



BASEL III PILLAR 3 DISCLOSURES

Mizuho Bank, Ltd. Bangkok Branch

As of September 2021

Table of Content¹

Key Prudential metrics	1
Table 1: Key Prudential metrics	1
Capital Structure	2
Table 2: Capital of Foreign Banks Branches	2
Capital Adequacy.....	3
Table 3: Minimum capital requirement for credit risk classified by type of assets (SA)	3
Table 6: Minimum capital requirement for market risk for positions in the trading book (Standardized measurement approach/ Internal model approach).....	3
Table 7: Minimum capital requirement for operation risk (BIA)	4
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.....	4
Risk Exposures and Assessment: Market Risk.....	5
Table 30: Minimum capital requirements for each type of market risk under the Standardized Approach.....	6
Composition of capital disclosure requirements in accordance with BCBS	7

¹ Table number is arranged in same number indicated by The Bank of Thailand's Notification No. SorNorSor. 14/2562.

Table 1: Key prudential metrics
Unit: Million Baht

Item	Sep-21	Mar-21
Available capital		
1 Common Equity Tier 1 (CET1) Capital	-	-
1A Fully loaded ECL CET1 Capital	-	-
2 Tier 1 Capital	-	-
2A Fully loaded ECL Tier 1 Capital	-	-
3 Total Capital fund	97,500	96,663
3A Fully loaded ECL ² Total Capital	97,500	96,663
Risk-weighted assets)		
4 Total risk-weighted assets (RWA)	410,759	392,635
Capital ratios (Unit: Percentage)		
5 Common Equity Tier 1 (CET1) Capital ratio (%)	-	-
5A Fully loaded ECL CET1 ratio (%)	-	-
6 Tier 1 Capital ratio (%)	-	-
6A Fully loaded ECL Tier 1 Capital ratio	-	-
7 Total Capital ratio (%)	23.74	24.62
7A Fully loaded ECL total capital ratio ²	23.74	24.62
Buffer requirements (Unit: Percentage)		
8 Capital conservation buffer requirement (%)	2.5	2.5
9 Capital countercyclical buffer requirement (%)	-	-
10 Higher loss absorbency ratio (%)	-	-
11 Total capital buffer requirements (%) (Total of item 8 - item 10)	2.5	2.5
12 Common Equity Tier1 (CET1) available after meeting the bank's minimum capital requirement	-	-
Liquidity Coverage Ratio (LCR)³		
13 Total HQLA	62,595	52,485
14 Total net cash outflows within 30 Days	37,874	35,026
15 LCR ratio (%)	168	150

Remark:

² Expected Credit Loss: ECL according to Thai Financial Reporting Standard No.9: Financial Instrument (TFRS 9). The first time adoption is 1 April 2020.

³ To comply with BOT's Notification no. SorNorSor 2/2561Re: Liquidity Coverage Ratio Disclosure Standard.

Capital Structure

As at September 30, 2021 and March 31, 2021, 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-21	Mar-21
1. Assets required to be maintained under Section 32	97,818	97,061
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts (2.1+ 2.2)	233,603	211,041
2.1 Capital for maintenance of assets under Section 32	104,884	96,972
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	128,719	114,069
3. Total regulatory capital (3.1-3.2)	97,500	96,663
3.1 Total regulatory capital before deductions (The lowest amount among item 1 item 2 or item 2.1)	97,818	96,972
3.2 Deductions	(318)	(309)

Capital Adequacy

As at September 2021 and March 2021, 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-21	Mar-21
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	1	1
2. Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	5,846	4,732
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	35,918	35,305
4. Claims on retail portfolios	-	-
5. Claims on housing loans	-	-
6. Other assets	66	100
Non-performing claims	6	12
First-to-default credit derivatives and Securitizations	-	-
Total minimum capital requirement for credit risk under the SA	41,837	40,150

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-21	Mar-21
1. Standardized approach	2,050	1,758
2. Internal model approach	-	-
Total minimum capital requirement for market risk	2,050	1,758

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

	<i>Unit: Million Baht</i>	
Minimum capital requirement for operational risk	Sep-21	Mar-21
1. Calculate by Basic Indicator Approach	1,296	1,282
2. Calculate by Standardized Approach	-	-
3. Calculate by Alternative Standardized Approach	-	-
4. Calculate by Advanced Measurement Approaches	-	-
Total minimum capital requirement for operational risk	1,296	1,282

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-21		Mar-21	
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	23.74	11.00	24.62	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 three 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-21	Mar-21
Interest rate risk	1,636	1,327
Equity position risk	-	-
Foreign exchange rate risk	414	431
Commodity risk	-	-
Total minimum capital requirements	2,050	1,758

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 2021, 318 million Baht was deducted.