in net balance of inter - office accounts with head office and other branches under the same entity	-	3,255,330	-	-	3,255,330
Profit for the year	-	-	-	195,239	195,239
Other comprehensive income for the year (loss)	-	-	60,344	(2,520)	57,824
Total comprehensive income for the year	-	-	60,344	192,719	253,063
Profit remitted to head office (Note 33)	-	-	-	(352,104)	(352,104)
Income tax on remitted profit	-	-	-	(39,123)	(39,123)
Balance as at 31 December 2020	17,800,000	6,614,134	60,344	233,701	24,708,179

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch**Statements of cash flows****For the year ended 31 December 2020**

(Unit: Thousand Baht)

	2020	2019
Cash flows from operating activities		
Profit from operations before income tax expenses	254,678	369,005
Adjustments to reconcile profit from operations before income tax expenses to net cash provided by (used in) operating activities		
Depreciation and amortisation	45,908	10,791
Reversal of expected credit loss	(57,938)	-
Bad debt, doubtful debt and impairment loss of loans	-	11,190
Unrealised gain on financial instruments measured at fair value through profit or loss	(33,006)	-
Loss from revaluation of investments	-	41,878
Net gain on disposal of equipment	(38)	(182)
Loss on write-off of equipment	27	-
Long-term employee benefit expenses	21,591	26,479
Gain on disposal of investment measured at fair value through other comprehensive income	(111,424)	-
Net unrealised loss on exchange and financial derivatives contracts	43,994	677,114
Net interest income	(141,156)	(15,049)
Cash received on interest income	714,461	1,073,081
Cash paid on interest expenses	(684,191)	(1,014,527)
Cash paid on income tax	(65,770)	(74,203)
Profit (loss) from operation before changes in operating assets and liabilities	(12,864)	1,105,577
Decrease (increase) in operating assets		
Interbank and money market items	11,143,884	(10,684,943)
Financial assets measured at fair value through profit or loss	(20,381,013)	-
Investments in trading securities	-	3,742,544
Loans to customers	6,206,498	(452,916)
Trade securities receivable	(831,532)	242,053
Collateral receivables under the Credit Support Annex agreements	207,507	(71,129)
Other assets	(15,479)	15,559

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch**Statements of cash flows (continued)****For the year ended 31 December 2020**

(Unit: Thousand Baht)

	2020	2019
Increase (decrease) in operating liabilities		
Deposits	(3,478,633)	9,566,643
Interbank and money market items	(656,291)	(1,199,962)
Liabilities payable on demand	(106,160)	56,192
Financial liabilities measured at fair value through profit or loss	83,626	-
Employee benefit obligations	(12,393)	(1,118)
Trade securities payables	608,041	171,558
Other liabilities	(215,048)	(6,348)
Net cash provided by (used in) operating activities	(7,459,857)	2,483,710
Cash flows from investing activities		
Proceeds from sales of debt securities measured at fair value through other comprehensive income	4,604,000	-
Cash paid for purchase of equipment	(9,668)	(36,760)
Proceeds from disposals of equipment	38	194
Net cash provided by (used in) investing activities	4,594,370	(36,566)
Cash flows from financing activities		
Cash paid on lease contracts	(17,160)	-
Profit remitted to head office	(352,104)	-
Income tax paid on profit remitted to head office	(39,123)	-
(Increase) decrease in balance of inter-office accounts with head office and other branches under the same entity, net	3,255,331	(2,453,154)
Net cash provided by (used in) financing activities	2,846,944	(2,453,154)
Net decrease in cash and cash equivalents	(18,543)	(6,010)
Cash and cash equivalents as at 1 January	38,091	44,101
Cash and cash equivalents as at 31 December	19,548	38,091
	-	
Supplemental cash flows information		
Non-cash transactions		
Purchase of equipment	14	46

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Table of notes to the financial statements

For the year ended 31 December 2020

Note	Contents	Page
1.	General information	1
2.	Basis of financial statements preparation	1
3.	New financial reporting standards	2
4.	Summary of significant accounting policies	7
5.	Prior year adjustment of deferred tax assets	24
6.	Cumulative effect of the change in accounting policies due to the adoption of new financial reporting standards	25
7.	Classification of financial assets and financial liabilities	28
8.	Interbank and money market items (assets)	29
9.	Financial assets measured at fair value through profit or loss	29
10.	Derivative assets/liabilities	30
11.	Investments	31
12.	Loans to customers and accrued interest receivables	32
13.	Leasehold improvement and equipment	36
14.	Right-of-use assets	37
15.	Deferred tax assets/liabilities and income tax expenses	38
16.	Other assets	40
17.	Deposits	40
18.	Interbank and money market items (liabilities)	41
19.	Financial liabilities measured at fair value through profit or loss	41
20.	Lease liabilities	42
21.	Provisions for liabilities	42
22.	Other liabilities	46
23.	Capital funds and liquidity reserve	46
24.	Other components of head office and other branches under the same entity	48
25.	Interest income	48
26.	Interest expenses	48
27.	Net fees and service income	49
28.	Net gain on financial instruments measured at fair value through profit or loss/Net gain on trading and foreign exchange transactions	49
29.	Net gain on investments	49

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Table of notes to the financial statements (continued)
For the year ended 31 December 2020

Note	Contents	Page
30.	Expected credit loss/Bad debts, doubtful accounts and impairment loss.....	50
31.	Commitments and contingent liabilities	50
32.	Provident fund	51
33.	Related party transactions	51
34.	Segment information.....	57
35.	Risk Management.....	57
36.	Fair values of financial assets and liabilities.....	69
37.	Reclassification.....	72
38.	Approval of financial statements	72

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2020

1. General information

1.1 Corporate information

Deutsche Bank Aktiengesellschaft, Bangkok Branch (“the Bank”), was granted a license by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act B.E. 2505. The Bank was granted a license to undertake its commercial banking business in October 1988.

The Bank has its registered office at 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok.

1.2 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 pandemic has been resulting in an economic slowdown and impacting most businesses and industries both directly and indirectly. This situation may bring uncertainties and may have an impact on the environment in which the Bank is operating. 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, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

2. Basis of financial statements preparation

The Bank is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements of Deutsche Bank Aktiengesellschaft, Bangkok branch that the Branch have been prepared from the records of the Bank and reflect only transactions records locally.

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, including guidelines promulgated by the Federation of Accounting Professions and with reference to the principles stipulated by the Bank of Thailand (“BoT”), and their presentation has been made in compliance with the BoT’s Notification No. Sor Nor Sor. 21/2561 dated 31 October 2018, regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups.

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 such 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 adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal year 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. However, the new financial reporting standards involve changes to key principles, which are summarised below:

(a) 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

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.

The adoption of these standards on the Bank's financial statements had an impact as described below.

Classification and measurement of financial assets

Financial assets - debt instruments

The Bank classifies debt instruments as financial assets measured at amortised cost or fair value in accordance with the Bank's business model in managing the financial assets and according to the contractual cash flows characteristics of the financial assets, based on the facts and circumstances as of the date these financial reporting standards were initially adopted, as follows:

- A financial assets measured at amortised cost only if both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding on the designation date.
- A financial assets measured at fair value through other comprehensive income only if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding on the designation date.
- A financial assets measured at fair value through profit or loss unless the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows or, the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding on the designation date.

The Bank's management reviewed and assessed existing financial assets as at 1 January 2020, based on the facts and circumstances that existed at that date, and concluded that the following significant changes were required to classification and measurement of the Bank's financial assets.

- Termination of the former classification of investments in debt securities for trading as financial assets measured at fair value through profit or loss.
- Classification of loans to customers as financial assets measured at amortised cost.

- Classification of derivatives assets as financial assets measured at fair value through profit or loss.

Financial assets - Equity instruments

The Bank classifies investments in domestic non-marketable equity securities as the financial assets designated to be measured at fair value through other comprehensive income.

Classification and measurement of financial liabilities

The adoption of these standards does not have an impact on the classification of financial liabilities. The Bank continues to classify and measure its financial liabilities at amortised cost, except for derivatives liabilities which are measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss.

Impairment of financial assets

This standard requires entities to estimate allowance for expected credit loss in place of the incurred loss recognised under the previous accounting policy. It requires entities to recognise impairment based on expected credit loss model (“ECL”) and management overlay for the factors which are not captured by the model. It requires the Bank to recognise an allowance for expected credit loss for all financial assets that are investments in debt instruments and not measured at fair value through profit or loss, including undrawn commitments and financial guarantees, and it is not necessary for a credit-impaired event to have occurred. The Bank applies the General Approach to calculate expected credit loss of financial assets such as loans to customers, interbank and money market items (assets), trade securities receivables and investments in debt securities.

The cumulative effect of the change in accounting policy is described in Note 6 to the financial statements.

(b) TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related interpretations. The financial reporting 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, adopting the same principles as those of TAS 17.

The Bank adopted this financial reporting standard using the modified retrospective method of initial adoption of which the cumulative effect is recognised as an adjustment to the retained earnings (if any) as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change in account policy is described in Note 6 to the financial statements.

(c) Accounting guidance

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 BoT 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 BoT 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 BoT. Such entities include credit card business, business providing loans secured against vehicle registrations without collateral, personal loan business under the supervision of the BoT and certain entities not under the supervision of the BoT, such as leasing, hire-purchase, motorcycle hire-purchase and factoring business. Entities providing assistance to debtors in accordance with the BoT’s measures and electing to apply this Accounting Guidance have to apply all temporary relief measures in this guidance.

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

In addition, on 19 June 2020 the BoT issued the circular of the BoT No. BoT.RPD.(01)C. 648/2563 “Measures to provide additional assistance to small-sized debtors during the COVID-19 situation - Phase 2”.

However, the Bank did not apply this Accounting Guidance in its preparation of its financial statements for the year ended 31 December 2020.

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 impacts 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 Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting period ending between 1 January 2020 and 31 December 2020.

However, the Bank did not apply this Accounting Guidance in its preparation of its financial statements.

3.2 Financial reporting standards that will become effective for fiscal year beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal year beginning on or after 1 January 2021. 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 Bank’s management is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

4. Summary of significant accounting policies

Significant accounting policies adopted by the Bank can be summarised as follows.

4.1 Revenue recognition

(a) Interest income on loans to customers

Accounting policies adopted since 1 January 2020

The Bank has recognised interest income on loans to customers on an accrual basis, using the effective interest rate method, applied to the outstanding principal amount, without ceasing revenue recognition. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of loans to customers. The Bank has calculated interest income by using effective interest rate method and carrying value of loans to customers. When loans to customers are assessed as credit-impaired in later, the Bank recognises interest income by using the effective interest rate method applied to the net carrying value (the outstanding amount minus allowance for expected credit loss) of the receivable. If the receivable is no longer credit-impaired, the Bank reverts to calculating interest income on a gross carrying amount.

Accounting policies adopted before 1 January 2020

The Bank recognised interest income on loans to customers as income on an accruals basis, except for interest income on non-performing loan, including accounts where principal or interest payments are more than three months overdue, is recognised when received. In accordance with the BoT's regulations, interest in arrears for more than three months from the due date, regardless of whether it is covered by collateral, is reversed from profit or loss.

(b) Interest income on deposits/investments

Interest income on deposits/investments is recognised as revenue on an accrual basis.

(c) Fees and service income

Fees and service income is recognised as income on an accrual basis over the service rendering periods.

(d) Gain (loss) from financial instruments measured at fair value through profit or loss

Gain (loss) from financial instruments measured at fair value through profit or loss consist of gain (loss) on trading and foreign exchange transactions, gain (loss) from changes in fair value of derivatives and financial assets measured at fair value through profit or loss, and gain (loss) from sales of financial assets measured at fair value through profit or loss and derivatives. The Bank recognises them as revenues or expenses on the transaction date.

(e) Gain (loss) on trading of securities and derivatives

Gain (loss) on trading of securities and derivatives is recognised as income or expenses on the transaction date.

