

JPMORGAN CHASE BANK, N.A. - BANGKOK BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2019



Independent auditor's report

To the Board of Directors of JPMorgan Chase Bank, N.A.

My opinion

In my opinion, the financial statements of JPMorgan Chase Bank, N.A. - Bangkok Branch (the Bank) present fairly, in all material respects, the financial position of Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in head office's equity and other branches under the same entity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 Thailand Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, 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 TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism 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.

PricewaterhouseCoopers ABAS Ltd.

Sakuna Yamsakul

Certified Public Accountant (Thailand) No. 4906

Bangkok


14 April 2020

JPMorgan Chase Bank, N.A. - Bangkok Branch

Statement of Financial Position

As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Assets			
Cash		541,532	4,327,183
Interbank and money market items, net	6	14,724,673,607	6,789,899,358
Accounts receivable from securities trading		94,563,079	686,684,655
Financial derivatives assets	7	32,316,877,951	22,242,466,199
Investments, net	8	27,621,135,517	32,956,604,700
Loans to customers	9		
and accrued interest receivables			
Loans to customers		1,978,943,867	2,662,132,743
Accrued interest receivables		77,913	862,203
Total loans to customers			
and accrued interest receivables		1,979,021,780	2,662,994,946
<u>Less</u> Deferred revenue		(1,989,086)	(2,143,567)
<u>Less</u> Allowance for doubtful debts	10	(19,769,548)	(26,621,332)
Loans to customers and accrued interest receivables, net		1,957,263,146	2,634,230,047
Equipment, net	11	22,442,513	23,922,340
Deferred tax assets	16	127,302,843	175,942,436
Other assets, net	12	95,203,453	87,059,395
Total assets		<u>76,960,003,641</u>	<u>65,601,136,313</u>


 (Mr. Jarin Pintosopon)
 Branch Manager

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

JPMorgan Chase Bank, N.A. - Bangkok Branch

Statement of Financial Position (Cont'd)

As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Liabilities and Head Office's equity and balances with other branches under the same entity			
Liabilities			
Deposits	13	13,452,514,139	13,973,433,473
Interbank and money market items	14	3,151,396,138	1,392,925,111
Accounts payable from securities trading		43,764,264	839,969,059
Liability payable on demand		66,986,797	40,233,679
Financial liabilities designated at fair value through profit or loss	15	20,309,427,095	17,654,056,525
Financial derivatives liabilities	7	26,028,090,809	18,554,983,835
Provision for employee benefit plan	17	144,433,215	144,592,416
Other liabilities	18	358,076,038	525,829,883
Total liabilities		63,554,688,495	53,126,023,981
Head Office's equity and balances with other branches under the same entity			
Fund remitted into Thailand for maintaining assets under law	21	11,029,529,666	10,468,403,666
Net balance of inter-office accounts with Head Office and other branches under the same entity	21	1,683,594,169	1,226,207,375
Others component of accounts with head office and other branches under the same entity		81,553,043	24,253,805
Retained earnings		610,638,268	756,247,486
Total Head Office's equity and balances with other branches under the same entity		13,405,315,146	12,475,112,332
Total liabilities and Head Office's equity and balances with other branches under the same entity		76,960,003,641	65,601,136,313

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

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Interest income	26	855,841,098	775,636,822
Interest expense	27	(249,353,109)	(207,635,876)
Net interest income		606,487,989	568,000,946
Fee and service income	28	35,773,923	36,183,351
Fee and service expenses		(15,103,104)	(14,516,496)
Net fee and service income		20,670,819	21,666,855
Gains on trading and foreign exchange transactions	29	4,164,806,458	521,606,863
(Loss) Gain from financial liabilities designated at fair value through profit or loss	30	(3,246,192,159)	416,812,588
Other operating income	31	196,871,927	291,566,004
Total operating income		1,742,645,034	1,819,653,256
Other operating expenses			
Employee expenses		345,784,120	341,984,342
Premise and equipment expenses		51,808,693	48,335,128
Taxes and duties		102,819,282	38,331,813
Others	32	467,310,736	550,347,082
Total other operating expenses		967,722,831	978,998,365
Reversal bad debt and doubtful accounts	33	(6,557,314)	(64,366,918)
Profit before income tax		781,479,517	905,021,809
Income tax expense	34	(239,623,387)	(192,750,480)
Net profit for the year		541,856,130	712,271,329

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

		2019 Baht	2018 Baht
Other comprehensive income (expense)			
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of provision for employment benefit plan		15,668,315	-
Income tax relating to components of other comprehensive income that will not be subsequently reclassified to profit or loss	16	(3,133,663)	-
Total items that will not be subsequently reclassified to profit or loss		<u>12,534,652</u>	<u>-</u>
Items that will be subsequently reclassified to profit or loss			
Gains (losses) on changes in fair value of available-for-sale securities	8	73,297,671	(7,084,758)
Income tax relating to components of other comprehensive income that will be subsequently reclassified to profit or loss	16	(14,511,534)	1,416,952
Total items that will be reclassified subsequently to profit or loss		<u>58,786,137</u>	<u>(5,667,806)</u>
Other comprehensive income (expense) for the year, net of tax		<u>71,320,789</u>	<u>(5,667,806)</u>
Total comprehensive income for the year		<u><u>613,176,919</u></u>	<u><u>706,603,523</u></u>

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

Statement of Changes in Head Office's equity and Other Branches Under the Same Entity
For the year ended 31 December 2019

Other components of accounts with Head Office and other branches									
	Notes	Fund remitted into Thailand for maintaining assets under law	Net balance of inter-office accounts with Head Office and other branches under the same entity		Unrealised gain (loss) on changes in fair value of available-for-sale securities			Retained earnings	Total Baht
			Baht	Baht	Baht	Baht	Baht		
Balance as at 1 January 2018		9,494,909,666	720,646,405	10,414,771	17,216,957	44,515,157	10,287,702,956		
Net profit for the year		-	-	-	-	712,271,329	712,271,329		
Fund injection during the year	21	957,130,500	-	-	-	-	957,130,500		
Translation adjustment		16,363,500	-	-	-	-	16,363,500		
Increase during the year		-	505,560,970	-	-	-	505,560,970		
Unrealised loss on changes in fair value of available-for-sale securities	8	-	-	(7,084,758)	-	-	(7,084,758)		
Provision for share-based payment		-	-	-	2,289,883	-	2,289,883		
Income tax relating to other component of other comprehensive income for the year		-	-	-	-	-	-		
Balance as at 31 December 2018		10,468,403,666	1,226,207,375	1,416,952	19,506,840	(539,000)	877,952		
Balance as at 1 January 2019		10,468,403,666	1,226,207,375	4,746,965	19,506,840	756,247,486	12,475,112,332		
Net profit for the year		-	-	-	-	756,247,486	12,475,112,332		
Translation adjustment		(68,874,000)	-	-	-	541,856,130	541,856,130		
Retained earnings conversion to capital fund		630,000,000	-	-	-	(700,000,000)	(68,874,000)		
Increase during the year	21	-	457,386,794	-	-	-	(70,000,000)		
Unrealised gain on changes in fair value of available-for-sale securities	8	-	-	73,297,671	-	-	457,386,794		
Provision for share-based payment		-	-	-	(1,486,899)	-	73,297,671		
Actuarial gain		-	-	-	-	15,668,315	(1,486,899)		
Income tax relating to other component of other comprehensive income for the year		-	-	(14,511,534)	-	-	15,668,315		
Balance as at 31 December 2019		11,029,529,666	1,683,594,169	63,533,102	18,019,941	(3,133,663)	(17,645,197)		
								13,405,315,146	

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

Statement of Cash Flows

For the year ended 31 December 2019

	2019 Baht	2018 Baht
Cash flows from operating activities:		
Net profit from operating before income tax	781,479,517	905,021,809
Adjustments to reconcile net profit from operating before income tax to net cash provided by (used in) operating activities:		
Reversal bad debt and doubtful accounts	(6,557,314)	(64,366,918)
Depreciation and amortisation	16,913,220	18,973,005
Provision for employee benefit plan	32,875,512	30,303,924
Provision for share based payment expense	6,377,401	9,663,591
Unrealised (gain) loss on changes in fair value of trading securities	(97,156,988)	67,142,739
Loss on write-off of equipment	-	258,795
Loss on write-off of leasehold right and leasehold improvement	530,129	-
Unrealised gain on changes in fair value of financial derivative instruments	(2,601,304,778)	(154,634,916)
Revaluation of fund injection	(68,874,000)	16,363,500
Interest income	(855,841,098)	(775,636,822)
Interest expense	249,353,109	207,635,876
Operating (loss) profit before changes in operating assets and liabilities	(2,542,205,290)	260,724,583
(Increase) decrease in operating assets:		
Interbank and money market items	(7,323,860,715)	2,721,420,297
Investments in trading securities	3,870,330,144	1,588,585,731
Loans to customers	683,188,876	(1,732,838,129)
Other assets	(42,840,201)	47,389,381
Increase (decrease) in operating liabilities:		
Deposits	(520,919,334)	726,553,588
Interbank and money market items	1,758,471,027	367,972,249
Liability payable on demand	26,753,118	(12,040,590)
Financial liabilities designated at fair value through profit or loss	2,655,370,570	(3,433,508,683)
Provision for employee benefit plan	(17,366,398)	(255,063)
Provision for share based payment expense	(7,864,300)	(7,373,708)
Other liabilities	(150,658,584)	268,418,816
Net balance of inter-office accounts with Head Office and other branches under the same entity	277,687,488	645,969,012
Net cash (used in) provided by operating activities before interest received, interest paid and income tax paid - carried forward	(1,333,913,599)	1,441,017,484

