



BASEL III PILLAR 3 DISCLOSURES

Mizuho Bank, Ltd. Bangkok Branch

As of September 2019

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¹ Table number is arranged in same number indicated by The Bank of Thailand's Notification No. SorNorSor. 4/2556.

Capital Structure

As at September 30, 2019 and March 31, 2019, assets maintained under section 32 for capital funds are government and state enterprise securities which funds remitted into Thailand from head office and borrowings from other branches under the same entity.

Table 2: Capital of Foreign Banks Branches

Item	Unit: Million Baht	
	Sep-19	Mar-19
1. Assets required to be maintained under Section 32	97,268	100,189
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts (2.1+ 2.2)	167,728	150,779
2.1 Capital for maintenance of assets under Section 32	96,209	102,465
2.2 Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	71,519	48,314
3. Total regulatory capital (3.1-3.2)	95,952	99,942
3.1 Total regulatory capital before deductions (The lowest amount among item 1 item 2 or item 2.1)	96,209	100,189
3.2 Deductions	(257)	(247)

Capital Adequacy

As at September 2019 and March 2019, Mizuho Bank, Ltd - Bangkok Branch uses the standardized approach for credit risk and market risk and the basic indicator approach for operational risk. The related information is presented in the following tables.

Table 3: Minimum capital requirement for credit risk classified by type of assets (SA)

	<i>Unit: Million Baht</i>	
Minimum capital requirement for credit risk classified by type of assets under the SA	Sep-19	Mar-19
Performing claims		
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public section entities (PSEs) treated as claims on sovereigns	-	5
2. Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	5,796	6,122
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	36,892	36,687
4. Claims on retail portfolios	-	-
5. Claims on housing loans	-	-
6. Other assets	105	86
Non-performing claims	-	2
First-to-default credit derivatives and Securitizations	-	-
Total minimum capital requirement for credit risk under the SA	42,793	42,902

Table 6: Minimum capital requirement for market risk for positions in the trading book (Standardized measurement approach)

	<i>Unit: Million Baht</i>	
Minimum capital requirement for market risk (positions in the trading book)	Sep-19	Mar-19
1. Standardized approach	2,051	2,077
2. Internal model approach	-	-
Total minimum capital requirement for market risk	2,051	2,077

Table 7: Minimum capital requirement for operation risk (BIA)

	<i>Unit: Million Baht</i>	
Minimum capital requirement for operational risk	Sep-19	Mar-19
1. Calculate by Basic Indicator Approach	1,165	1,102
2. Calculate by Standardized Approach	-	-
3. Calculate by Alternative Standardized Approach	-	-
4. Calculate by Advanced Measurement Approaches	-	-
Total minimum capital requirement for operational risk	1,165	1,102

Table 8: Total capital to risk-weighted assets Tier 1 capital to risk-weighted assets and Tier 1 capital of Share holder's equity to risk-weighted assets

	<i>Unit : %</i>			
	Sep-19		Mar-19	
Ratio	Capital ratio of Our Bank	Capital ratio of BOT minimum requirement	Capital ratio of Our Bank	Capital ratio of BOT minimum requirement
1. Total capital to risk-weighted assets	22.94	11.00	23.86	11.00
2. Tier 1 capital to risk-weighted assets*	n/a	n/a	n/a	n/a
3. Tier 1 capital of Share holder's equity to risk-weighted assets*	n/a	n/a	n/a	n/a

* Disclosed only in case of locally incorporated commercial banks

Risk Exposures and Assessment: Market Risk

Qualitative Disclosures

The objectives and risk management policy.

We define market risk as the risk of losses incurred due to fluctuations in interest rates and foreign exchange rates. Our definition includes the risk of losses incurred when it becomes impossible to execute transactions in the market because of market confusion or losses arising from transactions at prices that are significantly less favorable than usual. We define liquidity risk as the risk of losses arising from funding difficulties due to deterioration in our financial position that makes it difficult for us to raise necessary funds or that forces us to raise funds at significantly higher interest rates than usual.

The working units related to risk management.

Risk Management Division Asia Department is responsible for market risk management to measure, monitor, and report market risk within Mizuho Bank, Ltd. Bangkok Branch.

The policies for hedging or mitigating risks

To manage market risk, we set limits that correspond to risk capital allocations according to the risk profiles of our Branch and thereby prevent market risk from exceeding our ability to withstand losses based on our financial strength represented by capital, etc. The amount of risk capital allocated to market risk corresponds to VaR and additional costs that may arise in order to close relevant positions. For banking activities, we set position limits based on interest rate sensitivity as needed.

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

VaR is used to calculate Market Risk in banking and trading activities based on the following for the purpose of internal control:

- historical simulation method;
- confidence interval: one-tailed 99.0%;
- holding period in banking ; one month, and in trading ; one day; and
- historical observation period of one year

We also conduct interest sensitivity analyses of interest risk, a main source of market risk.

Because the value-at-risk method is based on statistical assumptions, we conduct stress testing to simulate the levels of losses that could be incurred in cases where the market moves suddenly to levels that exceed these assumptions. The stress testing methods we use include the calculation of losses on the basis of sensitivity analysis scenarios, hypothetical scenarios and the calculation of losses based on market fluctuations occurring during historical market events

The middle offices manage risk using additional risk indices (1BPV, 10BPV) and set stop loss limits as needed. They monitor their market liquidity risk for individual financial products in the market while taking turnover and other factors into consideration.

Interest rate risk exposure

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

We also conduct interest sensitivity analyses of interest risk, our main source of market risk. Interest rate sensitivity (1 BPV in trading, 10 BPV in banking) shows how much net present value varies when interest rates rise by 1 basis(0.01%) and 10 basis (0.1%), and it explains the impact of interest rate movements on net present value when short- and long-term interest rates move differently.

Foreign exchange risk

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

Market risk exposure under SA

We have already started to conduct risk assessment by using internal model approach as described above.

However we herein disclose minimum capital requirements for market risk under standardized approach. Such capital amount is calculated as a sum of required amount for net position amount which is risk-weighted by period as interest rate risk and net position amount by currency as FX risk amount, for all types of transactions including interest swap, currency swap and FX forward.

We have only exposure for interest risk and foreign exchange risk under standardized approach.

Quantitative Disclosures

Table 30: Minimum capital requirements for each type of market risk under the Standardized Approach

	<i>Unit: Million Baht</i>	
Minimum capital requirement for market risk under the Standardized Approach	Sep-19	Mar-19
Interest rate risk	1,665	1,648
Equity position risk	-	-
Foreign exchange rate risk	386	429
Commodity risk	-	-
Total minimum capital requirements	2,051	2,077

Composition of capital disclosure requirements in accordance with BCBS

Regarding the items to include, adjust, and deduct from the capital, the Bank of Thailand requires foreign bank branches to phase intangible assets out at 20 percent p.a. starting from 2014. For Mizuho Bank, Ltd - Bangkok Branch, intangible assets are deducted 100 percent from capital. As of 30 September 2019, 257 million Baht was deducted.