4.2 Expense recognition

(a) Interest expenses

Interest expenses are recognised on an accrual basis.

(b) Fees and service expenses

Fees and service expenses are recognised as expenses on an accrual basis over the service rendering periods.

4.3 Cash

Cash represents cash in hand and cash on collection.

4.4 Securities purchased under resale agreements/securities sold under repurchased agreements

The Bank has purchased securities under resale agreements according to private repurchase transactions at certain dates and at fixed price. Amounts paid for the securities purchased under resale agreement are presented under the caption of “Financial assets measured at fair value through profit or loss” in the statements of financial position. (Before 1 January 2020, the Bank presented securities purchased under resale agreements under the caption of “Interbank money market items” in the statements of financial position). The underlying securities are treated as collateral to such receivables.

4.5 Financial assets - Investments

Accounting policies adopted since 1 January 2020

The Bank classifies its investments as debt or equity securities financial assets as follows:

Financial assets - debt securities

The Bank classifies its investment in debt securities as financial assets subsequently measured at amortised cost or fair value in accordance with the Bank's business model in managing the financial assets and according to the contractual cash flows characteristics of the financial assets, based on the facts and circumstances as of the date these financial reporting standards were initially adopted, as follows:

(a) Financial assets measured at fair value through profit or loss

Investments in debt instruments held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows, or the contractual terms of the financial assets represent contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. The Bank recognises these as financial assets measured at fair value through profit or loss. These financial assets are initially recognised at fair value.

After initial recognition, unrealised gain or loss from changes in fair value is recognised in profit or loss.

At the end of reporting period, investment in debt instruments measured at fair value through profit or loss are presented in the statement of financial position at fair value.

(b) Financial assets measured at fair value through other comprehensive income

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank recognises these as financial assets measured at fair value through other comprehensive income. These financial assets are initially recognised at fair value.

After initial recognition, gain or loss from changes in fair value is presented as a separate item in other comprehensive income. The expected credit loss, and interest income calculated using the effective interest rate method, are recognised in profit or loss.

At the end of reporting period, investments in debt instruments measured at fair value through other comprehensive income are presented in the statement of financial position net of allowance for expected credit loss (if any).

Financial assets - equity securities

The Bank classifies investments in equity securities as financial asset designated to be measured at fair value through other comprehensive income, which could not be subsequently changed. Gain or loss arising from changes in fair value is recognised in other comprehensive income and not subsequently recycled to profit or loss when disposal, instead, it is transferred to retained earnings. Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Fair value

The fair value of government bonds, state enterprise securities and private sector debt securities is determined using the formula specified by the BoT and the yield rates quoted by the Thai Bond Market Association.

Income on investments and disposals of investments

Interest income on investments is recognised in profit or loss.

Gain or loss on disposals of investments is recognised in profit or loss on the transaction date, except for investments in equity securities designated to be measured at fair value through other comprehensive income which will be recognised in retained earnings. The weighted average method is used for computation of the cost of investments.

Recognition

The Bank recognises investments on the trade date, which is the date that the Bank has actually committed to purchase and sell the investments.

Accounting policies adopted before 1 January 2020

The Bank classified and measured investments in equity and debt securities as follows:

Marketable debt and equity securities held for trading were classified as trading investments and were stated at fair value, with any gain or loss from revaluation on investments are recognised in profit or loss. Impairment loss and foreign currency differences are recognised in profit or loss. Where these investments were interest-bearing, interest calculated using the effective interest rate method was recognised in profit or loss.

Non-marketable equity securities were stated at cost less any allowance for impairment loss.

The fair value of financial instruments classified as held-for-trading and available-for-sale was determined using the bid price quoted on the reporting date.

Recognition

The Bank recognises investments on the trade date, which is the date that the Bank has actually committed to purchase and sell the investment.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount that was reported in the accounts is recognised in profit or loss.

The weighted average method is used for computation of the cost of investments.

4.6 Loans to customers

Loans to customers are presented at the outstanding principal amount, except for bank overdrafts which included interest receivables. Bills purchased at a discount are stated at the face value of the bill, net of deferred revenue.

4.7 Allowance for expected credit loss on financial assets/Allowance for doubtful accounts

Accounting policies adopted since 1 January 2020 - Allowance for expected credit loss on financial assets

The Bank recognises an allowance for expected credit loss for all financial debt securities, such as interbank and money market items (assets), loans to customers, trade securities receivables and investments in debt securities together with loan commitments and financial guarantee contracts, which are classified at amortised cost or fair value through other comprehensive income based on the General Approach. The Bank classifies its financial assets into three groups based on the changes in credit risk since initial recognition as follows:

Group 1: Financial assets where there has not been a significant increase in credit risk (Performing)

For financial assets with no significant increase in credit risk since the initial recognition date and financial assets that are not credit-impaired upon origination, the Bank recognises allowance for expected credit loss at an amount equal to 12-month expected credit loss. For financial assets with maturity of less than 12 months, the Bank uses a probability of default that corresponds to remaining terms of the contract.

Group 2: Financial assets where there has been a significant increase in credit risk (Under-Performing)

For financial assets with significant increase in credit risk since the initial recognition date but that are not credit-impaired, the Bank recognises the expected credit loss at an amount equal to expected credit loss over the expected lifetime of the financial assets.

Stage 3: Financial assets that are credit-impaired (Non-Performing)

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit-impaired, the Bank recognises allowance for expected credit loss at the amount equal to the lifetime expected credit loss of financial assets.

At the end of reporting period, the Bank assesses whether there has been a significant increase in credit risk of financial assets since the initial recognition by comparing the risk of expected default on the financial assets as at reporting date with the risk of default as at the initial recognition date. In determining whether credit risk has increased significantly since initial recognition, the Bank uses internal quantitative and qualitative indicators, and forecasts information to assess the deterioration in credit quality of financial assets such as arrears of over 30 days past due, loans under the watchlist (Watch list), loans in performance monitoring period (Forbearance flag) and changes of internal credit rating of the borrower since initial recognition, etc.

The Bank assesses whether the credit risk has increased significantly from the date of initial recognition on an individual basis.

Financial assets are assessed to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the counterparties have occurred. Evidence of credit-impaired financial assets includes arrears of over 90 days past due or having indications that the borrower is experiencing significant financial difficulty or distressed restructuring.

In subsequent periods, if the credit quality of financial assets improves and it is assessed that there is no longer significant increase in credit risk from the initial recognition date that was assessed in the previous period, the Bank will change from recognising expected credit loss over the expected lifetime to recognising the 12-month expected credit loss.

A loan to customer that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be significant increase in credit risk or credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Expected credit loss is the probability estimate of expected credit loss over the lifetime of a financial instrument, taking into account the present value of all cash flows that are expected not to be recoverable. This is determined with reference to historical loss experience data grouped by asset on the basis of shared credit risk characteristics and adjusted for current observable data, as well as forward-looking information that is supportable and reasonable. It also involves the appropriate exercise of judgement to estimate the amount of expected credit loss, using current macroeconomic data and macroeconomic forecasts. The Bank determines both current and future economic scenarios, and probability-weights each scenario (base scenario, upturn scenario and downturn scenario) for the purpose of calculating expected credit loss. Use of forward-looking data increases the degree of judgement required in evaluating how relevant macroeconomic changes affect expected credit loss. The Bank has established a process to review and monitor the methodologies, assumptions and forward-looking macroeconomics scenarios on an annual basis.

The measurement of expected credit loss on loan commitments is the present value difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. The measurement of expected credit loss for financial guarantees is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Increase (decrease) in an allowance for expected credit loss is recognised as expenses in profit or loss during the year.

Debts that are determined to be irrecoverable are written off in the year in which the decision is taken. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due.

Accounting policies adopted before 1 January 2020 - Allowance for doubtful accounts

The Bank provides allowance for doubtful accounts equal to the estimated collection loss that may be incurred in the collection of loans and receivables. The estimated loss are based on historical collection experience and a review of the current status of the loans and receivables.

The BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of loans to customers in conjunction with the consideration of collateral valuation. Loans to customers classifications are based principally on the period that a financing is past due. The Bank has set up the minimum allowance for doubtful accounts according to the BoT's regulations.

The Bank has classified its loan portfolios into six categories, primarily based on the overdue period. For loans to customers classified as Pass and Special Mention, the calculation of allowances for doubtful accounts is based on the BoT minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans to customers classified as Substandard, Doubtful and Doubtful of Loss, the allowance on these accounts will be set at 100 percent of the difference between the outstanding balances of the debt and the present value of future cashflows expected to be received or the expected proceeds from the disposal of collateral, in accordance with BoT criteria.

The allowance for doubtful accounts established during the year is charged as an expense in profit or loss.

Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

4.8 Leasehold improvement and equipment

Leasehold improvement and equipment are measured at cost less accumulated depreciation and allowance for impairment loss (if any).

The Bank initially recognises leasehold improvement and equipment at its acquisition cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of replacing a part of an item of leasehold improvement and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of leasehold building improvement and equipment are recognised in profit or loss as incurred.

Depreciation is determined on their costs on a straight-line basis over the following estimated useful lives.

Leasehold building improvement	-	10 years (or remaining lease term)
Furniture, fixtures and office equipment	-	4 - 20 years

No depreciation is provided on assets in progress.

The Bank derecognises leasehold improvement and equipment 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 are included in profit or loss when asset is derecognised.

4.9 Right-of-use assets/Lease liabilities

Accounting policies adopted since 1 January 2020

At inception of contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. At the commencement date of the lease, the Bank recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and allowance for impairment losses (if any), and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Unless the Bank is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Depreciation of right-of-use assets are calculated by reference to their costs, on the straight-line basis over the shorter of their estimated useful lives and the lease term.

Building and building improvement	-	1 - 6 years
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Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and leases of low-value assets

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

Accounting policies adopted before 1 January 2020

Leases of building or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

4.10 Derivatives

Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for trading instruments.

Derivatives are initially recognised at fair value on the contract date and classified as trading. Attributable transaction costs are recognised in profit or loss. Subsequent to initial recognition, they are remeasured at fair value. The subsequent changes are recognised as net gain (loss) from financial instruments measured at fair value through profit or loss.

The fair value of interest rate swaps is based on broker quotes at the reporting date.

The fair value of forward exchange contracts is based on their listed market price at the reporting date, if available. If not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate such as government bonds.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a “host contract”). The Bank accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are recorded on the basis of the type of derivative, and they are presented in the statements of financial position together with the host contract.

4.11 Provisions against derivative products

Certain provisions have been established against the Bank’s derivative products in order to reflect an economic assessment of their value to the Bank. The most significant provisions are as follows:

- Liquidity provision; the liquidity provision has been established in order to cover any potential costs that would be incurred if the Bank had to close out the portfolio.
- Funding cost provision; the funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.
- Other provision; the other provision has been established in order to cover any market risk under normal market conditions (Value at Risk) and potential defaults under contractual agreements (Default risk).

4.12 Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resource 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 Impairment of non-financial assets

The carrying amounts of the Bank’s assets are reviewed at each reporting date to determine whether there are any indications of impairment. If any indications exists, the assets’ recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of non-financial assets is the greater of the assets' value in use and fair value less costs to sell. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The impairment loss is recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.14 Employee benefits

Short-term employee benefits

The Bank records salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by the 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 plans and other long-term benefits

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Bank treats these payments as a defined benefit plan for employees. In addition, the Bank provides other long-term employee benefits plan, naming long service awards.

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

Actuarial gain and loss arising from defined benefit plans is recognised immediately in other comprehensive income, while actuarial gain and loss from other long-term benefits is recognised immediately in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting changes in benefits that relate to past service or gain or loss on curtailment are recognised immediately in profit or loss.

Termination benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognises costs for a restructuring. If termination benefits are not expected to be settled within 12 months of the end of the reporting period, they are discounted.

4.15 Foreign currency translation

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

Items denominated in foreign currencies are translated into Thai Baht at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities are translated by using the reference exchange rates of the BoT as at the reporting date.