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

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2019

	2019	2018
	Baht	Baht
Net cash (used in) provided by operating activities before interest received, interest paid and income tax paid - brought forward	(1,333,913,599)	1,441,017,484
Interest received	611,933,548	568,063,317
Interest paid	(235,401,731)	(207,309,976)
Income tax paid	(239,675,630)	(142,626,723)
Net cash (used in) provided by operating activities	(1,197,057,412)	1,659,144,102
Cash flows from investing activities:		
Purchase of investments in securities	(33,440,751,094)	(36,528,193,685)
Proceed from matured investments in AFS securities	35,150,000,000	33,720,000,000
Purchase of equipment	(7,811,731)	(9,249,923)
Purchase of leasehold improvement	(6,150,559)	-
Net cash provided by (used in) investing activities	1,695,286,616	(2,817,443,608)
Cash flows from financing activities:		
Fund injection	-	957,130,500
Tax paid for retained earnings conversion	(70,000,000)	-
Net cash (used in) provided by financing activities	(70,000,000)	957,130,500
Net increase (decrease) in cash and cash equivalents	428,229,204	(201,169,006)
Cash and cash equivalents at the beginning of the year	889,047,592	1,090,216,598
Cash and cash equivalents at end of the year	1,317,276,796	889,047,592
Cash and cash equivalents		
Cash on hand	541,532	4,327,183
Interbank and money market items	1,286,069,323	674,355,162
Net balance of inter-office accounts with Head Office and other branches under the same entity	30,665,941	210,365,247
	1,317,276,796	889,047,592
Non cash item:		
Increase (decrease) in accounts receivable from securities trading	(592,121,576)	145,404,082
Increase (decrease) in accounts payable from securities trading	(796,204,795)	(237,916,088)
Retained earnings conversion to capital fund	(630,000,000)	-

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

1 General information

JPMorgan Chase Bank, N.A., which is a bank established under the law of the State of New York, United States of America, operates as a full branch in Thailand, namely Bangkok Branch, herein referred to as "the Bank". The address of the Bank's registration in Thailand is as follows:

Bubhajit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500.

The Bank's financial statements have been approved for issue by the Bank's management on 14 April 2020.

2 Basis of preparation

The Bangkok Branch is a segment of JPMorgan Chase Bank, N.A. and is not a separate legal entity. The financial statements of the Thailand operations of JPMorgan Chase Bank have been prepared from the records of the Thailand operations and only reflect transaction recorded locally.

The financial statements have been prepared in accordance with procedures, policies and notifications of the Bank of Thailand regarding the preparation of the financial statements of commercial banks and Thai Financial Reporting Standards issued under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547. The primary financial statements (i.e. statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in Head Office's equity and other branches under the same entity and statement of cash flows) are prepared in the format as required by the Notification of the Bank of Thailand ("BOT"), No. SorNorSor. 21/2558, "The Preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group" dated on 4 December 2015.

The Bank's financial statements have been prepared under the historical cost convention except some of transactions as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

An English version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

3 Summary of significant accounting policies

3.1 Revised financial reporting standards and related interpretations

- 3.1.1 The Bank has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019 that are relevant to the Bank

TFRS 15	Revenue from contracts with customers
TFRS 2	Share-based payment
TFRIC 22	Foreign currency transactions and advance consideration

TFRS15 provides principle and approach of revenue recognition under five-step process. The underlying principle is that the Bank will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

TFRS2 amendments made to clarify:

- the measurement basis for cash-settled share-based payments; and
- the accounting for modifications that change an award from cash-settled to equity-settled.

They also introduce an exception to the classification principles in TFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole amount will be treated as if it is equity-settled. Previously the tax portion was accounted for as cash-settled

TFRIC 22 clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

The above revised standards have been adopted and do not have significant impact to the Bank.

- 3.1.2 Financial reporting standards that are effective for accounting period beginning or after 1 January 2020 which are relevant to the Bank. The Bank has not yet adopted these revised standards

a) Financial instruments

The new financial standards relate to financial instruments are:

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These new standards address the classification, measurement, derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments as follows:

3 Summary of significant accounting policies (Cont'd)

3.1 Revised financial reporting standards and related interpretations (Cont'd)

3.1.2 Financial reporting standards that are effective for accounting period beginning or after 1 January 2020 which are relevant to the Bank. The Bank has not yet adopted these revised standards (Cont'd)

a) Financial instruments (Cont'd)

Classification and measurement:

- The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.
- Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognise the fair value change in other comprehensive income without subsequent recycling to profit or loss.
- Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.
- Derivatives are classified and measured at fair value through profit or loss.

The combined application of the Company's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 31 December 2019. However, the Bank has identified certain instruments that will change the classification from existing classification. The major changes in classification and measurement on 1 January 2020 will consist of the following instrument:

- Transaction under repurchase agreement which is currently stated at amortised cost will be measured at fair value through profit or loss

The Bank does not expect a significant impact arising from the changes in classification and measurement of the financial liabilities.

Impairment of financial assets

The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. The expected credit loss model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

3 Summary of significant accounting policies (Cont'd)

3.1 Revised financial reporting standards and related interpretations (Cont'd)

3.1.2 Financial reporting standards that are effective for accounting period beginning or after 1 January 2020 which are relevant to the Bank. The Bank has not yet adopted these revised standards (Cont'd)

a) Financial instruments (Cont'd)

- Stage 1 - from initial recognition of a financial assets to the date on which the credit risk of the asset has not increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 - following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

Under the three-stage expected credit loss impairment model except for significant exposures in loans to customer, the impairment will be assessed by using collective approach model with forward looking information adjustment.

As a consequence, the method of impairment loss calculation will be changed from calculation in accordance to the existing BOT's guideline to calculation by the Bank's impairment model with taking effect of forward looking adjustment.

Hedge accounting

The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

The impact from hedge accounting is immaterial to the Bank.

Transitional impact

From the preliminary assessment on initial application of new financial reporting standards related to financial instruments, the management assessed that it will not have material impact to the opening balance of retained earnings.

b) TFRS 16, Leases

Where the Bank is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Bank will apply the new financial reporting standards which will recognise qualified lease contract to the statement of financial position using cumulative catch-up approach with simplified ROU asset.

3 Summary of significant accounting policies (Cont'd)

3.1 Revised financial reporting standards and related interpretations (Cont'd)

3.1.2 Financial reporting standards that are effective for accounting period beginning or after 1 January 2020 which are relevant to the Bank. The Bank has not yet adopted these revised standards (Cont'd)

c) Other new/amended standards

The new and amended financial reporting standards that are relevant to the Bank are:

TAS 12	Income tax
TAS 19	Employee benefits
TFRIC 23	Uncertainty over income tax treatments

Amendment to TAS 12, Income tax - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement) - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

TFRIC 23, Uncertainty over income tax treatments - explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the Bank should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored.
- that the Bank should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Bank's management is currently assessing the impacts from these standard.

3 Summary of significant accounting policies (Cont'd)

3.2 Recognition of income

Interest income on loans and receivables is recognised on an accrual basis. The Bank discontinues recognition of accrued interest income for loans overdue more than three months since the due date or there is uncertainty of collectability, and a collection basis is applied. The Bank also reverses interest income on such loans in order to comply with the Bank of Thailand's notification.

Interest on investment in debt securities is recognised as income by using the effective interest rate method.

Fee and service income relating to local transactions such as foreign currency conversion fee and foreign currency transaction facilitation fee are recognised only when a performance obligation is satisfied which is at a point in time.

Fee and service income relating to cross-border transactions such as income attribution from related parties, for which the Bank receives a percentage allocation of total fees are recognised over the period which the related service is provided.

3.3 Recognition of expenses

The Bank recognises, including interest expense on an accrual basis.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, interbank and money market items and balance of inter-office accounts with Head Office and other branches under the same entity, other short-term highly liquid investments with maturities less than three months from an acquisition date.

3.5 Investments

The Bank recognises investments on the trade date.

The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. Investments in debt securities which are classified as trading securities are carried at fair value. Fair value of traded debt securities is reference to the last quoted bid price and if securities are not traded in the established market, fair value is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium (if any). Increases or decreases in the carrying amount are recognised in the statement of profit or loss and other comprehensive income when incurred.

3 Summary of significant accounting policies (Cont'd)

3.5 Investments (Cont'd)

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates are classified as available-for-sale. Investments in debt securities which are classified as available-for-sale securities are carried at fair value by reference to the last quoted bid price. Fair value of debt securities, not traded in the established market, is calculated using the generally accepted method which is discounted cash flow by reference to the risk-free yield curve adjusted by an appropriate risk premium (if any). Increases or decreases in the carrying amount are credited or charged against unrealised gains or losses on change in fair value of investments in securities under Head Office's equity and balances with other branches under the same entity.

Investments are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

The Bank tests for decrease in value of investments when there is a factor indicating that such investment might decrease in value. If the carrying value of the investment is greater than its recoverable amount, loss from the decrease in value is charged to the statement of profit or loss and other comprehensive income when incurred.

The Bank uses the First-in, First-out method in determining the cost of the disposed securities. Gain or loss on disposal of all types of investments is taken to the statements of comprehensive income in the period which the transactions take place.

3.6 Loans to customers and allowance for doubtful accounts

The Bank recognises loans to customers on trade date

Loans to customers are generally stated at the principal amounts outstanding. The allowance is increased by provisions charged to expense and decreased by write-offs, net of recoveries after receiving cash. The allowance is based on the Bank management's review and assessment of the status of an individual debtor as well as the Bank of Thailand's guidelines. Such assessment takes into consideration various factors including the risks involved, the value of collateral and the status of an individual debtor including the relationship of allowance for doubtful debts against the loan balances through the economic situation which may have an impact on the customers' ability to pay.

3.7 Equipment and depreciation

Equipment is stated at historical cost less accumulated depreciation and allowance for decrease in value (if any).

Depreciation is calculated on a straight-line basis to write off the cost of each asset over its estimated useful life as follows:

Computer equipment	3 years
Office equipment	5 years
Furniture and fixtures & fitting	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3 Summary of significant accounting policies (Cont'd)

3.7 Equipment and depreciation (Cont'd)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted future cash flows from the continuing use of the asset or the amount obtainable from the sale of the asset less any costs of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profits.

Repairs and maintenance are charged to the statements of profit or loss and other comprehensive income during the accounting period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

3.8 Intangible assets

Acquired intangible assets are capitalised and amortised using the straight-line basis over their useful lives, generally over 4 years. Intangible assets are not revalued, but are presented at cost less accumulated amortisation. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

The estimated useful life is reviewed and revised as necessary in every financial position date.