Foreign currency differences are recognised in profit or loss.

4.16 Share-based payments

Increases in the fair value of the amounts payable to employees in cash as a result of share price are recognised as an expense, with a corresponding increase in liabilities, over the period in which employees are unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

4.17 Income tax

Income tax expenses consisted of current income tax and deferred income tax.

Current income tax

Current income tax are the expected tax to be paid to tax authorities determined based on the taxable profits in accordance with tax laws, including any adjustment in respect of previous year.

Deferred income tax

Deferred income tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of each reporting period, using the tax rate enacted at the end of the reporting period.

The Bank recognises deductible temporary differences as deferred tax assets if it is probable that future taxable profit will be available against which such deductible temporary differences can be utilised. The Bank recognises all taxable temporary differences as deferred tax liabilities.

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

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 the deferred tax asset to be utilised.

In determining the amount of current and deferred income tax, the Bank takes into account the impact of uncertain tax positions and whether additional tax and interest may be due. The Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the year that such a determination is made.

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 when there is 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 maximise 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 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 Offsetting of financial assets and financial liabilities

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

4.20 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognise the financial assets to the extent of its continuing involvement.

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

4.21 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 include 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, and officers with authority in the planning and direction of the Bank's operations.

4.22 Significant accounting judgements and estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times 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 from these estimates. Significant judgements and estimates are as follows:

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Allowance for expected credit loss/allowance for doubtful accounts

The management is required to use judgement in determining the allowance for expected credit loss. The calculation of allowance for expected credit loss of the Bank is based on the criteria of assessing if there has been a significant increase in credit risk, the development of complex expected credit loss model with a series of underlying assumptions, including the choice of the forecasted macroeconomic variables used in the model. This estimation has various relevant factors; therefore, the actual results may differ from estimates.

Fair value of financial instruments

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

Leasehold improvement and equipment and depreciation

In determining depreciation of leasehold improvement and equipment, the management is required to make estimates of the useful lives and salvage value of the leasehold improvement and equipment, and to review these estimated useful lives and salvage value when there are any changes.

In addition, the management assesses whether there are indicators of the impairment of leasehold improvement and equipment, and record impairment loss in the year when it is determined that the recoverable amounts are lower than the carrying amounts. This requires judgements in terms of forecasting future revenues and expenses relating to the assets subject to the review.

Lease

In determination of the lease term, the management needs to exercise judgement in assessing whether the Bank is reasonably certain or not to exercise the right to extend the period of the lease or cancel the lease, taking into account all relevant facts and circumstances that create economic incentives for the Bank to exercise that right.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future 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 estimated future taxable profits.

Post-employment benefits

Obligations under the defined benefit plan and other long-term employee benefits are determined by using actuarial technique. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, staff turnover rate, and mortality rate.

5. Prior year adjustment of deferred tax assets

In 2020, the Bank reviewed the deferred tax assets it had recognised in the statement of financial position and noted that certain amounts related from interest differences for accounting and tax purposes. However, it was determined that these amounts would never have been able to be utilised as a tax benefit in the future, but the Bank had not yet recorded adjustments to write them off. The Bank, therefore, recorded a retrospective adjustment in respect of this error in the 2019 comparative financial statements. The Bank also prepared the statement of financial position as at 1 January 2019 as comparative information after taking into similar adjustment.

The amounts of the adjustments affecting the statement of financial position and the statement of comprehensive income are summarised below:

(Unit: Thousand Baht)

	As at 31 December 2019		
	Before adjustment	Adjustment	After adjustment
Statements of financial position			
Assets			
Deferred tax assets	154,196	(120,110)	34,086
Equity of head office and other branches under the same entity			
Retained earnings	552,319	(120,110)	432,209

(Unit: Thousand Baht)

	For the year ended 31 December 2019		
	Before adjustment	Adjustment	After adjustment
Statements of comprehensive income			
Income tax expenses	73,314	7,475	80,789
Profit for the year	295,691	(7,475)	288,216

(Unit: Thousand Baht)

	As at 1 January 2019		
	Before adjustment (31 December)	Adjustment	After adjustment (1 January)
Statements of financial position			
Assets			
Deferred tax assets	167,126	(112,635)	54,491
Equity of head office and other branches under the same entity			
Retained earnings	246,133	(112,635)	133,498

6. Cumulative effect of the change in accounting policies due to the adoption of new financial reporting standards

As described in Note 3.1 to the financial statements, the Bank initially adopted a set of Thai Financial Reporting Standards (TFRS) related to financial instruments and TFRS 16 since 1 January 2020. However, the adoption of TFRSs related to financial instruments and TFRS16 have no impact on retained earnings as at 1 January 2020 but impact on classification in statement of financial position as at 1 January 2020 as follows:

(Unit: Thousand Baht)

	31 December 2019	The impacts of		1 January 2020
		TFRSs related to financial instruments	TFRS 16	
Financial assets				
Interbank and money market items - net	12,478,238	(10,101,280)	-	2,376,958
Financial assets measured at fair value through profit or loss	-	36,404,153	-	36,404,153
Investments - net	26,302,873	(26,302,873)	-	-
Loans to customers and accrued interest receivables - net	25,555,626	-	-	25,555,626
Right-of-use assets - net	-	-	35,410	35,410
Financial liabilities				
Lease liabilities	-	-	35,410	35,410

6.1 Financial instruments

The Bank initially adopted financial reporting standards related to financial instruments since 1 January 2020. The adoption of these financial reporting standards requires the Bank assess allowance for expected credit loss of loans to customers in place of the recognition of the allowance for doubtful accounts under the former accounting policy (reference to the BoTs guidelines). As the impact of calculation, the Bank has an excess provision for loans to customers and related transactions totalling of Baht 280 million, which will be amortised on a straight-line basis over a five-years period since 1 January 2021, which is in line the BoT's regulation.

The table below presents a reconciliation between the allowance for doubtful accounts as at 31 December 2019, recognised in accordance with accounting standard and the BoT's guidelines and of the allowance for expected credit loss as at 1 January 2020, recognised in accordance with TFRS 9.

	(Unit: Thousand Baht)		
	31 December 2019	Remeasurement under TFRS 9	1 January 2020
Allowance for expected credit loss:			
- Interbank and money market items (assets)	17,515	(17,512)	3
- Loans to customers and accrued interest receivables	325,319	(264,860)	60,459
- Loan commitments and financial guarantee contracts	-	1,988	1,988
Total	342,834	(280,384)	62,450

The classification and measurement of financial assets and financial liabilities in accordance with TFRS 9 comparing with the former classification and measurement are as follows.

		(Unit: Thousand Baht)			
Classification and measurement under the former basis as at 31 December 2019	Classification and measurement in accordance with TFRS9 as at 1 January 2020				
Book value	Financial instruments measured at fair value through profit or loss	Financial instruments designated at fair value through comprehensive income	Financial instruments measured at amortised cost	Total	
<u>Financial assets</u>					
Cash	38,091	-	-	38,091	
Interbank and money market items - net	12,478,238	10,101,280	-	2,376,958	
Derivatives assets	18,175,524	18,175,524	-	-	
Investments - net	26,302,873	26,302,873	-	-	
Loans to customers and accrued interest receivables - net	25,555,626	-	-	25,555,626	
Trading securities receivables	223,007	-	-	223,007	
Collateral receivables under the Credit Support Annex agreements	207,507	-	-	207,507	
Other assets - interest receivables	63,520	-	-	63,520	
<u>Financial liabilities</u>					
Deposits	39,678,538	-	-	39,678,538	
Interbank and money market items	2,214,797	-	-	2,214,797	
Liabilities payable on demand	909,206	-	-	909,206	
Derivatives liabilities	16,729,744	16,729,744	-	-	
Trading securities payables	438,200	-	-	438,200	
Other liabilities - interest payables	1,017,703	-	-	1,017,703	
Net balances of inter-office accounts with head office and other branches under the same entity	3,358,804	-	-	3,358,804	

6.2 Leases

Upon first-time adoption of TFRS 16, the Bank recognised lease liabilities in relation to leases that previously classified as operating leases measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

	(Unit: Thousand Baht)
Operating lease commitments disclosed as at 31 December 2019	144,614
Less: Short-term leases and leases of low-value assets	(2,696)
Less: Option to extend or terminate lease term and purchase option	(26,406)
Less: Contracts reassessed as service agreements	(78,026)
Less: Deferred interest expenses	(2,076)
	<hr/>
Increase in lease liabilities due to the first-time adoption of TFRS 16 as at 1 January 2020	35,410
	<hr/>
Weighted average incremental borrowing rate (percent per annum)	2.34 - 2.63

The adjustments of right-of-use assets due to the first-time adoption of TFRS 16 as at 1 January 2020 were summarised below:

	(Unit: Thousand Baht)
Buildings and building improvements	35,410
	<hr/>
Total right-of-use assets as at 1 January 2020	35,410
	<hr/> <hr/>

7. Classification of financial assets and financial liabilities

(Unit: Thousand Baht)

	31 December 2020			
	Financial instruments			
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets				
Cash	-	-	19,548	19,548
Interbank and money market items - net	-	-	1,351,991	1,351,991
Financial assets measured at fair value through profit and loss	21,814,444	-	-	21,814,444
Derivatives assets	19,027,800	-	-	19,027,800
Investments - net	-	20,479,321	-	20,479,321
Loans to customers and accrued interest receivables - net	-	-	19,360,163	19,360,163
Trading securities receivables	-	-	1,054,539	1,054,539
Other assets - interest receivables	-	-	61,164	61,164
Financial liabilities				
Deposits	-	-	36,199,905	36,199,905
Interbank and money market items	-	-	1,558,506	1,558,506
Liabilities payable on demand	-	-	803,046	803,046
Financial liabilities measured at fair value through profit or loss	83,626	-	-	83,626
Derivatives liabilities	17,626,013	-	-	17,626,013
Lease liabilities	-	-	79,718	79,718
Trading securities payables	-	-	1,046,241	1,046,241
Other liabilities - interest payables	-	-	889,001	889,001
Net balances of inter-office accounts with head office and other branches under the same entity	-	-	6,614,134	6,614,134

8. Interbank and money market items (assets)

As at 31 December 2020 and 2019, interbank and money market items (assets) as follows:

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	On demand	Term	Total	On demand	Term	Total
Domestic						
Bank of Thailand	516,797	-	516,797	598,524	-	598,524
Commercial banks	1,192	746,868	748,060	1,156	11,851,540	11,852,696
Total	517,989	746,868	1,264,857	599,680	11,851,540	12,451,220
Add: Interest receivables	-	267	267	-	1,404	1,404
Less: Allowance for doubtful accounts	-	-	-	-	(17,515)	(17,515)
Allowance for expected credit loss	-	(19)	(19)	-	-	-
Total domestic items	517,989	747,116	1,265,105	599,680	11,835,429	12,435,109
Foreign						
US Dollar	41	21,761	21,802	41	-	41
Other currencies	65,084	-	65,084	43,088	-	43,088
Total foreign items	65,125	21,761	86,886	43,129	-	43,129
Total domestic and foreign items	583,114	768,877	1,351,991	642,809	11,835,429	12,478,238

9. Financial assets measured at fair value through profit or loss

(Unit: Thousand Baht)

	31 December 2020	31 December 2019
Financial assets held for trading		
Government and state enterprises securities	4,413,762	-
Securities purchased under resale agreements	17,400,682	-
Total financial assets measured at fair value through profit or loss	21,814,444	-

As at 31 December 2020 and 2019, the Bank entered into securities purchase under resale agreements according to private repurchase transaction. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Thousand Baht)

Securities purchase under resale agreements to private repurchase transactions as at

	31 December	
	2020	2019
Commercial banks	17,400,000	10,100,000

Fair value of securities received as collateral is as follow:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Commercial banks	17,572,300	10,101,043

As at 31 December 2020, the Bank classified these assets as "Financial assets measured at fair value through profit or loss" while they were classified as "Interbank and money market" as at 31 December 2019.

10. Derivative assets/liabilities

As at 31 December 2020 and 2019, the fair value and notional amounts, classified by type of risks, were as follows:

	(Unit: Thousand Baht)				
	31 December 2020				
Type of risk	Fair value		Notional amount		Total
	Assets	Liabilities	Up to 1 year	Over 1 year	
Foreign exchange forward and currency swap contracts	11,512,925	9,856,590	489,026,295	66,965,131	555,991,426
Interest rate swap and forward rate contracts	7,514,875	7,684,507	275,154,174	398,052,946	673,207,120
Add: Provision against of derivative products	-	84,916	-	-	-
Total	19,027,800	17,626,013	764,180,469	465,018,077	1,229,198,546

	(Unit: Thousand Baht)				
	31 December 2019				
Type of risk	Fair value		Notional amount		Total
	Assets	Liabilities	Up to 1 year	Over 1 year	
Foreign exchange forward and currency swap contracts	10,206,162	8,035,748	428,057,597	87,071,241	515,128,838
Interest rate swap and forward rate contracts	7,969,362	8,608,198	430,990,450	612,119,247	1,043,109,697
Add: Provision against of derivative products	-	85,798	-	-	-
Total	18,175,524	16,729,744	859,048,047	699,190,488	1,558,238,535

The Bank was a party to enter into contracts with customers to meet the financing needs of its customers and to reduce its own exposure by entering into forward transactions in interest rates and foreign exchange rates. These financial instruments included foreign exchange forward and other derivative contracts.

The “notional amount” is a measure of volume, which may be used for examining changes in derivative activities over time. The notional amount is the face value of the contract. Unlike on-financial reporting financial instruments, the notional amount of a derivative does not necessarily reflect the amount at risk, which is generally only a small fraction of this value.

As at 31 December 2020 and 2019, proportions of the notional amount of derivative transactions, classified by counterparties, consist of:

Counterparties	(Unit: Percentage)	
	31 December 2020	31 December 2019
Financial institutions	93	94
Third parties	7	6
Total	100	100

11. Investments

11.1 Classified by types of investments

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
	Fair value	Fair value
Investments in debt securities measured at fair value through other comprehensive income		
Government and state enterprises securities	20,482,693	-
Less: Allowance for expected credit loss	(3,372)	-
Investments in debt securities measured at fair value through other comprehensive income - net	20,479,321	-
Investments in equity securities designated to be measured at fair value through other comprehensive income		
Non-listed equity securities	-	-
Investments in equity securities designated to be measured at fair value through other comprehensive income - net	-	-
Trading investments		
Government and state enterprises securities	-	26,302,873
Trading investments	-	26,302,873
General investments		
Non-listed equity securities	-	3,569
Less: Impairment loss	-	(3,569)
General investments	-	-
Total investments - net	20,479,321	26,302,873

12. Loans to customers and accrued interest receivables

12.1 Classified by loan types

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Overdrafts	842,056	4,227,774
Loans	18,759,495	21,580,275
Loans to customers	19,601,551	25,808,049
Add: Interest receivables	33,557	72,896
Loans to customers and interest receivables	19,635,108	25,880,945
Less: Allowance for doubtful accounts		
- BoT's minimum requirement	-	(307,870)
- Excess allowance	-	(17,449)
Allowance for expected credit loss	(274,945)	-
Total allowance for expected credit loss/allowance for doubtful accounts	(274,945)	(325,319)
Loans to customers and accrued interest receivables - net	19,360,163	25,555,626

12.2 Classified by currencies and debtors' residency

	(Unit: Thousand Baht)					
	31 December 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	18,333,883	-	18,333,883	25,161,929	-	25,161,929
US Dollar	758,774	-	758,774	646,120	-	646,120
Euro	508,894	-	508,894	-	-	-
Total loans to customers	19,601,551	-	19,601,551	25,808,049	-	25,808,049

12.3 Classified by loan classification

(Unit: Thousand Baht)

	31 December 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit loss
Financial assets where there has not been a significant increase in credit risk (Performing)	19,502,546	1,616
Financial assets where there has been a significant increase in credit risk (Under-Performing)	83,352	4
Financial assets that are credit-impaired (Non-Performing)	49,210	49,210
Excess allowance	-	224,115
Total	19,635,108	274,945

(Unit: Thousand Baht)

	31 December 2019			
	Loans to customers and accrued interest receivables	Net amount used in setting up allowance for doubtful accounts ⁽¹⁾	% used for setting allowance for doubtful accounts	Allowance for doubtful accounts
BoT's minimum requirement				
Pass	25,482,634	25,153,213	1	251,532
Special mention	348,910	346,838	2	6,937
Doubtful of loss	49,401	49,401	100	49,401
Total	25,880,945	25,549,452		307,870
Excess allowance				17,449
Total				325,319

⁽¹⁾ Net amount used in setting allowance for doubtful accounts represents the outstanding amount of principal plus related accrued interest, after deducting the present value of expected cash flows from debtors, or the present value of expected cash flows from disposals of collateral.

12.4 Non-performing loans

As at 31 December 2020 and 2019, the Bank had non-performing loans (“NPLs Gross”) on accrual basis (Including loans to financial institutions are classified as interbank and money market) based on the BoT’s notification as follows:

	31 December 2020	31 December 2019
NPLs, gross (<i>Thousand Baht</i>)	49,210	49,401
Total loans used for NPLs ratio calculation (<i>Thousand Baht</i>)	20,370,181	37,659,589
Percentage of total loans	0.24	0.13

12.5 Allowance for expected credit loss

(Unit: Thousand Baht)

For the year ended 31 December 2020							
	Financial assets where there has not been a significant increase in credit risk (12-month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	The impact due to the adoption of a set of TFRSs related to financial instruments	Allowance for doubtful accounts (BoT’s minimum requirement)	Excess allowance	Total
Interbank and money market items (assets)							
Beginning balance	-	-	-	-	17,515	-	17,515
Changes due to the first-time adoption of TFRS 9	3	-	-	-	(17,515)	-	(17,512)
Beginning balance - as restated	3	-	-	-	-	-	3
New financial assets purchased or acquired	19	-	-	-	-	-	19
Repayment	(3)	-	-	-	-	-	(3)
Ending balance	19	-	-	-	-	-	19
Investments in debt securities measured at fair value through other comprehensive income							
Beginning balance	-	-	-	-	-	-	-
New financial assets purchased or acquired	3,372	-	-	-	-	-	3,372
Ending balance	3,372	-	-	-	-	-	3,372

For the year ended 31 December 2020

	Financial assets where there has not been a significant increase in credit risk (12-month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	The impact due to the adoption of a set of TFRSs related to financial instruments	Allowance for doubtful accounts (BoT's minimum requirement)	Excess allowance	Total
Loans to customers and accrued interest receivables							
Beginning balance	-	-	-	-	307,870	17,449	325,319
Changes due to first-time adoption of TFRS 9	10,860	-	49,599	264,860	(307,870)	(17,449)	-
Transferred in	-	-	-	15,524	-	-	15,524
Beginning balance - as restated	10,860	-	49,599	280,384	-	-	340,843
Changes due to changes in staging	(3)	3	-	-	-	-	-
Changes due to remeasurement of allowance for expected credit loss	150	-	(389)	-	-	-	(239)
New financial assets purchased or acquired	1,508	1	-	-	-	-	1,509
Repayment	(10,899)	-	-	-	-	-	(10,899)
Amortisation of allowance for expected credit loss	-	-	-	(56,269)	-	-	(56,269)
Ending balance	1,616	4	49,210	224,115	-	-	274,945

Due to the first-time adoption of TFRS 9, on 1 January 2020 the Bank had an excess allowance of Baht 280 million, which was the difference between the allowance for doubtful accounts determined based on prior year accounting policy and the allowance for expected credit loss determined under TFRS 9. The Bank already notified to the BoT in its letter dated 4 December 2019 that the Bank plans to reduce such excess allowance on a straight-line basis over the 5-years period, which is in line with the BoT's regulation. During the year ended 31 December 2020, the Bank reduced the excess allowance by Baht 56 million. Therefore, as at 31 December 2020, the outstanding balance of the excess allowance was Baht 224 million.

12.6 Allowance for doubtful accounts

(Unit: Thousand Baht)

	For the year ended 31 December 2019				Total
	Pass	Special	Doubtful of loss	Excess	
		mention		allowance	
Beginning balance	250,264	5,587	53,162	14,496	323,509
Doubtful accounts	1,268	1,350	-	2,953	5,571
Others	-	-	(3,761)	-	(3,761)
Ending balance	251,532	6,937	49,401	17,449	325,319

13. Leasehold improvement and equipment

(Unit: Thousand Baht)

	Leasehold improvement	Furniture, fixtures and equipment	Total
Cost			
As at 1 January 2019	201,956	269,913	471,869
Acquisitions	30,745	6,015	36,760
Disposals and written off	(75,564)	(82,052)	(157,616)
As at 31 December 2019	157,137	193,876	351,013
Acquisitions	-	9,608	9,608
Disposals and written off	(3,562)	(20,979)	(24,541)
As at 31 December 2020	153,575	182,505	336,080
Accumulated depreciation			
As at 1 January 2019	199,951	252,902	452,853
Depreciation charged for the year	3,255	7,536	10,791
Disposals and written off	(75,565)	(82,039)	(157,604)
As at 31 December 2019	127,641	178,399	306,040
Depreciation charged for the year	4,508	6,031	10,539
Disposals and written off	(3,562)	(20,952)	(24,514)
As at 31 December 2020	128,587	163,478	292,065
Net book value			
As at 31 December 2019	29,496	15,477	44,973
As at 31 December 2020	24,988	19,027	44,015
Depreciation for the years ended 31 December			
2019			10,791
2020			10,539

As at 31 December 2020 and 2019, certain premises and equipment were fully depreciated but are still in use. The original costs, before deducting depreciation, of those assets amounted Baht 273 million and Baht 290 million, respectively.

14. Right-of-use assets

Movement of right-of-use assets for the year ended 31 December 2020 were as below:

	(Unit: Thousand Baht)
	Building and building improvement
	<hr/>
Cost	
1 January 2020 - from adoption of new financial reporting standard	35,410
Additions/transfers-in	79,438
	<hr/>
31 December 2020	114,848
	<hr/>
Accumulated depreciation	
1 January 2020 - from adoption of new financial reporting standard	-
Depreciation	35,370
	<hr/>
31 December 2020	35,370
	<hr/>
Net book value	
31 December 2020	79,478
	<hr/>

15. Deferred tax assets/liabilities and income tax expenses

15.1 Deferred tax assets/liabilities

Deferred tax assets/liabilities as at 31 December 2020 and 2019 consisted of the following components.