3.9 Leasehold right

The cost of leasehold right on building for the period of 30 years, which is presented as other assets, is amortised as an operating expense on a straight-line method over the life of the agreement.

3.10 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 Summary of significant accounting policies (Cont'd)

3.11 Leases

Leases - where the Bank is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which such termination takes place.

3.12 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Thai Baht, which is the Bank's functional presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured using the reference rates of exchange of the Bank of Thailand ruling at the date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

3.13 Financial derivatives

The Bank recognises financial derivative instruments on the trade date.

Derivative financial instruments including foreign exchange forward contracts, forward rate agreements, currency option agreements, interest rate option agreements, interest and currency swap agreements, credit derivative agreements and commodity derivative agreements are recognised at fair values. Fair values are either the market price in the market or obtained from widely used methods such as discounted cash flow models. Changes in fair value are reflected in the statements of profit or loss and other comprehensive income.

3 Summary of significant accounting policies (Cont'd)

3.14 Provision for share based payment

Restricted stock units

The Bank operates a number of equity-settled share based compensation plan, under which the Bank receives services from employees as consideration of shares of the ultimate parent company. The ultimate parent company is the guarantor for share based compensation plan and the Bank does not have any obligation for the granted shares. The fair value of the granted shares is recognised as an expense in the statements of comprehensive income against its Head office's equity and balances with other branches under the same entity during the grant date and the vesting date. The Head office's equity and balances with other branches under the same entity is reversed when the Bank pays back to the ultimate parent company.

3.15 Employee benefits

The Bank's employment benefits consists of post-employment benefits both defined contribution plan and defined benefit plan.

Defined Contribution Plan or Provident Fund

The Bank operates a provident fund, being a defined contribution plan, the assets for which are held in a separate trustee-administered fund. Such fund is managed by an external fund manager in accordance with the provident fund Act. B.E. 2530. The provident fund is funded by payments from employees and contributions by the Bank. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank recognises contributions to the provident fund as expense in the statement of profit or loss and other comprehensive income in the period which the transactions take place.

Defined Benefit Plan

A defined benefit plan is a plan that is not a defined contribution plan. Typically, the defined benefit plan defines an amount of benefit that an employee will receive on retirement or retrenchment without cause, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using weighted average discount rate of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of profit or loss and other comprehensive income.

3 Summary of significant accounting policies (Cont'd)

3.15 Employee benefits (Cont'd)

Under Labour Laws applicable in Thailand and the Bank's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 400 days of final salary.

Long service awards

The Bank provides long service awards to employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as is used for defined benefit retirement plans.

Remeasurements of defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

These obligations are valued in every 3 years by independent qualified actuaries.

3.16 Provisions

In addition to provisions for post-employment benefits and long service awards, provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made. Where the Bank expects provisions to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3.17 Offsetting

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

3 Summary of significant accounting policies (Cont'd)

3.18 Current and deferred income taxes

The tax expense for the period comprises of the current and deferred income taxes. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity. In this case the income tax is also recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Bank's operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is recognised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Financial liabilities designated at fair value through profit or loss

The Bank designated certain borrowings upon initial recognition of financial liabilities at fair value through statements of profit or loss and other comprehensive income (fair value option); this designation cannot be changed subsequently. The fair value option is applied, as the borrowing consists of borrowing host contract and embedded derivatives that must otherwise be separated if it is not designated as fair value through profit or loss.

Financial liabilities for which the fair value option is applied are recognised in the statement of financial position as "Financial liabilities designated at fair value through profit or loss". Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in "Gains (losses) from financial liabilities designated at fair value through profit or loss" in profit or loss.

4 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

a) Decrease in value of loans

The Bank maintains an allowance for doubtful accounts to reflect decrease in value of loans relating to estimated losses resulting from the inability of customers to make required payments. Management believed that estimation are reasonable.

b) Decrease in value of investments

The Bank reviews decrease in value of investments whenever events or changes in circumstances indicate that the carrying amount may not be recovered, in determining the losses on decrease in value. Management believed that estimation are reasonable.

c) Fair value of financial derivative instruments

In determining the fair value of financial derivative instruments, the management has made judgement in valuing derivative instruments by using widely accepted valuation techniques and guidelines. Management believed that estimation are reasonable.

d) Post-employment benefits

In accordance with Thai Labour Law, the Bank has commitment on post-retirement benefits to employees on reaching retirement age. The present value of employee benefit liabilities recognised in the statement of financial position is determined on the present value of estimated future cash outflows for staff. The assumptions used in determining the net annual cost for employee benefits include the salary and years of services of respective employees which are payable in the future year and discount rate (government bond). Any changes in these assumptions will impact the net annual cost recorded for employee benefits. At each period ends, the Bank revises the appropriate discount rate, which represents the rate that should be used to determine the present value of future cash flows to settle the nearly reached retired employee benefits at the end of period when there are material impacts.

e) Fair value of financial liabilities designated at fair value through profit or loss

Management uses various methodologies and assumptions in the determination of fair value. Valuations are based on discounted cash flow analyses that consider the embedded derivative and the terms and payment structure of the note.

Moreover, the Bank considers using models such as the Black-Scholes option pricing model, simulation models, or a combination of models that use observable or unobservable valuation inputs, depending on the embedded derivative. The specific inputs used vary according to the nature of the embedded derivative features, as described in the discussion above regarding derivative valuation. The Bank may make valuation adjustment of financial derivatives by fair value adjustments.

5 Capital risk management

The Bank's objective when managing capital is to safeguard the Bank's ability to continue as a going concern in order to provide returns for Head Office and other branches under the same entity.

The Bank maintains a capital adequacy ratio in accordance with the Act on undertaking of Banking Business B.E. 2551. Capital funds are disclosed in note 21.

6 Interbank and money market items, net (assets)

	2019		
	Demand Baht	Time Baht	Total Baht
Domestic items			
The Bank of Thailand	424,234,235	2,700,000,000	3,124,234,235
Commercial banks	841,031,761	10,644,993,477	11,486,025,238
Total	1,265,265,996	13,344,993,477	14,610,259,473
<u>Add</u> Accrued interest receivable	-	110,960	110,960
<u>Less</u> Allowance for doubtful accounts	-	(944,470)	(944,470)
Total domestic items, net	1,265,265,996	13,344,159,967	14,609,425,963
Foreign items			
Euro	3,317,054	94,446,941	97,763,995
Swiss Franc	873,364	-	873,364
Australian Dollar	698,159	-	698,159
Singapore Dollar	3,607,537	-	3,607,537
Others	12,307,213	-	12,307,213
Total	20,803,327	94,446,941	115,250,268
<u>Less</u> Accrued interest receivable	-	(2,624)	(2,624)
Total foreign items, net	20,803,327	94,444,317	115,247,644
Total interbank and money market items, net	1,286,069,323	13,438,604,284	14,724,673,607

	2018		
	Demand Baht	Time Baht	Total Baht
Domestic items			
The Bank of Thailand	320,836,463	4,400,000,000	4,720,836,463
Commercial banks	191,074,224	1,715,579,703	1,906,653,927
Total	511,910,687	6,115,579,703	6,627,490,390
<u>Add</u> Accrued interest receivable	-	614,493	614,493
<u>Less</u> Allowance for doubtful accounts	-	(650,000)	(650,000)
Total domestic items, net	511,910,687	6,115,544,196	6,627,454,883
Foreign items			
Euro	126,335,836	-	126,335,836
Swiss Franc	5,602,363	-	5,602,363
Australian Dollar	11,376,744	-	11,376,744
Singapore Dollar	5,737,288	-	5,737,288
Others	13,392,244	-	13,392,244
Total foreign items, net	162,444,475	-	162,444,475
Total interbank and money market items, net	674,355,162	6,115,544,196	6,789,899,358

7 Financial derivatives

Trading derivatives

Fair value and notional amount classified by types of risks as at 31 December 2019 and 2018 comprise of the followings:

Types of risks	2019		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	14,073,209,798	11,200,912,564	731,209,014,946
Interest rate	16,567,964,485	13,409,306,510	1,371,978,442,107
Credit risk	1,010,272,959	272,740,049	49,648,561,000
Index	665,430,709	484,892,495	19,428,033,033
Others	-	660,239,191	-
Total trading derivatives	32,316,877,951	26,028,090,809	2,172,264,051,086

Types of risks	2018		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	11,861,487,310	8,977,289,853	748,981,716,362
Interest rate	9,891,929,879	8,216,920,457	1,456,300,778,369
Credit risk	394,412,484	578,407,464	47,425,382,700
Index	94,636,526	18,706,511	3,306,936,108
Others	-	763,659,550	-
Total trading derivatives	22,242,466,199	18,554,983,835	2,256,014,813,539

Proportion of derivative contract balances as at 31 December 2019 and 2018 classified by counterparties comprise of the followings:

	2019 Percentage	2018 Percentage
Financial institutions	62	63
Affiliated companies	31	31
Third parties	7	6
Total trading derivatives	100	100

8 Investments, net

8.1 Classification of investments

	2019 Fair value Baht	2018 Fair value Baht
Trading securities		
Domestic government	7,650,006,847	11,627,263,220
Total	7,650,006,847	11,627,263,220
Available-for-sale securities		
Domestic government	19,971,128,670	21,329,341,480
Total	19,971,128,670	21,329,341,480
Total investment, net	27,621,135,517	32,956,604,700

8 Investments, net (Cont'd)

8.2 Recognition of transaction in profit or loss, or other comprehensive income for available-for-sales investments

Recognition of transaction in profit or loss or other comprehensive income for available for sales investments for the years ended 31 December 2019 and 2018 are as follow;

	2019 Baht	2018 Baht
Changes in value of available-for-sale investments	(73,297,671)	(7,084,758)
	<u>(73,297,671)</u>	<u>(7,084,758)</u>