	As at			(Unit: Thousand Baht)	
				Changes in deferred tax assets/liabilities for the years ended 31 December	
	31 December 2020	31 December 2019	1 January 2019	2020	2019
		(Restated)		(Restated)	
Deferred tax assets					
Loss on revaluation of structured borrowing	-	-	12,758	-	(12,758)
Leasehold improvement and equipment and right-of-use assets	5,925	427	353	5,498	74
Loans to customers and accrued interest receivables	1,026	1,026	1,026	-	-
Other assets	1,557	2,306	2,101	(749)	205
Provisions against derivative products	16,665	16,559	15,275	106	1,284
Employee benefit obligations	21,955	19,486	17,037	2,469	2,449
Other liabilities	2,741	7,406	13,708	(4,665)	(6,302)
Total	49,869	47,210	62,258	2,659	(15,048)
Deferred tax liabilities					
Investments	36,183	13,124	7,767	23,059	5,357
Total	36,183	13,124	7,767	23,059	5,357
Net	13,686	34,086	54,491	(20,400)	(20,405)
Recognised as income tax (expenses) revenues:					
Recognised in profit or loss				(5,944)	(17,782)
Recognised in other comprehensive income				(14,456)	(2,623)
Total				(20,400)	(20,405)

15.2 Income tax expenses

Income tax expenses for the years ended 31 December 2020 and 2019 were summarised as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
		(Restated)
Current income tax		
Current income tax charge for the years	56,270	73,818
Adjustments in respect of corporate income tax of previous year	(2,775)	(10,811)
Deferred income tax		
Income tax relating to origination and reversal of temporary differences	5,944	17,782
Income tax expenses reported in profit or loss	<u>59,439</u>	<u>80,789</u>

Reconciliation between income tax expenses and the product of accounting profits for the years ended 31 December 2020 and 2019 multiplied by the applicable tax rate were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
		(Restated)
Accounting profits before income tax expenses	<u>254,678</u>	<u>369,005</u>
Applicable tax rate	20%	20%
Accounting profits before income tax expenses multiplied by applicable tax rate	50,936	73,801
Tax effects from:		
Adjustments in respect of corporate income tax of previous year	(2,775)	(10,811)
Net tax effect of tax-exempted revenues and non-tax deductible expenses	<u>11,278</u>	<u>17,799</u>
Income tax expenses reported in profit or loss	<u>59,439</u>	<u>80,789</u>
Weighted average tax rate (percent)	23.34	21.89

15.3 The amount of income tax recognised in other comprehensive income for the years ended 31 December 2020 and 2019 were summarised below:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Related deferred tax on:		
Gain on valuation of investment in debt securities measured at fair value through other comprehensive income	(15,086)	-
Actuarial (gain) loss	630	(2,623)
Total	(14,456)	(2,623)

16. Other assets

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Accrued interest receivables	61,164	63,520
Others	36,761	18,638
Total	97,925	82,158

17. Deposits

17.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Current accounts	17,785,492	15,425,217
Savings accounts	14,393,703	16,759,804
Terms		
- Less than 6 months	2,515,801	7,473,417
- 6 months but less than 1 year	1,600	18,500
- 1 year and over	1,503,309	1,600
Total deposits	36,199,905	39,678,538

17.2 Classified by currency and residence of depositors

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	30,009,689	212,690	30,222,379	30,079,326	291,449	30,370,775
US Dollar	2,764,238	30,544	2,794,782	7,362,074	-	7,362,074
Others	1,891,911	1,290,833	3,182,744	1,941,869	3,820	1,945,689
Total deposits	<u>34,665,838</u>	<u>1,534,067</u>	<u>36,199,905</u>	<u>39,383,269</u>	<u>295,269</u>	<u>39,678,538</u>

18. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
Other financial institutions	700	1,501,207	1,501,907	1,421	2,160,551	2,161,972
Total domestic items	<u>700</u>	<u>1,501,207</u>	<u>1,501,907</u>	<u>1,421</u>	<u>2,160,551</u>	<u>2,161,972</u>
Foreign items						
Baht	56,599	-	56,599	52,825	-	52,825
Total foreign items	<u>56,599</u>	<u>-</u>	<u>56,599</u>	<u>52,825</u>	<u>-</u>	<u>52,825</u>
Total domestic and foreign items	<u>57,299</u>	<u>1,501,207</u>	<u>1,558,506</u>	<u>54,246</u>	<u>2,160,551</u>	<u>2,214,797</u>

As at 31 December 2019, structured deposits that are not designated at fair value in the Bank's financial statements amounted to Baht 2,161 million.

19. Financial liabilities measured at fair value through profit or loss

(Unit: Thousand Baht)

	31 December 2020	31 December 2019
Financial assets held for trading		
Provision for returning securities	83,626	-
Total financial liabilities measured at fair value through profit or loss	<u>83,626</u>	<u>-</u>

20. Lease liabilities

The Bank has entered into lease agreements to lease buildings and building improvements for the Company's operations, whereby the terms of the agreements are generally 1 - 6 years.

The maturity analysis of lease liabilities of the Bank is presented below:

(Unit: Thousand Baht)

	31 December 2020		
	Less than 1 year	1 - 6 years	Total
Undiscounted lease payments	17,160	67,379	84,539
Less: Deferred interest expenses	(1,562)	(3,259)	(4,821)
Total	<u>15,598</u>	<u>64,120</u>	<u>79,718</u>

The Bank has total cash outflow for leases during for the year ended 31 December 2020 of Baht 17 million and expenses related to lease agreements which were recognised in statement of comprehensive income for the year ended 31 December 2020 by Baht 1.5 million.

21. Provisions for liabilities

(Unit: Thousand Baht)

	31 December 2020	31 December 2019
Provision for long-term employee benefits	98,272	97,426
Provision for other liabilities		
Allowance for expected credit loss of loan commitments and financial guarantee contracts	6,368	-
Provision for restoration cost	7,784	7,784
Provision for termination benefits	11,502	-
Total provision for liabilities	<u>123,926</u>	<u>105,210</u>

21.1 Provision for long-term employee benefits

Changes in provisions for long-term employee benefits are summarised as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Provisions for defined post employee benefits at beginning of the year	85,179	70,639
Recognised in profit or loss		
Current service cost	7,938	7,150
Interest cost	1,075	1,989
Past service cost	-	18,519
Total recognised in profit or loss	9,013	27,658
Recognised in other comprehensive income		
Actuarial (gain) loss arising from		
Financial assumption changes	3,150	4,724
Experience adjustments	-	(17,842)
Total recognised in other comprehensive income	3,150	(13,118)
Employee benefits paid during the year	(8,033)	-
Provisions for defined post employee benefits at end of the year	89,309	85,179
Other provision for long-term benefits	8,963	12,247
Total provisions for long-term employee benefits	98,272	97,426

Long-term employee benefit expenses included in profit or loss for the years ended 31 December 2020 and 2019 are as follow:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Current service cost	8,588	8,148
Interest cost	1,222	2,360
Past service cost	-	18,519
Actuarial (gain) loss	279	(2,548)
Total	10,089	26,479

As at 31 December 2020, the Bank expects to pay long-term employee benefits during the next year of Baht 11 million

As at 31 December 2020, the weight average duration of the liabilities of the long-term employee benefits is 6 years.

The principal assumptions used in determining provision for long-term employee benefits can be summarised as follows:

	(Unit: Percentage per year)	
	31 December 2020	31 December 2019
Future salary incremental rates (depending on age)	3 - 8%	3 - 8%
Turnover rates (depending on age)	0 - 20%	0 - 20%
Average discount rate	0.97%	1.50%

Sensitivity analysis for principal assumptions that affected provision for long-term employee benefits as at 31 December 2020 and 2019 were summarised below:

Key assumptions	(Unit: Thousand Baht)	
	Increase (decrease) in employee benefits	
	31 December 2020	31 December 2019
Salary incremental rates increase by 1.00%	6,199	6,010
Salary incremental rates decrease by 1.00%	(5,578)	(5,413)
Average discount rates increase by 1.00%	(5,676)	(5,535)
Average discount rates decrease by 1.00%	6,442	6,276

21.2 Provision for other liabilities

	(Unit: Thousand Baht)			
	For the year ended 31 December 2020			
	Allowance for expected credit loss of loan commitments and financial guarantee contracts	Provision for restoration cost	Provision for termination benefits	Total
Beginning balances	-	7,784	-	7,784
Changes due to the first-time adoption of TFRS 9	1,988	-	-	1,988
Beginning balances - as restated	1,988	7,784	-	9,772
Increase in estimation during the year	4,380	-	11,502	15,882
Ending balances	6,368	7,784	11,502	25,654

21.3 Allowance for expected credit loss of loans commitments and financial guarantee contracts

As 31 December 2020, allowance for expected credit loss on loans commitments and financial guarantee contracts classified by loans classification were as follows:

(Unit: Thousand Baht)

	31 December 2020	
	Loans commitments and financial guarantee contracts	Allowance for expected credit loss
Financial assets where there has not been a significant increase in credit risk (Performing)	18,697,416	5,969
Financial assets where there has been a significant increase in credit risk (Under-Performing)	258,354	399
Financial assets that are credit-impaired (Non-Performing)	-	-
Total	18,955,770	6,368

The changes in the allowance for expected credit loss on loans commitments and financial guarantee contracts were as follows:

(Unit: Thousand Baht)

	31 December 2020			
	Financial assets where there has not been a significant increase in credit risk (12- month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
Beginning balances	-	-	-	-
Changes due to the first-time adoption of TFRS 9	1,124	864	-	1,988
Beginning balances - as restated	1,124	864	-	1,988
Changes due to changes in staging	(44)	44	-	-
Changes due to remeasurement of allowance for expected credit loss	210	(505)	-	(295)
Obligations to grant new credit limits and financial guarantee	5,368	45	-	5,413
Repayment	(689)	(49)	-	(738)
Ending balance	5,969	399	-	6,368

22. Other liabilities

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Accrued interest payables	889,001	1,017,703
Suspense creditors	30,735	252,505
Accrued employee expenses	55,528	73,809
Accrued Deposit Protection Agency and Bank of Thailand fees	34,241	60,201
Income tax payable	21,079	33,355
Other tax payable	47,740	6,307
Others	35,426	31,495
Total	<u>1,113,750</u>	<u>1,475,375</u>

23. Capital funds and liquidity reserve

The Bank maintains capital funds in accordance with Section 32 of the Financial Institution Business Act. B.E. 2551, where by capital funds are to be maintained at a percentage of risk-weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the BoT. As at 31 December 2020 and 2019, these can be summarised as follows:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Thailand Government bonds	6,259,783	5,932,088
Bank of Thailand bonds	11,874,444	12,388,751
Total	<u>18,134,227</u>	<u>18,320,839</u>

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Sum of net capital funds for maintenance of assets under Section 32 and net balance of inter-office accounts		
Net funds brought into maintenance assets under Section 32	17,800,000	17,800,000
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same entity, the parent company and subsidiaries of the head office	6,614,134	3,358,804
Total	24,414,134	21,158,804
Capital Funds (Thousand Baht)	17,800,000	17,800,000
Capital Adequacy Ratio (%)	24.39	22.06
Capital Adequacy Ratio (%) per BoT's notification	11.00	11.00

BoT's notification no. For Kor Kor. (12) Wor 1030/2562 dated 10 July 2019, requires the Bank to disclose its capital funds and capital adequacy ratio after deducting the capital add-on arising from the Single Lending Limit.

As at 31 December 2020 and 2019, the Bank has no add-ons arising from the Single Lending Limit.

As at 31 December 2020 and 2019, the Bank has applied the calculation for credit risk capital and market risk capital under "the Standard Approach (SA)" and operational risk capital under "Basic Indicator Approach (BIA)" as approved by the BoT and in accordance with the BoT's notification.

In accordance with the BoT's Notification No. Sor Nor Sor. 4/2556, Re: "The Public Disclosure of Capital Maintenance for Commercial Banks", dated 2 May 2013 and No. Sor Nor Sor. 14/2562 dated 4 July 2019, the Bank discloses capital maintenance information within 4 months after year end date as indicated in the notification through the Bank's website at "www.db.com/thailand".

Capital management

The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements and to maintain credit ratings.

24. Other components of head office and other branches under the same entity

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Revaluation surplus on investments measured at fair value through other comprehensive income		
Debt securities	75,439	-
Total	75,439	-
Revaluation deficit on investments measured at fair value through other comprehensive income		
Debt securities	(9)	-
Total	(9)	-
Total	75,430	-
Less: income tax	(15,086)	-
Other components of head office and other branches under the same entity - net of income tax	60,344	-

25. Interest income

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Interbank and money market items	87,760	135,362
Investments and trading transactions	243,779	436,996
Loans to customers	341,408	525,281
Total interest income	672,947	1,097,639

26. Interest expenses

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Deposits	69,100	89,120
Interbank and money market items	391,916	861,282
Contributions to the Deposit Protection Agency and the Financial Institutions Development Fund	70,775	122,510
Debt issued and borrowings	-	9,678
Total interest expenses	531,791	1,082,590

27. Net fees and service income

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Fees and service income		
- Acceptances and guarantees	62,798	51,548
- Transaction fees	64,764	84,069
- Custody fees	24,068	37,273
- Others	66,821	55,576
Total fees and service income	218,451	228,466
Fees and service expenses		
- Transfer fees between financial institutions	32,711	30,024
- Others	48,492	45,969
Total fees and service expenses	81,203	75,993
Net fees and service income	137,248	152,473

28. Net gain on financial instruments measured at fair value through profit or loss/Net gain on trading and foreign exchange transactions

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Foreign currencies and foreign currencies related derivatives	624,314	1,741,919
Interest rate related derivatives	135,561	(745,016)
Debt securities	229,169	370,650
Total	989,044	1,367,553

29. Net gain on investments

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Gain from derecognised investments in debt securities measured at fair value through other comprehensive income	111,424	-
Net gain on investments	111,424	-

30. Expected credit loss/Bad debts, doubtful accounts and impairment loss

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Interbank and money market items	16	5,618
Investment in debt securities measured at fair value through other comprehensive income	3,372	-
Loans to customers	(9,437)	5,572
Amortised amount of the impact from the adoption of TFRS 9	(56,269)	-
Loan commitments	4,380	-
Total expected credit loss/bad debts, doubtful accounts and impairment loss (reversal)	<u>(57,938)</u>	<u>11,190</u>

31. Commitments and contingent liabilities

31.1 Contingent liabilities

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Guarantees of loans	17,253,923	10,181,193
Letters of credit	703,716	251,264
Unmatured import bills	31,316	-
Other commitments		
- Undrawn overdraft amount	3,974,883	5,022,964
- Committed line	966,815	1,652,979
Total commitments	<u>22,930,653</u>	<u>17,108,400</u>

31.2 Commitment on lease and service agreements

As at 31 December 2020 and 2019, the Bank had commitments under lease and service agreements for which the terms range from 1 - 3 years, which yet not recognised as right-of-use assets. Under the terms of the above agreements and service agreements, the Bank has future minimum payment required under agreements as follows:

	(Unit: Thousand Baht)	
Payment within	31 December 2020	31 December 2019
1 year	17,646	31,312
1 year to 5 years	32,037	88,634
	<u>49,683</u>	<u>119,946</u>

31.3 Other commitments

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Business Continuity Facility agreement	9,149	23,217
Facility Management Solution agreement	1,600	1,451
Total	<u>10,749</u>	<u>24,668</u>

32. Provident fund

The Bank and employees have established contributory provident funds. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 5% to 15% of their basic salaries and by the Bank at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

33. Related party transactions

33.1 Related parties

For the purpose of the preparation of these financial statements, related parties are those individuals or enterprises that control, or are controlled by, the Bank, whether directly or indirectly, or that are significantly influenced by the Bank in making financial and operating decisions, or vice versa, or that are subject to common control or have significant influences in common with the Bank.

Relationships with key management, related persons and parties were as follows:

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Key management personnel	Various nationalities	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank's key management personnel consisted of: <ul style="list-style-type: none"> - Chief Country Officer and General Manager - Country Chief Operating Officer - Head of Finance - Head of Global Transaction Banking Thailand and Head of Corporate Cash Management

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
		<ul style="list-style-type: none"> - Head of Global Markets - Head of Compliance/Anti-Financial Crime - Thailand Chief Operating Office - Head of Human Resources - Country Treasurer of Thailand
Head Office and other Branches		
Deutsche Bank AG, Frankfurt Branch	Germany	Head Office
Deutsche Bank AG, Asia Pacific Head Office	Singapore	Asia Pacific Head Office
Deutsche Bank AG, Wien Branch	Austria	Other Branch
Deutsche Bank AG, Brüssel Branch	Belgium	Other Branch
Deutsche Bank AG, Paris Branch	France	Other Branch
Deutsche Bank AG, Hong Kong Branch	Hong Kong	Other Branch
Deutsche Bank AG, Ungarn Branch	Hungary	Other Branch
Deutsche Bank AG, Bangalore Branch	India	Other Branch
Deutsche Bank AG, Mumbai Branch	India	Other Branch
Deutsche Bank AG, Jakarta Branch	Indonesia	Other Branch
Deutsche Bank AG, Tokyo Branch	Japan	Other Branch
Deutsche Bank AG, Amsterdam Branch	Netherlands	Other Branch
Deutsche Bank AG, Karachi Branch	Pakistan	Other Branch
Deutsche Bank AG, Manila Branch	Philippines	Other Branch
Deutsche Bank AG, Portugal Branch	Portugal	Other Branch
Deutsche Bank AG, Taipei Branch	Taiwan	Other Branch
Deutsche Bank AG, Johannesburg Branch	South Africa	Other Branch
Deutsche Bank AG, Singapore Branch	Singapore	Other Branch
Deutsche Bank AG, Seoul Branch	South Korea	Other Branch
Deutsche Bank AG, Colombo Branch	Sri Lanka	Other Branch
Deutsche Bank AG, Zürich Branch	Switzerland	Other Branch
Deutsche Bank AG, Abu Dhabi Branch	U.A.E	Other Branch
Deutsche Bank AG, Dubai (DIFC) Branch	U.A.E	Other Branch
Deutsche Bank AG, London Branch	United Kingdom	Other Branch
Deutsche Bank AG, New York Branch	United States	Other Branch
Deutsche Bank AG, Ho Chi Minh Branch	Vietnam	Other Branch

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Other Group entities		
Deutsche Group Services Pty Limited	Australia	Other Group entity
Deutsche Bank S.A.- Banco Alemão	Brazil	Other Group entity
Deutsche Bank (China) Co., Ltd., Beijing Branch	China	Other Group entity
Deutsche Bank (China) Co., Ltd., Shanghai Branch	China	Other Group entity
Deutsche Bank Privat- und Geschäftskunden AG	Germany	Other Group entity
DWS Holding & Service GmbH	Germany	Other Group entity
Deutsche Securities Asia Limited	Hong Kong	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity
DBOI Global Services Private Limited, Bangalore Branch	India	Other Group entity
Deutsche Centre Private Limited	India	Other Group entity
DBOI Global Services Private Limited, Jaipur Branch	India	Other Group entity
DBOI Global Services Private Limited, Pune Branch	India	Other Group entity
Deutsche Equities India Private Limited	India	Other Group entity
Deutsche Investments India Private Limited	India	Other Group entity
Deutsche Investor Services Private Limited	India	Other Group entity
DB Service Centre Limited	Ireland	Other Group entity
Deutsche International Corporate Service (Ireland) Limited	Ireland	Other Group entity
DB Consorzio S. Cons. a r. l.	Italy	Other Group entity
Deutsche Bank Società per Azioni	Italy	Other Group entity
Deutsche Securities Inc.	Japan	Other Group entity
Deutsche Bank Luxembourg S.A.	Luxembourg	Other Group entity
Deutsche Bank (Malaysia) Berhad	Malaysia	Other Group entity
Deutsche Bank Nederland N.V.	Netherlands	Other Group entity
Deutsche Knowledge Services Pte. Ltd., Manila Branch	Philippines	Other Group entity
Deutsche Bank Polska Spółka Akcyjna	Poland	Other Group entity
Deutsche Bank Securities Asia Limited, Taipei Branch	Taiwan	Other Group entity
DB Global Technology SRL	Romania	Other Group entity

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Deutsche Bank OOO	Russia	Other Group entity
Deutsche Bank TechCentre OOO	Russia	Other Group entity
DB International (Asia) Limited	Singapore	Other Group entity
Deutsche Securities Korea Co.	South Korea	Other Group entity
Deutsche Bank, Sociedad Anónima Española	Spain	Other Group entity
Deutsche Bank (Suisse) SA	Switzerland	Other Group entity
Deutsche Bank A.S.	Turkey	Other Group entity
Deutsche Asset Management Group Limited	United Kingdom	Other Group entity
DB Group Services (EURO)	United Kingdom	Other Group entity
DB UK Bank Limited	United Kingdom	Other Group entity
DBOI Global Services (UK) Limited	United Kingdom	Other Group entity
DB Global Technology Inc.	United States	Other Group entity
DB Services New Jersey, Inc.	United States	Other Group entity
Deutsche Bank National Trust Company	United States	Other Group entity
Deutsche Bank Securities Inc.	United States	Other Group entity
Deutsche Bank Trust Company Americas	United States	Other Group entity
Thai Asset Enforcement and Recovery Asset Management Company Limited	Thailand	Other Group entity

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Interest income	Market rate
Interest expenses	Market rate
Fees and service income	Contractual agreed price
Fees and service expenses	Contractual agreed price
Derivatives	Market rate
Other operating income from head office	Contractual agreed price
Employee expenses	Contractual agreed price
Expenses allocated	Contractual agreed price
Other expenses	Contractual agreed price

Significant transactions for the years ended 31 December 2020 and 2019 with key management personnel, individuals or related parties were as follows:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
<i>Head Office and other Branches</i>		
Interest income	38,729	26,185
Interest expenses	220,407	589,136
Fees and service income	22,183	33,598
Fees and service expenses	2	3
Other operating income from head office	141,927	92,696
Employee expenses	5	190
Expenses allocated from head office	481,838	581,750
Other expenses	46,036	41,076
Profit remitted to head office	352,104	-
<i>Other Group entities</i>		
Interest income	1,390	10,364
Interest expenses	-	2
Fees and service income	2,883	14,125
Fees and service expenses	-	3
Other operating income	1,551	3,365
Expenses allocated	49,430	52,385

Significant balances as at 31 December 2020 and 2019 with related parties were as follows:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Deposits		
Thai Asset Enforcement and Recovery Asset Management Company Limited	5,814	7,242
Funds brought into Thailand for maintaining assets under the Act		
Deutsche Bank AG, Frankfurt Branch	17,800,000	17,800,000
Balance of inter-office accounts with head office and other branches of the same entity, net		
<i>Debts issued and borrowings</i>		
Deutsche Bank AG, Frankfurt Branch	13,378,998	16,150,115
<i>Accrued interest payable</i>		
Deutsche Bank AG, Frankfurt Branch	20,891	73,597
<i>Interbranch accounts</i>	(6,785,755)	(12,864,908)
Total	6,614,134	3,358,804
Derivatives - Foreign currency related (notional amount)		
Head office and other branches	205,343,140	162,386,656
Derivatives - Interest rate related (notional amount)		
Head office and other branches	167,000,929	419,630,183

As at 31 December 2020, debt issued by and borrowings from related parties have maturity dates between 4 January 2021 and 23 June 2022 (2019: 7 January 2020 and 31 May 2021) and carry interest at rates from 0.01% - 0.97% per annum (2019: 0.05% - 2.29% per annum). Interest will be paid at the maturity dates and the principal amounts may be rolled over.

33.2 Remunerations to directors and senior management

The Bank did not provide additional benefit to the directors and management other than the benefits normally provided for instance, salaries, bonuses, post-employment benefits and share based payments as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Short-term employee benefits	86,432	92,774
Post-employment benefits	41,024	40,316
Share-based payments	8,046	6,677
Total	135,502	139,767

34. Segment information

The Bank does not present the financial position and results of operations classified by domestic and foreign business in the financial statements because the Bank is engaged in only one domestic business in Thailand.

35. Risk Management

Financial risk management policies

The Bank uses a comprehensive range of quantitative tools for monitoring and managing its major risks. Some of these tools are applicable to a number of risk factors, while others are tailored to the particular features of specific risk categories. These quantitative tools generate information to quantify the susceptibility of the market value of single positions or portfolios to changes in market parameters (Sensitivity analysis), measure aggregate risk using statistical techniques, and capture exposure to risks from extreme movements in market prices through scenario analysis.

The most important risks the Bank is exposed to are credit risk, market risk and liquidity risk. These 3 categories of risk are further described below:

35.1 Credit risk

Credit risk arises from all transactions where there are actual, contingent or potential claims against any counterparty, borrower or obligor exist. (which refer to collectively as “counterparties”) These transactions are typically part of traditional non-traded lending activities (such as loans to customers and contingent liabilities), or direct trading activities with clients (such as over-the-counter derivatives, foreign exchange forwards and forward interest rate agreements). Some are related to positions in traded credit products (such as bonds). “Traded Default Risk” is managed using both credit and market risk parameters.