9 Loans to customers and accrued interest receivables, net

9.1 Classified by types of loans:

	2019 Baht	2018 Baht
Overdrafts	-	57,968
Loans	1,978,943,867	2,662,074,775
Total loans to customers	1,978,943,867	2,662,132,743
<u>Less</u> Deferred revenue	<u>(1,989,086)</u>	<u>(2,143,567)</u>
Total loans to customers net from deferred revenue	1,976,954,781	2,659,989,176
<u>Add</u> Accrued interest receivables	<u>77,913</u>	<u>862,203</u>
Total loans to customers net from deferred revenue, adding accrued interest receivables	1,977,032,694	2,660,851,379
<u>Less</u> Allowance for doubtful accounts	<u>(19,769,548)</u>	<u>(26,621,332)</u>
Total loans to customers and interest receivables, net	<u>1,957,263,146</u>	<u>2,634,230,047</u>

9.2 Classified by currencies and domiciles of customers:

	2019		Total Baht
	Domestic Baht	Foreign Baht	
Thai Baht	1,976,954,781	-	1,976,954,781
Total loans to customers net from deferred revenue	<u>1,976,954,781</u>	<u>-</u>	<u>1,976,954,781</u>
	2018		Total Baht
	Domestic Baht	Foreign Baht	
Thai Baht	2,659,989,176	-	2,659,989,176
Total loans to customers net from deferred revenue	<u>2,659,989,176</u>	<u>-</u>	<u>2,659,989,176</u>

9 Loans to customers and accrued interest receivables, net (Cont'd)

9.3 Classified by types of business and classification:

	2019					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	
Manufacturing and commerce	1,329,900,886	-	-	-	-	1,329,900,886
Utilities and services	647,053,895	-	-	-	-	647,053,895
Total loans to customers net from deferred revenue	1,976,954,781	-	-	-	-	1,976,954,781

	2018					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	
Manufacturing and commerce	2,283,016,424	-	-	-	-	2,283,016,424
Utilities and services	376,972,752	-	-	-	-	376,972,752
Total loans to customers net from deferred revenue	2,659,989,176	-	-	-	-	2,659,989,176

9.4 Classified by classification:

The Bank has loans to customers net from deferred revenue and accrued interest receivables and the allowance for doubtful accounts which can be classified in accordance with the Bank of Thailand (BOT) guidelines as follows:

Classification	2019			
	Loans net from deferred revenue and accrued interest receivables Baht	Net amount used as a basis for setting allowance for doubtful accounts Baht	Allowance for doubtful accounts Minimum % required according to BOT guidelines	Total allowance Baht
Normal	1,977,032,694	1,976,954,781	1	19,769,548
Total	1,977,032,694	1,976,954,781		19,769,548

Classification	2018			
	Loans net from deferred revenue and accrued interest receivables Baht	Net amount used as a basis for setting allowance for doubtful accounts Baht	Allowance for doubtful accounts Minimum % required according to BOT guidelines	Total allowance Baht
Normal	2,660,851,379	2,662,132,743	1	26,621,332
Total	2,660,851,379	2,662,132,743		26,621,332

10 Allowance for doubtful accounts

	2019				
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht
Balance at the beginning of the year	26,621,332	-	-	-	-
Allowance for doubtful Accounts (Reversal) (Note 33)	(6,851,784)	-	-	-	-
Write-off bad debt	-	-	-	-	-
Balance at the end of the year	19,769,548	-	-	-	-

	2018				
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht
Balance at the beginning of the year	9,268,250	-	-	-	1,436,076
Allowance for doubtful accounts (Note 33)	17,353,082	-	-	-	-
Write-off bad debt	-	-	-	-	(1,436,076)
Balance at the end of the year	26,621,332	-	-	-	-

11 Equipment, net

	Computer equipment Baht	Office equipment Baht	Furniture and fixture Baht	Fixed assets in progress Baht	Total Baht
As at 1 January 2018					
Cost	84,287,142	41,242,180	28,243,932	370,747	154,144,001
Less Accumulated depreciation	(73,064,721)	(34,919,520)	(20,601,311)	-	(128,585,552)
Net book value	11,222,421	6,322,660	7,642,621	370,747	25,558,449
For the year ended 31 December 2018					
Opening net book value	11,222,421	6,322,660	7,642,621	370,747	25,558,449
Additions	4,328,646	4,914,687	6,590	-	9,249,923
Transfer in (out)	-	370,747	-	(370,747)	-
Write off, net	(258,632)	(163)	-	-	(258,795)
Depreciation charge	(6,364,618)	(2,931,156)	(1,331,463)	-	(10,627,237)
Closing net book value	8,927,817	8,676,775	6,317,748	-	23,922,340
As at 31 December 2018					
Cost	66,799,551	46,474,651	28,250,522	-	141,524,724
Less Accumulated depreciation	(57,871,734)	(37,797,876)	(21,932,774)	-	(117,602,384)
Net book value	8,927,817	8,676,775	6,317,748	-	23,922,340
For the year ended 31 December 2019					
Opening net book value	8,927,817	8,676,775	6,317,748	-	23,922,340
Additions	2,507,727	4,795,600	508,404	-	7,811,731
Write off, net	-	-	-	-	-
Depreciation charge	(4,208,327)	(3,824,373)	(1,258,858)	-	(9,291,558)
Closing net book value	7,227,217	9,648,002	5,567,294	-	22,442,513
As at 31 December 2019					
Cost	55,955,012	51,270,251	28,758,926	-	135,984,189
Less Accumulated depreciation	(48,727,795)	(41,622,249)	(23,191,632)	-	(113,541,676)
Net book value	7,227,217	9,648,002	5,567,294	-	22,442,513

12 Other assets, net

	2019 Baht	2018 Baht
Leasehold right and leasehold improvement, net	30,876,322	32,877,556
Accrued interest receivables	14,153,259	46,848,168
Prepaid expenses	3,606,555	4,487,516
Account receivables from option sold premium	2,921,523	205
Other receivables	43,645,794	2,845,950
Total other assets, net	<u>95,203,453</u>	<u>87,059,395</u>
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	<u>7,621,662</u>	<u>7,610,300</u>

13 Deposits

13.1 Classified by types of deposits:

	2019 Baht	2018 Baht
On demand	10,222,969,162	10,316,820,763
Savings	3,229,544,977	3,506,612,710
Fixed	-	150,000,000
Total deposits	<u>13,452,514,139</u>	<u>13,973,433,473</u>

13.2 Classified by currencies and domiciles of depositors:

	2019		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	10,984,446,037	220,646,042	11,205,092,079
US Dollar	2,094,784,475	-	2,094,784,475
Euro	152,637,585	-	152,637,585
Total deposits	<u>13,231,868,097</u>	<u>220,646,042</u>	<u>13,452,514,139</u>

	2018		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	11,183,287,820	191,387,730	11,374,675,550
US Dollar	2,524,950,378	-	2,524,950,378
Euro	73,807,545	-	73,807,545
Total deposits	<u>13,782,045,743</u>	<u>191,387,730</u>	<u>13,973,433,473</u>

14 Interbank and money market items (liabilities)

	2019		
	Demand Baht	Time Baht	Total Baht
Domestic items			
Other financial institutions	1,782,291,323	1,300,000,000	3,082,291,323
Total domestic items	1,782,291,323	1,300,000,000	3,082,291,323
Foreign items			
Thai Baht	69,104,815	-	69,104,815
Total foreign items	69,104,815	-	69,104,815
Total interbank and money market items	1,851,396,138	1,300,000,000	3,151,396,138

	2018		
	Demand Baht	Time Baht	Total Baht
Domestic items			
Other financial institutions	90,852,302	1,300,000,000	1,390,852,302
Total domestic items	90,852,302	1,300,000,000	1,390,852,302
Foreign items			
Thai Baht	2,072,809	-	2,072,809
Total foreign items	2,072,809	-	2,072,809
Total interbank and money market items	92,925,111	1,300,000,000	1,392,925,111

15 Financial liabilities designated at fair value through profit or loss

	2019 Baht	2018 Baht
Bill of exchange	20,309,427,095	17,654,056,525
Total financial liabilities designated at fair value through profit or loss	20,309,427,095	17,654,056,525

Proportion of transactions being classified by type of counterparties

	2019 Percentage	2018 Percentage
Third parties	100	100
Total proportion of transactions being classified by type of counterparties	100	100

16 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2019 Baht	2018 Baht
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	6,039,971	11,539,476
Deferred tax asset to be recovered after more than 12 months	167,773,923	187,957,500
	<u>173,813,894</u>	<u>199,496,976</u>
Deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	(46,511,051)	(23,554,540)
Deferred tax liability to be settled after more than 12 months	-	-
	<u>(46,511,051)</u>	<u>(23,554,540)</u>
Deferred tax assets (net)	<u>127,302,843</u>	<u>175,942,436</u>

The gross movement and the deferred income tax account is as follows:

	2019 Baht	2018 Baht
As at 1 January	175,942,436	207,252,187
Credited to profit or loss	(30,994,396)	(32,726,703)
Tax (debited) credited in other comprehensive income	(17,645,197)	1,416,952
As at 31 December	<u>127,302,843</u>	<u>175,942,436</u>

16 Deferred income tax (Cont'd)

The movement in deferred tax assets and liabilities during the year is as follows:

	Derivative liabilities from option sold premium Baht	Provision for employee benefits Baht	Provision for restricted stock units Baht	Provision for derivatives Baht	Others Baht	Total Baht
Deferred tax assets						
As at 1 January 2019						
Charged (credited) to profit and loss	11,539,476	28,918,483	3,901,368	152,731,910	2,405,739	199,496,976
Recognised in other comprehensive income	(5,499,506)	3,101,823	(297,380)	(20,039,412)	185,056	(22,549,419)
	-	(3,133,663)	-	-	-	(3,133,663)
As at 31 December 2019	6,039,970	28,886,643	3,603,988	132,692,498	2,590,795	173,813,894
Deferred tax assets						
As at 1 January 2018						
Charged (credited) to profit and loss	13,277,112	22,908,711	3,443,391	197,597,941	2,220,683	239,447,838
Recognised in other comprehensive income	(1,737,636)	6,009,772	457,977	(44,866,031)	185,056	(39,950,862)
	-	-	-	-	-	-
As at 31 December 2018	11,539,476	28,918,483	3,901,368	152,731,910	2,405,739	199,496,976

16 Deferred income tax (Cont'd)

	Unrealized gain from trading securities Baht	Gain on changes in fair value of available-for- sale securities Baht	Derivative assets for option purchased premium Baht	Total Baht
Deferred tax liabilities				
As at 1 January 2019				
Charged (credited) to profit and loss	8,371,565	1,186,741	13,996,234	23,554,540
Recognised in other comprehensive income	3,595,393	-	4,849,584	8,444,977
	-	14,511,534	-	14,511,534
As at 31 December 2019	11,966,958	15,698,275	18,845,818	46,511,051
Deferred tax liabilities				
As at 1 January 2018				
Charged (credited) to profit and loss	11,511,857	2,603,693	18,080,101	32,195,651
Recognised in other comprehensive income	(3,140,292)	-	(4,083,867)	(7,224,159)
	-	(1,416,952)	-	(1,416,952)
As at 31 December 2018	8,371,565	1,186,741	13,996,234	23,554,540

17 Provision for employment benefits plan

Provision for post-employment benefits is for employees with more than 120 days of service and who resign in accordance with the rules and conditions stipulated under the labour laws applicable in Thailand and for long service awards.

As at 31 December 2019 and 2018, the post-employment benefits provided unfunded obligation as follows:

	2019 Baht	2018 Baht
Present value of obligations	140,615,411	141,007,535
Provision for long service award	3,817,804	3,584,881
Total provision for employee benefits plan	<u>144,433,215</u>	<u>144,592,416</u>

Movements of provision for post-employment benefits are as follows:

	2019 Baht	2018 Baht
As at 1 January	141,007,535	111,567,612
Current service costs	28,183,601	26,505,679
Interest costs	3,708,504	2,934,244
Remeasurements:		
Actuarial (gains) losses		
- Demographic assumptions	6,593,532	-
- Financial assumptions	16,908,063	-
- Experience gain	(38,723,926)	-
<u>Less</u> Benefits paid during the year	<u>(17,061,898)</u>	<u>-</u>
As at 31 December	<u>140,615,411</u>	<u>141,007,535</u>

Expenses for post-employment benefits were recognised in the statement of profit or loss and other comprehensive income as follows:

	2019 Baht	2018 Baht
Current service costs	28,183,601	26,505,679
Interest costs	3,708,504	2,934,244
Remeasurements	(15,222,331)	-
Total	<u>16,669,774</u>	<u>29,439,923</u>

17 Provision for post-employment benefits (Cont'd)

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

	2019	2018
Discount rate	1.58%	2.63%
Salary increase rate	11%	11%
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2017	100% of Thai Mortality Ordinary Table 2017
Disability rate	5% of Thai Mortality Ordinary Table 2017	5% of Thai Mortality Ordinary Table 2017
Pre-retirement withdrawal rate	From 5 years historical data	From 5 years historical data
Retirement age	60 years old	60 years old
Turnover rate	10%	8%

Sensitivity analysis on key assumptions changes are as follows:

	Increase (Decrease)	
	2019	2018
	Baht	Baht
Discount rate		
Increase 1%	(16,812,793)	(15,354,070)
Decrease 1%	19,929,781	17,907,290
Salary rate		
Increase 1%	18,551,852	18,316,368
Decrease 1%	(16,109,718)	(16,008,422)
Turnover rate		
Increase 5%	(67,792,901)	(64,162,743)
Decrease 5%	52,670,635	40,765,127

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the provision for post-employment benefits recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Maturity profile of post-employment benefits is as follows:

	2019	2018
Maturity duration of the post-employment benefits (Years)	18.55	19.76
Maturity analysis of benefits to be paid		
Between 2 - 5 years (Baht)	14,716,675	20,328,234
Over 5 years (Baht)	1,828,538,523	1,947,190,478

18 Other liabilities

	2019 Baht	2018 Baht
Accrued interest payable	6,319,740	780,618
Accrued bonuses	58,983,256	62,131,370
Accrued FIDF charges	58,877,797	50,465,541
Cash received in advance from forward contracts	80,603,374	204,617,530
Income tax payable	39,405,853	68,402,573
Withholding tax payable	1,995,335	4,045,254
Others	111,890,683	135,386,997
Total other liabilities	<u>358,076,038</u>	<u>525,829,883</u>

19 Provident fund

The Bank established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530, which contributions are made by both the employees and the Bank. For the year ended 31 December 2019, the Bank contributed Baht 16.6 million (31 December 2018: Baht 14.5 million).

20 Provision for share based payment

The restricted stock units of the ultimate parent company, JPMorgan Chase & Co., will be awarded at no cost to employees who are eligible according to the group entity's regulations, upon their grant. The awards are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the vesting periods and the head office's equity and balances with other branches under the same entity is treated as a capital contribution. The exercise price of the granted shares is lower of the market price of the shares on the date of grant or the vesting date. The restricted stock units are generally granted annually and can be vested for 50% of granted amount after two years and for another 50% of granted amount after three years. The restricted stock units are converted into shares of JPMorgan Chase & Co. at the vesting date. The employees are able to continue their vesting upon voluntary employment termination, which would be based on the age and year of service requirements. Before vesting, the restricted stock units entitle the recipient to receive cash payments equivalent to dividend paid on the underlying common stocks during the period the restricted stock units are outstanding. However, all of these awards are subject to forfeiture until the vesting date and they contain clawback provisions that may result in cancellation prior to vesting under certain specified circumstances.

20 Provision for share based payment (Cont'd)

The movements in the number of outstanding shares and their related weighted average share prices at the grant dates are as follows:

	Average price Baht per share	Average price USD per share	Number of awards
As at 1 January 2019	4,868.69	83.00	7,089
Granted during the year	3,031.68	100.54	3,352
Exercised during the year	(3,002.13)	99.56	(3,623)
Transferred during the year	3,013.59	99.94	(253)
As at 31 December 2019	<u>7,911.83</u>	<u>99.94</u>	<u>6,565</u>
As at 1 January 2018	2,166.12	66.28	9,157
Granted during the year	3,642.49	112.25	1,814
Exercised during the year	(3,633.20)	111.96	(3,886)
Transferred during the year	2,693.28	83.00	4
As at 31 December 2018	<u>4,868.69</u>	<u>83.00</u>	<u>7,089</u>

For the year ended 31 December 2019, the total share based payment expense recognised during the year amounting to Baht 6.4 million (31 December 2018: Baht 9.7 million).

21 Capital funds

	2019 Baht	2018 Baht
Assets maintained in accordance with Section 32	<u>10,296,580,949</u>	<u>11,468,426,747</u>
Total funds for maintaining assets in accordance with Section 32 and net balance of inter-office accounts		
Funds for maintaining assets in accordance with Section 32	11,029,529,666	10,468,403,666
Net inter-office balance which branch is debtor of the head office, others branches and subsidiary	<u>1,683,594,169</u>	<u>1,226,207,375</u>
Total	<u>12,713,123,835</u>	<u>11,694,611,041</u>
Total fund are remitted into Thailand for maintaining assets under section 32	11,029,529,666	10,468,403,666
Capital funds	<u>11,029,529,666</u>	<u>10,468,403,666</u>
Total capital funds to risk weighted assets ratio (%)	15.07	16.56

21 Capital funds (Cont'd)

On 22 October 2019, the Bank has increased capital fund by Baht 630,000,000 from capitalization from retained earnings as of 31 December 2018. The capitalization has been approved by JPMorgan Chase Bank, National Association.

On 7 June 2018, the Bank received fund injection from JPMorgan Chase Bank, National Association totalling US Dollars 30,000,000 or equals to Baht 957,130,500 from the exchange rate as at 7 June 2018. This funding is for the purpose of supporting the Bank's operations and stabilizing the level of capital adequacy as required under Bank of Thailand regulations, but the Bank did not register this fund as assets maintained in accordance with Section 32.

The Bank will disclose capital maintenance information as at 31 December 2019 in accordance with the notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at www.th.jpmorgan.com within April 2020.

Moreover, the Bank has disclosed information related to Liquidity Coverage Ratio as at 31 December 2019 under the Notification of Bank of Thailand, no. Sor Nor Sor 2/2561, as the above location and date of disclosure.

22 Assets pledged as collateral

The Bank has investments in government securities which are pledged as collaterals for structured bills of exchange. The book values of such securities as at 31 December 2019 amounted to Baht 6,881,812,303 (31 December 2018: Baht 5,259,057,764).

23 Commitments

As at 31 December 2019 and 2018, the Bank has the following commitments (excluding derivatives in Note 7) which were incurred in the normal course of business as follows:

	2019		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Unused overdraft credit line	620,000,000	-	620,000,000
Unused credit facilities	-	1,748,932,000	1,748,932,000
Total commitments	620,000,000	1,748,932,000	2,368,932,000
	2018		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Unused overdraft credit line	680,000,000	-	680,000,000
Unused credit facilities	-	1,882,088,400	1,882,088,400
Total commitments	680,000,000	1,882,088,400	2,562,088,400

24 Related party transactions

Enterprises or individuals that, directly or indirectly through one or more intermediaries, control, or are under controlled by, or are under common control with, the Bank, including holding entities, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and entities associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The significant related party transactions are transacted with the Group companies of JPMorgan Chase.

The ultimate parent company is JPMorgan Chase & Co., a company incorporated in the United States of America. JPMorgan Chase Bank, N.A. is a wholly-owned subsidiary of JPMorgan Chase & Co.

Relationships of related parties

Head Office

- JPMorgan Chase & Co.
- JPMorgan Chase Bank, N.A.