Credit risk can be categorised into three types as follows:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk of incurring a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Credit risk can be measured and managed as follows:

- The key principle of credit risk management is client due diligence, which is aligned with country and industry portfolio strategies. Prudent client selection is achieved in collaboration with business line counterparts as a first line of defense. The standards applied in credit decision processes are consistent across the Group.
- The Bank actively aims to prevent undue concentration and long tail-risks (large unexpected loss) by ensuring a diversified and marketable credit portfolio, effectively protecting the Bank’s capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against the Bank’s risk appetite.
- The Bank aims to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralisation of existing portfolios where feasible.

- The Bank is selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk business where the margin allows for adequate loss coverage.
- The Bank aims to secure its derivatives portfolio through collateral agreements if it considers necessary and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. The Bank assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Bank reviews these periodically.

The maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for recognised and unrecognised financial instruments. The maximum exposure to credit risk is shown gross before both the effect of mitigation through use of master netting and collateral arrangements.

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their carrying value.

For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees are called upon.

For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 31 December 2020 and 2019, the maximum exposures to credit risk were as follows:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Interbank and money market items (asset)	1,352,010	12,495,753
Financial assets measured at fair value through profit or loss	21,814,444	-
Derivative assets	19,027,800	18,175,524
Investments	20,482,693	26,302,873
Loans to customers and accrued interest receivables	19,635,108	25,880,945
Trade securities receivables	1,054,539	223,007
Collateral receivables under the Credit Support Annex agreements	-	207,507
Other assets - accrued interest receivables	61,164	63,520
Total financial assets	83,427,758	83,349,129
Loan commitments - committed line	966,815	1,652,979
Financial guarantees (loans, letters of credit, unmatured import bills)	17,988,955	10,432,457
Total	18,955,770	12,085,436
Total credit risk exposures	102,383,528	95,434,565

Collateral and any arrangements to increase creditability

The Bank has held collateral and any arrangements to increase creditability of exposure to credit risk. The details of the collateral held by the Bank for each type of financial assets were as follows:

	(Unit: Thousand Baht)		
	Exposure to credit risk with collateral as at 31 December		
	2020	2019	Type of collateral
Interbank and money market items (asset)	-	10,101,279	Debt securities
Financial assets measured at fair value through profit or loss	17,400,682	-	Debt securities
Loans to customers and accrued interest receivables	79,295	258,739	Lease contracts

Credit quality analysis

The table below shows the credit quality of financial assets exposed to credit risk. The amounts presented for financial assets are gross carrying amounts (before allowance for expected credit loss). For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(Unit: Thousand Baht)

	31 December 2020				
	Financial assets where there has not been a significant increase in credit risk (12-month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Excess allowance	Total
Interbank and money market items (assets)					
Investment grade	583,381	-	-	-	583,381
Not overdue	768,629	-	-	-	768,629
Total	1,352,010	-	-	-	1,352,010
Less: Allowance for expected credit loss	(19)	-	-	-	(19)
Net book value	1,351,991	-	-	-	1,351,991
Investments in debt securities measured at fair value through other comprehensive income					
Investment grade	20,482,693	-	-	-	20,482,693
Total	20,482,693	-	-	-	20,482,693
Less: Allowance for expected credit loss	(3,372)	-	-	-	(3,372)
Net book value	20,479,321	-	-	-	20,479,321
Loans to customers and accrued interest receivables					
Not overdue	19,502,546	83,352	-	-	19,585,898
Overdue 31 - 60 days	-	-	49,210	-	49,210
Total	19,502,546	83,352	49,210	-	19,635,108
Less: Allowance for expected credit loss	(1,616)	(4)	(49,210)	(224,115)	(274,945)
Net book value	19,500,930	83,348	-	(224,115)	19,360,163
Loan commitments					
Not overdue	923,131	43,684	-	-	966,815
Total	923,131	43,684	-	-	966,815
Less: Allowance for expected credit loss	(390)	-	-	-	(390)
Net book value	922,741	43,684	-	-	966,425
Financial guarantee contracts					
Not overdue	17,774,285	214,670	-	-	17,988,955
Total	17,774,285	214,670	-	-	17,988,955
Less: Allowance for expected credit loss	(5,579)	(399)	-	-	(5,978)
Net book value	17,768,706	214,271	-	-	17,982,977

As at 31 December 2019, classified assets of the Bank were categorised by quality in compliance with the BoT's regulations, taking into account the analysis of each investments, loans and appraisal of the financial outstanding of each borrower, as follows:

(Unit: Thousand Baht)

	31 December 2019			
	Investments	Loans to financial institutions and accrued interest receivables	Loans to customers and accrued interest receivables	Total
Pass	-	11,852,944	25,482,634	37,335,578
Special mention	-	-	348,910	348,910
Doubtful of loss	6,907	-	49,401	56,308
Total	6,907	11,852,944	25,880,945	37,740,796

35.2 Market Risk

Market risk arises from uncertainty concerning changes in market prices and rates (interest rates, foreign exchange rates, equity prices and commodity prices), the correlations among these prices and rates and their levels of volatility.

Risk management

Deutsche Bank Global Group entities, including the Bank, use a combination of risk sensitivity and Value at Risk (VaR) measurement, stress testing and economic capital metrics to manage market risks and establish limits. Steered by the Group Risk Committee, the Market Risk Management team, which is part of an independent risk management function, is responsible for managing the market risk of the Bank. Limits are set appropriate to the risk appetite, in terms of Value at Risk, relevant policies are set and these are communicated to the appropriate personnel in each business division.

Most interest rate and foreign exchange risks arise from non-trading asset and liability positions and are transferred through internal hedges to the Global Markets team, which manages them together with trading transactions on the basis of Value at Risk. Remaining risks that have not been transferred through these hedges, such as foreign exchange risk, are mitigated by matching with investments in the same currency.

(a) Interest rate risk

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

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

(Unit: Thousand Baht)

	31 December 2020			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	19,548	19,548
Interbank and money market items	66,242	768,629	517,139	1,352,010
Financial assets measured at fair value				
through profit or loss	-	21,814,444	-	21,814,444
Derivative assets	-	-	19,027,800	19,027,800
Investments	-	20,482,693	-	20,482,693
Loans to customers and accrued interest receivables	51,225	17,706,932	1,876,951	19,635,108
Trading securities receivables	-	-	1,054,539	1,054,539
Other assets - accrued interest receivables	-	-	61,164	61,164
Total financial assets	117,467	60,772,698	22,557,141	83,447,306
Financial liabilities				
Deposits	26,269,647	4,020,710	5,909,548	36,199,905
Interbank and money market items	700	1,501,207	56,599	1,558,506
Liabilities payable on demand	-	-	803,046	803,046
Financial liabilities measured at fair value				
through profit or loss	-	-	83,626	83,626
Derivative liabilities	-	-	17,626,013	17,626,013
Lease liabilities	-	-	79,718	79,718
Trading securities payable	-	-	1,046,241	1,046,241
Other liabilities - accrued interest payables	-	-	889,001	889,001
Net balances of inter-office accounts with head office and other branches under the same entity	-	9,939,538	(3,325,404)	6,614,134
Total financial liabilities	26,270,347	15,461,455	23,168,388	64,900,190

(Unit: Thousand Baht)

	31 December 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	38,091	38,091
Interbank and money market items	44,286	11,851,540	599,927	12,495,753
Derivative assets	-	-	18,175,524	18,175,524
Investments	-	26,302,873	-	26,302,873
Loans to customers and accrued interest receivables	166,500	23,567,839	2,146,606	25,880,945
Trading securities receivables	-	-	223,007	223,007
Collateral receivables under the Credit Support Annex agreements	207,507	-	-	207,507
Other assets - accrued interest receivables	-	-	63,520	63,520
Total financial assets	418,293	61,722,252	21,246,675	83,387,220
Financial liabilities				
Deposits	27,348,937	7,493,517	4,836,084	39,678,538
Interbank and money market items	388	2,160,551	53,858	2,214,797
Liabilities payable on demand	-	-	909,206	909,206
Derivative liabilities	-	-	16,729,744	16,729,744
Trading securities payables	-	-	438,200	438,200
Other liabilities - accrued interest payables	-	-	1,017,703	1,017,703
Net balances of inter-office accounts with head office and other branches under the same entity	-	9,894,022	(6,535,218)	3,358,804
Total financial liabilities	27,349,325	19,548,090	17,449,577	64,346,992

Details of interest rate risk based on the period to the earlier of the contractual repricing date or maturity date at 31 December 2020 and 2019 were as follows:

(Unit: Thousand Baht)

	31 December 2020						Average return rate (% annum)
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total	
Financial assets							
Interbank and money market items	-	21,761	746,868	-	-	768,629	0.75
Financial assets measured at fair value through profit or loss	-	17,400,682	1,192,134	2,247,399	974,229	21,814,444	0.69
Investments	-	3,466,031	12,935,275	4,081,387	-	20,482,693	1.47
Loans to customers and accrued interest receivables	1,319,725	11,565,308	4,646,309	175,590	-	17,706,932	1.63
Total financial assets	1,319,725	32,453,782	19,520,586	6,504,376	974,229	60,772,698	
Financial liabilities							
Deposits	-	2,245,467	271,934	1,503,309	-	4,020,710	0.10
Interbank and money market items	-	-	-	501,207	1,000,000	1,501,207	5.09
Net balances of inter-office accounts with head office and other branches under the same entity	25,428	3,827,476	-	6,086,634	-	9,939,538	0.32
Total financial liabilities	25,428	6,072,943	271,934	8,091,150	1,000,000	15,461,455	

(Unit: Thousand Baht)

	31 December 2019						Average return rate (% annum)
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total	
Financial assets							
Interbank and money market items	-	11,851,540	-	-	-	11,851,540	1.22
Investments	-	3,114,895	10,267,173	12,096,056	824,749	26,302,873	2.10
Loans to customers and accrued interest receivables	4,628,125	14,059,126	4,306,277	574,311	-	23,567,839	1.79
Total financial assets	4,628,125	29,025,561	14,573,450	12,670,367	824,749	61,722,252	
Financial liabilities							
Deposits	-	7,491,917	1,600	-	-	7,493,517	1.86
Interbank and money market items	-	466,826	262,020	431,705	1,000,000	2,160,551	7.31
Net balances of inter-office accounts with head office and other branches under the same entity	76,120	3,076,337	(3,373,009)	10,114,574	-	9,894,022	1.17
Total financial liabilities	76,120	11,035,080	(3,109,389)	10,546,279	1,000,000	19,548,090	

(b) Foreign exchange rate risk

Foreign exchange rate risk is the risk to the value of financial instruments caused by the fluctuation in foreign exchange rates. It is managed in conjunction with market risk.

The Bank manages foreign exchange rate risk within the limit which is approved by the Thailand Risk Committee. In addition, the Bank limits the net foreign currency position of each currency at 15% of the total funds of the Bank, and limits the net foreign currency in aggregate of every currency at 20% of total funds of the Bank. The ratio is complied with BoT's regulations.

As at 31 December 2020 and 2019, the Bank's net foreign currency asset (liabilities) was as follows:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Net foreign currency exposure - Assets (Liabilities)		
US Dollar	(348,462)	212,954
Euro	(71,755)	(109,742)
Others	(68,074)	(101,057)

35.3 Liquidity Risk

Liquidity risk management is used by the Bank to enable the business to maintain sufficient liquidity and to make payment within the specified time frames.

The Bank, Thailand branch, manages its liquidity position under the BoT's rules and regulations related to liquidity reserves. The treasury function is responsible for the management of liquidity and funding risk in the same manner as the Deutsche Bank group globally as defined in the liquidity risk management strategy. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Liquidity risk management is discussed at Asset and Liability Committee "ALCO" meetings in Thailand.

The liquidity risk management approach starts at the intraday level (operational liquidity) by managing the daily payments queue, forecasting cash flows and factoring in access to central banks. It also covers tactical liquidity risk management, taking into account access to secure and unsecure funding sources. Finally, a strategic perspective considers the maturity profile of all assets and liabilities and the Bank's issuance instrument strategy.

The Bank's cash-flow based reporting system provides daily liquidity risk management information for global and regional management.

Stress testing and scenario analysis play a central role in the liquidity risk management framework. This incorporates an assessment of asset liquidity e.g., the characteristics of the asset, under various stress scenarios as well as contingent funding requirements to meet commitments.

The BoT's Notification No.Sor Nor Sor 2/2561, dated 25 January 2018, requires the Bank to disclose its Liquidity Coverage Ratio (LCR) on the Bank's website. The Bank has disclosed the LCR of the Bank as at 30 June 2020 at www.db.com/thailand.

As at 31 December 2020 and 2019, the Bank's financial assets and liabilities were classified by remaining periods to maturity as follows:

(Unit: Thousand Baht)

	31 December 2020						Total
	At call	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No maturity	
Financial assets							
Cash	-	-	-	-	-	19,548	19,548
Interbank and money market items	583,381	21,761	746,868	-	-	-	1,352,010
Financial assets measured at fair value through profit or loss	-	17,400,682	1,192,134	2,247,399	974,229	-	21,814,444
Derivatives assets	-	4,519,900	5,064,581	7,175,760	2,267,559	-	19,027,800
Investments	-	3,466,031	12,935,275	4,081,387	-	-	20,482,693
Loans to customers and accrued interest receivables	528,894	13,378,529	4,660,067	176,305	-	891,313	19,635,108
Trading securities receivables	-	1,054,539	-	-	-	-	1,054,539
Other assets - accrued interest receivables	-	9,357	45,213	5,602	992	-	61,164
Total financial assets	1,112,275	39,850,799	24,644,138	13,686,453	3,242,780	910,861	83,447,306
Financial liabilities							
Deposits	32,179,195	2,245,467	271,934	1,503,309	-	-	36,199,905
Interbank and money market items	57,299	-	-	501,207	1,000,000	-	1,558,506
Liabilities payable on demand	803,046	-	-	-	-	-	803,046
Financial liabilities measured at fair value through profit or loss	-	83,626	-	-	-	-	83,626
Derivatives liabilities ⁽¹⁾	-	4,764,670	4,151,626	7,049,993	1,574,808	-	17,541,097
Lease liabilities	-	3,867	11,731	54,197	9,923	-	79,718
Trading securities payables	-	1,046,241	-	-	-	-	1,046,241
Other liabilities - accrued interest payables	630	2,798	36	169,313	716,224	-	889,001
Net balances of inter-office accounts with head office and other branches under the same entity	(3,299,976)	3,827,476	-	6,086,634	-	-	6,614,134
Total financial liabilities	29,740,194	11,974,145	4,435,327	15,364,653	3,300,955	-	64,815,274
Net liquidity gap	(28,627,919)	27,876,654	20,208,811	(1,678,200)	(58,175)	910,861	18,632,032
Loans commitments	-	7,483,851	3,639,715	3,750,120	1,342,058	6,714,909	22,930,653

⁽¹⁾ Derivative liabilities presented the amount before including provision against of derivative products.

(Unit: Thousand Baht)

31 December 2019

	At call	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	38,091	38,091
Interbank and money market items	642,810	11,852,943	-	-	-	-	12,495,753
Derivatives assets	-	3,163,317	3,262,193	9,111,279	2,638,735	-	18,175,524
Investments	-	3,114,895	10,267,173	12,096,056	824,749	-	26,302,873
Loans to customers and interest receivables	566,907	16,177,356	4,331,007	577,717	-	4,227,958	25,880,945
Trading securities receivables	-	223,007	-	-	-	-	223,007
Collateral receivables under Credit Support Annex agreements	207,507	-	-	-	-	-	207,507
Other assets - accrued interest receivables	208	6,975	5,673	49,085	1,579	-	63,520
Total financial assets	1,417,432	34,538,493	17,866,046	21,834,137	3,465,063	4,266,049	83,387,220
Financial liabilities							
Deposits	32,185,021	7,491,917	1,600	-	-	-	39,678,538
Interbank and money market items	54,246	466,826	262,020	431,705	1,000,000	-	2,214,797
Liabilities payable on demand	909,206	-	-	-	-	-	909,206
Derivatives liabilities ⁽¹⁾	-	3,002,516	2,859,979	8,697,170	2,084,281	-	16,643,946
Trading securities payables	-	438,200	-	-	-	-	438,200
Other liabilities - accrued interest payables	-	79,374	137,681	163,786	636,862	-	1,017,703
Net balances of inter-office accounts with head office and other branches under the same entity	(6,459,097)	3,076,336	(3,373,009)	10,114,574	-	-	3,358,804
Total financial liabilities	26,689,376	14,555,169	(111,729)	19,407,235	3,721,143	-	64,261,194
Net liquidity gap	(25,271,944)	19,983,324	17,977,775	2,426,902	(256,080)	4,266,049	19,126,026
Loans commitments	-	309,010	663,500	2,140,063	51,550	13,944,277	17,108,400

⁽¹⁾ Derivative liabilities presented the amount before including provision against of derivative products.

36. Fair values of financial assets and liabilities

As at 31 December 2020 and 2019, the Bank had financial assets and liabilities measured at fair value or measured at amortised cost which fair value were disclosed, using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2020				Carrying value
	Fair value			Total	
	Level 1	Level 2	Level 3		
<u>Financial assets measured at fair value</u>					
Financial assets measured at fair value through profit or loss	-	21,814,444	-	21,814,444	21,814,444
Derivatives assets					
- Foreign exchange forward and currency swap contracts	-	11,512,925	-	11,512,925	11,512,925
- Interest rate swap and forward interest rate contracts	-	7,514,875	-	7,514,875	7,514,875
Investments	-	20,479,321	-	20,479,321	20,479,321
<u>Financial liabilities measured at fair value</u>					
Financial liabilities measured at fair value through profit or loss	-	83,626	-	83,626	83,626
Derivatives liabilities (before including provision against of derivative products)					
- Foreign exchange forward and currency swap contracts	-	9,856,590	-	9,856,590	9,856,590
- Interest rate swap and forward interest rate contracts	-	7,684,507	-	7,684,507	7,684,507
<u>Financial assets measured at amortised cost which fair value were disclosed</u>					
Cash	19,548	-	-	19,548	19,548
Interbank and money market items	-	-	1,351,991	1,351,991	1,351,991
Loans to customers and accrued interest receivables	-	-	19,360,163	19,360,163	19,360,163
Trading securities receivables	-	1,054,539	-	1,054,539	1,054,539
Other assets - accrued interest receivables	-	-	61,164	61,164	61,164
<u>Financial liabilities measured at amortised cost which fair value were disclosed</u>					
Deposits	-	-	36,199,905	36,199,905	36,199,905
Interbank and money market items	-	-	1,558,506	1,558,506	1,558,506
Liabilities payable on demand	803,046	-	-	803,046	803,046
Lease liabilities	-	79,718	-	79,718	79,718
Trading securities payables	-	1,046,241	-	1,046,241	1,046,241
Other liabilities - accrued interest payables	-	-	889,001	889,001	889,001
Net balances of inter-office accounts with head office and other branches under the same entity	-	-	6,614,134	6,614,134	6,614,134

(Unit: Thousand Baht)

	31 December 2019				Carrying value
	Fair value			Total	
	Level 1	Level 2	Level 3		
<u>Financial assets measured at fair value</u>					
Derivatives assets					
- Foreign exchange forward and currency swap contracts	-	10,206,162	-	10,206,162	10,206,162
- Interest rate swap and forward interest rate contracts	-	7,969,362	-	7,969,362	7,969,362
Investments	-	26,302,873	-	26,302,873	26,302,873
<u>Financial liabilities measured at fair value</u>					
Derivatives liabilities (before including provision against of derivative products)					
- Foreign exchange forward and currency swap contracts	-	8,035,748	-	8,035,748	8,035,748
- Interest rate swap and forward interest rate contracts	-	8,608,198	-	8,608,198	8,608,198
<u>Financial assets measured at amortised cost which fair value were disclosed</u>					
Cash	38,091	-	-	38,091	38,091
Interbank and money market items	-	-	12,478,238	12,478,238	12,478,238
Loans to customers and accrued interest receivables	-	-	25,555,626	25,555,626	25,555,626
Trading securities receivables	-	223,007	-	223,007	223,007
Collateral receivables under the Credit Support Annex agreements					
- Annex agreements	-	207,507	-	207,507	207,507
Other assets - accrued interest receivables	-	-	63,520	63,520	63,520
<u>Financial liabilities measured at amortised cost which fair value were disclosed</u>					
Deposits	-	-	39,678,538	39,678,538	39,678,538
Interbank and money market items	-	-	2,214,797	2,214,797	2,214,797
Liabilities payable on demand	909,206	-	-	909,206	909,206
Trading securities payables	-	438,200	-	438,200	438,200
Other liabilities - accrued interest payables	-	-	1,017,703	1,017,703	1,017,703
Net balances of inter-office accounts with head office and other branches under the same entity					
-	-	-	3,358,804	3,358,804	3,358,804

The Bank estimates the fair value of financial assets and liabilities based on the following criteria:

(a) Financial assets with short-term maturities or financial assets bearing interest at rates comparable to market rates consist of cash, interbank and money market items (assets), trading securities receivables/payables, collateral receivables under the Credit Support Annex agreements, other assets, liabilities payable on demand, lease liabilities and other liabilities. The fair value of such assets and liabilities are estimated at the book value presented in the statement of financial position.

(b) Loans to customers

The fair value of floating interest loans to customers with rates that change frequently without material impact on credit risk is measured at the carrying value as at the reporting date. Where the interest rate on fixed interest loans to customers is expected to change within 1 year of the reporting date. The fair value is measured at the carrying value as at the reporting date. The fair value of other fixed interest loans to customers are measured by discounting future cash flows using the current interest rates of loans to customers with similar credit risk profiles.

(c) Deposits/Interbank and money market items (liabilities)

The fair value of deposits (including deposits and borrowing from financial institutions) which are payable on demand, floating-rate, and fixed rate deposits and certificates of deposit with maturities within 1 year of the reporting date, is measured at the carrying value as at the reporting date. The fair value of other fixed interest deposits is determined using discounted cash flows, applying the interest rates currently being offered on deposits of specified amounts that are expected to mature in each month.

(d) Financial assets measured at fair value through profit or loss/Investments

The fair value of debt securities is determined using the formula specified by the BoT and the yield rates quoted by the Thai Bond Market Association.

(e) Derivative assets/liabilities

The fair value of over-the-counter derivatives are based on inputs which are observable from independent and reliable market data sources. Those inputs are tested for reasonableness by discounting expected future cash flows using the market interest rate for a similar instrument at the measurement date. The fair value of derivative financial assets reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty when appropriate.

- (f) Net balance of inter-office accounts with head office and other branches under the same entity

Fair value is determined based on the carrying value as stated in the statement of financial position, since the majority of balances have floating interest rates or fixed interest rates with repricing periods of less than one year or are balances of intercompany transactions that are due at call or payment within 1 year.

During the current year, there were no transfers within the fair value hierarchy.

37. Reclassification

Certain amounts in the financial statement for the prior year were reclassified to confirm to the current year's classification. Such reclassification had no impact to previously reported net profits or equity of head office and other branches under the same entity. The reclassification items are summarised as follow:

(Unit: Thousand Baht)

	As at 31 December 2019	
	As reclassified	As previously reported
Derivative liabilities	16,729,744	16,643,946
Provision against of derivative products	-	85,798
Provision for liabilities	105,210	97,426
Other Liabilities	1,475,375	1,483,159

38. Approval of financial statements

These financial statements were authorised for issue by the management of the Bank on 23 April 2021.