Other Branches

- J.P. Morgan Chase Bank Berhad
- JPMorgan Chase Bank, N.A. - London Branch
- JPMorgan Chase Bank, N.A. - Sydney Branch
- JPMorgan Chase Bank, N.A. - Tokyo Branch
- JPMorgan Chase Bank, N.A. - Hong Kong Branch
- JPMorgan Chase Bank, N.A. - Singapore Branch
- JPMorgan Chase Bank, N.A. - Jakarta Branch
- JPMorgan Chase Bank, N.A. - Manila Branch
- JPMorgan Chase Bank, N.A. - Mumbai Branch

Fellow subsidiaries

- J.P. Morgan (S.E.A.) Limited
- J.P. Morgan A.G.
- J.P. Morgan International Finance Limited
- J.P. Morgan Securities (Asia Pacific) Limited
- J.P. Morgan Securities (Thailand) Limited
- J.P. Morgan Ventures Energy Corporation
- J.P. Morgan Securities Plc - Paris Branch
- J.P. Morgan Australia Ltd.
- J.P. Morgan Overseas Capital Corporation
- J.P. Morgan Securities Plc. - Frankfurt Branch
- J.P. Morgan Securities Asia Private Limited
- J.P. Morgan Securities LLC
- J.P. Morgan Securities Plc
- JPMorgan Securities Japan Co., Ltd.
- J.P. Morgan Treasury Technology Corporation
- J.P. Morgan Europe Limited
- J.P. Morgan Securities Plc - Zurich Branch

24 Related party transactions (Cont'd)

The significant related party transactions, outstanding balances as of 31 December 2019 and 2018 and income and expenses for the years then ended 31 December 2019 and 2018 consisted of the followings:

	2019	2018
	Million Baht	Million Baht
Statements of financial position		
Interbank and money market items, net (assets)		
J.P. Morgan, A.G.	98	126
J.P. Morgan Chase Bank Berhad	1	-
Interbank and money market items (liabilities)		
J.P. Morgan Securities (Thailand) Ltd.	3,085	1,391
Provision for share based payment		
J.P. Morgan Chase & Co	18	20
Net balance of inter-office accounts with Head Office and other branches under the same entity		
JPMorgan Chase Bank, N.A.	(1,732)	(1,257)
Other Branches	49	31
Off statement of financial position with Head office, Other branches and Fellow subsidiaries		
Commitments	680,020	689,049
Statements of profit or loss and other comprehensive income with Head office, Other branches and Fellow subsidiaries		
Interest expense	56	37
Fees and service incomes	18	17
Other operating income	197	292
Employee expenses	7	10
Fees and services expenses and other expenses	403	482

Transactions between the Bank and related parties had been priced at and contain similar conditions with the Bank's general customers and conformed to normal course of banking business practice.

25 Important position and performance classified by type of domestic or foreign transactions

25.1 Position classified by type of transaction

	2019			2018		
	Domestic Million Baht	Foreign Million Baht	Total Million Baht	Domestic Million Baht	Foreign Million Baht	Total Million Baht
Total assets	76,960	-	76,960	65,601	-	65,601
Interbank and money market items, net (assets)	14,725	-	14,725	6,790	-	6,790
Accounts receivable from securities trading	95	-	95	687	-	687
Investments, net	27,621	-	27,621	32,957	-	32,957
Loans to customers and accrued interest receivables, net	1,957	-	1,957	2,634	-	2,634
Deposits	13,453	-	13,453	13,973	-	13,973
Interbank and money market items (liabilities)	3,151	-	3,151	1,393	-	1,393
Accounts payable from securities trading	44	-	44	840	-	840
Financial liabilities designated at fair value through profit or loss	20,309	-	20,309	17,654	-	17,654

25.2 Performance classified by types of transaction

	2019			2018		
	Domestic Million Baht	Foreign Million Baht	Total Million Baht	Domestic Million Baht	Foreign Million Baht	Total Million Baht
Interest income	855	-	855	776	-	776
Interest expense	(249)	-	(249)	(208)	-	(208)
Net interest income	606	-	606	568	-	568
Net fee and service income	21	-	21	22	-	22
Other operating incomes	1,115	-	1,115	1,230	-	1,230
Other operating expenses	(961)	-	(961)	(915)	-	(915)
Profit before income tax	781	-	781	905	-	905

26 Interest income

	2019 Baht	2018 Baht
Interbank and money market items, net (assets)	140,820,748	115,613,851
Investments and trading transactions	338,415,658	350,083,552
Investments in debt securities, available-for-sales	329,058,748	264,771,208
Loans to customers	47,545,944	45,168,211
Total interest income	855,841,098	775,636,822

27 Interest expense

	2019 Baht	2018 Baht
Deposits	76,421,111	64,057,984
Interbank and money market items (liabilities)	59,557,301	37,754,729
Contribution fee to the Deposit Protection Agency and Financial Institution Development Fund	113,293,720	105,044,336
Others	80,977	778,827
Total interest expense	<u>249,353,109</u>	<u>207,635,876</u>

28 Fee and service income

	2019 Baht	2018 Baht
Money transfer and collection services	12,837,115	14,735,423
Service fees from related companies (Note 24)	17,549,788	16,628,682
Others	5,387,020	4,819,246
Total fee and service income	<u>35,773,923</u>	<u>36,183,351</u>

Revenue transactions classified by timing of revenue recognition for the year ended 31 December 2019 and 2018 are as follows:

	2019 Baht	2018 Baht
Timing of revenue recognition		
At a point in time	35,773,923	36,183,351
Over time	-	-
Total fee and service income	<u>35,773,923</u>	<u>36,183,351</u>

29 Gains on trading and foreign exchange transactions

	2019 Baht	2018 Baht
Gains on foreign currencies and foreign exchange rate derivatives	696,721,974	567,639,935
Gains on interest rate derivatives	1,973,504,292	9,395,721
Gains (losses) on debt securities	378,054,097	(145,459,879)
Others	1,116,526,095	90,031,086
Total gains on trading and foreign exchange transactions	<u>4,164,806,458</u>	<u>521,606,863</u>

30 (Losses) gains from financial liabilities designated at fair value through profit or loss

	2019 Baht	2018 Baht
Changes in fair value of:		
Bill of exchange	(2,955,551,859)	1,583,754,500
Settlement during the year	-	4,660,156
Losses on redemption and interest expense paid	(290,640,300)	(1,171,602,068)
Total (losses) gains from financial liabilities designated at fair value through profit or loss	<u>(3,246,192,159)</u>	<u>416,812,588</u>

31 Other operating income

	2019 Baht	2018 Baht
Revenue sharing from related parties (Note 24)	196,818,031	291,566,004
Others	53,896	-
Total other operating income	<u>196,871,927</u>	<u>291,566,004</u>

Revenue transactions classified by timing of revenue recognition for the year ended 31 December 2019 and 2018 are as follows:

	2019 Baht	2018 Baht
Timing of revenue recognition		
At a point in time	53,896	-
Over time	188,737,527	236,143,655
Total fee and service income	<u>188,791,423</u>	<u>236,143,655</u>

32 Other expenses

	2019 Baht	2018 Baht
Service fees to related companies (Note 24)	403,140,057	481,597,476
Brokerage commissions	10,255,888	14,355,930
Others	53,914,791	54,393,676
Total other expenses	<u>467,310,736</u>	<u>550,347,082</u>

33 Reversal bad debt and doubtful accounts

	2019 Baht	2018 Baht
Interbank and money market items, net	294,470	(81,720,000)
Loans (Note 10)	(6,851,784)	17,353,082
Total reversal bad debt and doubtful accounts	<u>(6,557,314)</u>	<u>(64,366,918)</u>

34 Income tax expense

	2019 Baht	2018 Baht
Current income tax:		
Current income tax on profits for prior year	73,243,267	-
Current income tax on profits for the year	135,385,724	160,023,777
Total current income tax	208,628,991	160,023,777
Deferred income tax:		
Origination and reversal of temporary differences (Note 16)	30,994,396	32,726,703
Total deferred income taxes	30,994,396	32,726,703
Total income tax expense	239,623,387	192,750,480

The income tax on profits before tax of the Bank differs from the theoretical amount that would arise using the basic income tax rate of the home country of the Bank as follows:

	2019 Baht	2018 Baht
Profit before tax	781,479,517	905,021,809
Tax calculated at a tax rate of 20%	156,295,903	181,004,362
Adjustment in respect of current income tax of previous period	73,243,267	-
Tax effect of:		
Expenses not deductible for tax purpose	10,084,217	11,746,118
Income tax charge	239,623,387	192,750,480

The weighted average applicable income tax rate was 31% (31 December 2018: 21%).

35 Financial risk management

Strategy in using financial instruments

The Bank has developed and implemented comprehensive policies and procedures to identify, mitigate, and monitor risk across the entity, which are based on JPMorgan Chase policies. These practices rely on constant communication, judgment, and knowledge of products and markets by the people closest to them, combined with regular oversight by a central risk management group and senior management.

(a) Credit risk

Credit risk is the risk of losses resulting from failure by the Bank's counterparties and customers to meet their obligations. The carrying amount of cash, interbank and money market, investments in debts, loans to and accrued interest receivables, accounts receivable from securities trading and commitments represent the maximum exposure of the Bank to credit risk. With respect to derivative financial instruments, the maximum credit exposure of the Bank is represented by the positive fair values, mainly pertaining to derivative transactions with financial institutions, including intercompany balances.

"Know Your Customer" is the key element to credit risk management.

35 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

JPMorgan Chase has developed policies and practices that are designed to ensure that credit risks are accurately assessed, properly approved, continuously monitored and actively managed at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio-review parameters and problem-loan management.

The Bank's capital will be committed following thorough research and analysis, utilising all expertise appropriately available in the utilising which may contribute to the bank risk assessment. Certain transactions will require special approval due to their risk attributes or level of sensitivity.

Officers with Credit Approval Authority are expected to understand the credit policies, guidelines and procedures applicable to their responsibilities.

The new business initiative process requires a thorough understanding of the credit risk (and all other forms of risk) inherent in all proposed activities or undertakings. New initiatives will only be introduced after appropriate new control systems are implemented, in accordance with the Bank's New Business Initiative Process.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral if applicable.

1) Derivatives

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., assets which their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

2) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

35 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

3) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw the drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the potential loss may be less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(b) 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 Branch 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 2019 and 2018, financial assets and liabilities classified by type of interest rate were as follows:

Descriptions	2019			Total Million Baht
	Floating interest rate Million Baht	Fixed interest rate Million Baht	Non-interest bearing Million Baht	
Financial assets				
Cash	-	-	1	1
Interbank and money market items, net	624	12,836	1,265	14,725
Accounts receivable from securities trading	-	-	95	95
Investments, net	-	27,621	-	27,621
Loan to customers and accrued interest receivables from deferred revenue	1,350	628	-	1,978
Other financial assets	-	-	21	21
Total financial assets	1,974	41,085	1,382	44,441
Financial liabilities				
Deposits	-	12,906	547	13,453
Interbank and money market items	1,851	1,300	-	3,151
Accounts payable from securities trading	-	-	44	44
Demand liabilities	-	-	67	67
Other financial liabilities	-	-	318	318
Total financial liabilities	1,851	14,206	976	17,033

35 Financial risk management (Cont'd)

(b) Interest rate risk (Cont'd)

As at 31 December 2019 and 2018, financial assets and liabilities classified by type of interest rate were as follows: (Cont'd)

Descriptions	2018			Total Million Baht
	Floating interest rate Million Baht	Fixed interest rate Million Baht	Non-interest bearing Million Baht	
Financial assets				
Cash	-	-	4	4
Interbank and money market items, net	811	5,467	512	6,790
Accounts receivable from securities trading	-	-	687	687
Investments, net	-	32,957	-	32,957
Loan to customers and accrued interest receivables from deferred revenue	1,621	1,040	-	2,661
Other financial assets	-	-	50	50
Total financial assets	2,432	39,464	1,253	43,149
Financial liabilities				
Deposits	-	13,480	493	13,973
Interbank and money market items	91	1,300	2	1,393
Accounts payable from securities trading	-	-	840	840
Demand liabilities	-	-	40	40
Other financial liabilities	-	-	445	445
Total financial liabilities	91	14,780	1,820	16,691

Transactions	2019						Total Million Baht
	Repricing or maturity date					Non- performing loans Million Baht	
	At call Million Baht	0 - 3 months Million Baht	3 - 12 months Million Baht	1 - 5 years Million Baht	Over 5 years Million Baht		
Financial assets							
Cash	-	-	-	-	-	-	1
Interbank and money market items, net	21	12,836	-	603	-	-	14,725
Accounts receivable from securities trading	-	-	-	-	-	-	95
Investments, net	-	860	18,965	6,139	1,657	-	27,621
Loans to customers and accrued interest receivables net from deferred revenue	1,357	500	121	-	-	-	1,978
Other financial assets	-	-	-	-	-	-	21
Total financial assets	1,378	14,196	19,086	6,742	1,657	-	44,441
Financial liabilities							
Deposits	12,906	-	-	-	-	-	13,453
Interbank and money market items	1,851	1,300	-	-	-	-	3,151
Accounts payable from securities trading	-	-	-	-	-	-	44
Demand liabilities	-	-	-	-	-	-	67
Other financial liabilities	-	-	-	-	-	-	318
Total financial liabilities	14,757	1,300	-	-	-	-	17,033

35 Financial risk management (Cont'd)

(b) Interest rate risk (Cont'd)

As at 31 December 2019 and 2018, financial assets and liabilities classified by type of interest rate were as follows: (Cont'd)

Transactions	2018							
	Repricing or maturity date					Non-Performing loans Million Baht	Non-interest bearing Million Baht	Total Million Baht
	At call Million Baht	0 - 3 months Million Baht	3 - 12 months Million Baht	1 - 5 years Million Baht	Over 5 years Million Baht			
Financial assets								
Cash	-	-	-	-	-	-	4	4
Interbank and money market items, net	162	5,467	-	649	-	-	512	6,790
Accounts receivable from securities trading	-	-	-	-	-	-	687	687
Investments, net	-	12,739	13,341	4,735	2,142	-	-	32,957
Loans to customers and accrued interest receivables net from deferred revenue	1,600	488	573	-	-	-	-	2,661
Other financial assets	-	-	-	-	-	-	50	50
Total financial assets	1,762	18,694	13,914	5,384	2,142	-	1,253	43,149
Financial liabilities								
Deposits	13,330	150	-	-	-	-	493	13,973
Interbank and money market items	91	1,300	-	-	-	-	2	1,393
Accounts payable from securities trading	-	-	-	-	-	-	840	840
Demand liabilities	-	-	-	-	-	-	40	40
Other financial liabilities	-	-	-	-	-	-	445	445
Total financial liabilities	13,421	1,450	-	-	-	-	1,820	16,691

The outstanding balances of loans which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued (presented before deducting allowance for doubtful account losses).

The average balances of the financial assets and liabilities of the Bank generating revenues and expenses, calculated based on the average balances outstanding during the period, and the average interest rate for the years ended 31 December 2019 and 2018, can be summarised as follows:

	2019			2018		
	Average balances Million Baht	Interest and dividend Million Baht	Average rate (%)	Average balances Million Baht	Interest and dividend Million Baht	Average rate (%)
Performing financial assets						
Interbank and money market items, net	9,014	141	1.56	8,776	116	1.32
Investments, net	33,075	667	2.02	31,837	615	1.93
Loans to customers and accrued interest receivables	2,096	48	2.29	1,810	45	2.50
Total	44,185	856		42,423	776	
Performing financial liabilities						
Deposits	14,249	76	0.53	13,270	64	0.48
Interbank and money market items	2,248	60	2.67	1,073	38	3.52
Total	16,497	136		14,343	102	

35 Financial risk management (Cont'd)

(c) Currency risk

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The Bank manages currency 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 fund 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 the regulation of the Bank of Thailand.

The following table presents a currency analysis for monetary assets and liabilities on statement of financial position as at 31 December 2019 and 2018 as follow:

	2019				Total Million Baht
	Baht Million Baht	US Dollar Million Baht	Japanese Yen Million Baht	Others Million Baht	
Cash	1	-	-	-	1
Interbank and money market items, net	14,007	603	-	115	14,725
Accounts receivable from securities trading	95	-	-	-	95
Financial derivative assets	19,983	11,431	132	771	32,317
Investments, net	27,621	-	-	-	27,621
Loans to customers and accrued interest receivables net from deferred revenue	1,978	-	-	-	1,978
Other financial assets	17	4	-	-	21
Total assets	63,702	12,038	132	886	76,758
Deposits	11,205	2,095	-	153	13,453
Interbank and money market items	3,142	9	-	-	3,151
Accounts payable from securities trading	44	-	-	-	44
Demand liabilities	67	-	-	-	67
Financial liabilities designated at fair value through profit or loss	20,309	-	-	-	20,309
Financial derivative liabilities	6,063	15,671	3,123	1,171	26,028
Other financial liabilities	164	135	-	19	318
Total liabilities	40,994	17,910	3,123	1,343	63,370
Net foreign currency position in the statement of financial position	22,708	(5,872)	(2,991)	(457)	13,388

35 Financial risk management (Cont'd)

(c) Currency risk (Cont'd)

The following table presents a currency analysis for monetary assets and liabilities on statement of financial position as at 31 December 2019 and 2018 as follow: (Cont'd)

	2018				Total Million Baht
	Baht Million Baht	US Dollar Million Baht	Japanese Yen Million Baht	Others Million Baht	
Cash	4	-	-	-	4
Interbank and money market items, net	5,979	649	-	162	6,790
Accounts receivable from securities trading	687	-	-	-	687
Financial derivative assets	10,903	10,396	549	394	22,242
Investments, net	32,957	-	-	-	32,957
Loans to customers and accrued interest receivables net from deferred revenue	2,661	-	-	-	2,661
Other financial assets	45	5	-	-	50
Total assets	53,236	11,050	549	556	65,391
Deposits	11,375	2,525	-	73	13,973
Interbank and money market items	1,393	-	-	-	1,393
Accounts payable from securities trading	840	-	-	-	840
Demand liabilities	40	-	-	-	40
Financial liabilities designated at fair value through profit or loss	17,654	-	-	-	17,654
Financial derivative liabilities	4,775	8,995	3,024	1,761	18,555
Other financial liabilities	159	254	-	32	445
Total liabilities	36,236	11,774	3,024	1,866	52,900
Net foreign currency position in the statement of financial position	17,000	(724)	(2,475)	(1,310)	12,491

(d) Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The Bank's liquidity management framework is intended to maximise liquidity access and minimise funding costs. Management uses a variety of measures to mitigate liquidity and related risks, taking into consideration market conditions, funding needs and the profile of the location's liability base.

Treasury is responsible for day to day oversight and management of the liquidity of the Bank, and for ensuring compliance with regulations and the liquidity risk management policy. It is responsible for monitoring, managing and reporting the liquidity risk profile for the Bank. It formulates the location's liquidity strategies, including contingency planning; monitors cash flow requirements to determine potential funding gaps; maintains ongoing interaction with lines of business to track funding and business trends; and through all of the above seeks to avoid funding stress through early detection of liquidity issues.

35 Financial risk management (Cont'd)

(d) Liquidity risk (Cont'd)

The liquidity management framework has well-defined roles and responsibilities. Daily liquidity risk management tools are used by local Treasury traders to monitor the liquidity profile of the Bank. Funding limits and guidelines have been established, which in conjunction with the monthly liquidity stress tests provide assurance that sufficient funding is available even during periods of market stress.

The following table presents a maturity analysis for monetary assets and liabilities on statement of financial position as at 31 December 2019 and 2018.

	2019						Total Million Baht
	At call Million Baht	Within 3 months Million Baht	3 to 12 months Million Baht	1 to 5 years Million Baht	Over 5 years Million Baht	No maturity Million Baht	
Cash	1	-	-	-	-	-	1
Interbank and money market items, net	1,286	12,836	-	603	-	-	14,725
Accounts receivable from securities trading	-	95	-	-	-	-	95
Financial derivative Assets	-	3,181	3,285	12,219	13,632	-	32,317
Investments, net	-	860	18,965	6,139	1,657	-	27,621
Loans to customers and accrued interest receivables net from deferred revenue	1,357	495	126	-	-	-	1,978
Other financial assets	-	13	8	-	-	-	21
Total assets	2,644	17,480	22,384	18,961	15,289	-	76,758
Deposits	13,453	-	-	-	-	-	13,453
Interbank and money market items	1,851	1,300	-	-	-	-	3,151
Accounts payable from securities trading	-	44	-	-	-	-	44
Demand liabilities	67	-	-	-	-	-	67
Financial liabilities designated at fair value through profit or loss	-	614	1,236	4,185	14,274	-	20,309
Financial derivative liabilities	-	3,441	3,718	10,746	8,123	-	26,028
Other financial liabilities	-	318	-	-	-	-	318
Total liabilities	15,371	5,717	4,954	14,931	22,397	-	63,370
Liquidity, net	(12,727)	11,763	17,430	4,030	(7,108)	-	13,388

35 Financial risk management (Cont'd)

(d) Liquidity risk (Cont'd)

The following table presents a maturity analysis for monetary assets and liabilities on statement of financial position as at 31 December 2019 and 2018. (Cont'd)

	2018					
	At call Million Baht	Within 3 months Million Baht	3 to 12 months Million Baht	1 to 5 years Million Baht	Over 5 years Million Baht	No maturity Million Baht
Cash	4	-	-	-	-	-
Interbank and money market items, net	675	5,466	-	649	-	-
Accounts receivable from securities trading	-	687	-	-	-	-
Financial derivative assets	-	3,738	2,668	6,063	9,773	-
Investments, net	-	12,739	13,341	4,735	2,142	-
Loans to customers and accrued interest receivables net from deferred revenue	2,031	488	142	-	-	-
Other financial assets	-	38	12	-	-	-
Total assets	2,710	23,156	16,163	11,447	11,915	-
Deposits	13,823	150	-	-	-	-
Interbank and money market items	93	1,300	-	-	-	-
Accounts payable from securities trading	-	840	-	-	-	-
Demand liabilities	40	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	5,743	11,911	-
Financial derivative liabilities	-	4,262	2,599	5,302	6,392	-
Other financial liabilities	-	445	-	-	-	-
Total liabilities	13,956	6,997	2,599	11,045	18,303	-
Liquidity, net	(11,246)	16,159	13,564	402	(6,388)	-

The table above classified monetary assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date. It is unusual for banks to have completely matched maturities since business transactions are often of uncertain terms and of different types. In addition, the Bank obtains a large proportion of domestic funding from customer deposits, interbank and money market item and financial liabilities under fair value option, and foreign funding from Head Office and other branches abroad. The Bank has demonstrated that a substantial level of such funding provides a stable source of long term funding for the Bank.

36 Management benefits

	2019 Baht	2018 Baht
Short-term employee benefits	106,344,569	102,031,915
Post-employment benefits	12,113,236	11,067,044
Share based payment	6,667,322	5,787,906

37 Long-term lease commitment

The Bank has signed a 30 years lease agreement for the office space. The termination date of the lease agreement is 31 July 2023. The lump-sum rental fee was paid when the contract was signed. The amortisation of the prepaid amount to rental expense is approximately Baht 405,180 per month. The Bank has the right to transfer the leasehold right or to sub-lease the office space, either all or partial, to the third parties without a prior written consent from the lessor. When the lease agreement is terminated under any circumstances, the Bank is obligated to remove all assets and to restore the office to proper conditions at its own expense within 60 days.

As at 31 December 2019 and 2018, the Bank has payment obligations for capital commitment of operating leases for offices as follows:

	2019 Baht	2018 Baht
Due within 1 year	10,529,605	11,055,728
Due more than 1 years but no later than 5 years	19,573,644	24,967,249
Total	30,103,249	36,022,977

38 Fair value

38.1 Fair value measurement

The fair value of the financial instruments are defined into the following three different levels by valuation method as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

38 Fair value (Cont'd)

38.1 Fair value measurement (Cont'd)

The financial assets and liabilities that are measured at fair value as at 31 December 2019 and 2018 as follows:

	Book value Million Baht	2019 Fair value			Total Million Baht
		Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	
Assets					
Financial derivatives assets	32,317	-	32,317	-	32,317
Investment, net	27,621	-	27,621	-	27,621
Total assets	59,938	-	59,938	-	59,938
Liabilities					
Financial liabilities designated at fair value through profit or loss	20,309	-	-	20,309	20,309
Financial derivatives liabilities	26,028	-	26,028	-	26,028
Total liabilities	46,337	-	26,028	20,309	46,337
2018					
	Book value Million Baht	Fair value			Total Million Baht
		Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	
Assets					
Financial derivatives assets	22,242	-	22,242	-	22,242
Investment, net	32,957	-	32,957	-	32,957
Total assets	55,199	-	55,199	-	55,199
Liabilities					
Financial liabilities designated at fair value through profit or loss	17,654	-	-	17,654	17,654
Financial derivatives liabilities	18,555	-	18,555	-	18,555
Total liabilities	36,209	-	18,555	17,654	36,209

There were no transfers between Levels 1 and 2 during the year.

38 Fair value (Cont'd)

38.2 Valuation techniques used to derive level 2 and 3 fair values

Derivatives

Derivatives that are valued using models such as the Black-Scholes option pricing model, simulation models or a combination of models, that use observables or unobservable valuation inputs.

Input include:

- Contractual terms including the period to maturity
- Readily observable parameters including interest rates and volatility
- Credit quality of the counterparty and of the Bank
- Market funding levels
- Correlation levels

In addition, the following specific inputs are used for the following derivatives that are valued based on models with significant unobservable inputs:

Structured credit derivatives, specific inputs include:

- CDS spreads and recovery rates
- Credit correlation between the underlying debt instruments
- Actual transactions, where available, are used to regularly recalibrate unobservable parameters

Derivatives related to interest rate and exchange rate which are complexed, specific inputs include:

- Interest rate correlation
- Volatility of interest rate spread
- Exchange rate correlation
- Correlation between interest rate and exchange rate
- Parameters explaining the reference interest rate

Commodity derivatives, specific inputs include:

- Commodity volatility
- Forward commodity price

Debt investments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

Investments

Fair value of trading and available-for-sale debt securities are calculated using the last quoted bid price or using the discounted cash flow by reference to the risk-free yield curve adjusted by an appropriate risk premium.

38 Fair value (Cont'd)

38.3 Fair value measurements using significant unobservable inputs (Level 3)

	Financial liabilities designated at fair value	
	2019 Million Baht	2018 Million Baht
As at 1 January	17,654	21,088
Total unrealised losses (gains) recognised in profit and loss	2,955	(1,584)
New issuance	-	417
Settlement and redemption	(300)	(2,267)
As at 31 December	20,309	17,654

The ranges of unobservable inputs for interest rate correlation are (30%) - 50% (31 December 2018: (30%) - 50%) and Credit quanto are (40%) - (10%) (31 December 2018: (40%) - (10%)).

There were no other changes in valuation techniques during the year.

38.4 Bank's valuation processes

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the statement of financial position at fair value. The Bank's valuation control function is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Bank's positions are recorded at fair value.

The Model Risk function is independent of the model owners and reviews and approves a wide range of models, including risk management, valuation and certain regulatory capital models used by the Bank. The Model Risk function performs an annual firmwide model risk assessment where developments in the product or market are considered in determining whether valuation models which have already been reviewed need to be reviewed and approved again.

38.5 Fair value of financial assets and liabilities measured at amortised cost

The financial assets and liabilities that are not measured at fair value as at 31 December 2019 and 2018 are as follows;

	Book value Million Baht	2019 Fair value			Total Million Baht
		Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	
Assets					
Cash	1	1	-	-	1
Interbank and money market items, net	14,725	1,286	13,439	-	14,725
Accounts receivable from securities trading	95	95	-	-	95
Loans to customers and accrued interest receivables, net	1,978	-	1,978	-	1,978
Total assets	16,799	1,382	15,417	-	16,799
Liabilities					
Deposits	13,453	-	13,453	-	13,453
Interbank and money market items	3,151	1,851	1,300	-	3,151
Accounts payable from securities trading	44	44	-	-	44
Liability payable on demand	67	67	-	-	67
Total liabilities	16,715	1,962	14,753	-	16,715

38 Fair value (Cont'd)

38.5 Fair value of financial assets and liabilities measured at amortised cost (Cont'd)

The financial assets and liabilities that are not measured at fair value as at 31 December 2019 and 2018 are as follows; (Cont'd)

	Book value Million Baht	2018 Fair value			Total Million Baht
		Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	
Assets					
Cash	4	4	-	-	4
Interbank and money market items, net	6,790	674	6,116	-	6,790
Accounts receivable from securities trading	687	687	-	-	687
Loans to customers and accrued interest receivables, net	2,661	-	2,661	-	2,661
Total assets	10,142	1,365	8,777	-	10,142
Liabilities					
Deposits	13,973	-	13,973	-	13,973
Interbank and money market items	1,393	93	1,300	-	1,393
Accounts payable from securities trading	840	840	-	-	840
Liability payable on demand	40	40	-	-	40
Total liabilities	16,246	973	15,273	-	16,246

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash, saving deposits and current deposits presented as both interbank and money market assets and liabilities items, account receivable from securities trading, saving deposits and current deposits, account payable from securities trading and liabilities payable on demand.

Fair value of the following assets and liabilities are estimated for the purpose of disclosure as described below:

Loans to customers and accrued interest receivable, net

The fair value is the outstanding balance of loans and accrued interest less allowance for doubtful accounts. The majority of loans are fixed rate. The management has assessed the existing effective rate of the outstanding loans is a reasonable approximation of market effective rate.

Interbank and money market items

The interbank and money market items (assets) are loans to financial institutions which are short-term or at call. Accordingly, their carrying amount is a reasonable approximation of fair value.

The interbank and money market items (liabilities) are borrowing and fixed deposits which are short-term. Accordingly, their carrying amount is a reasonable approximation of fair value.

Deposits

The deposits are on demand, savings and fixed deposits which are short-term. Accordingly, their carrying amount is a reasonable approximation of fair value.