

Standard Chartered Bank (Thai)
Public Company Limited
Report and financial statements
30 June 2020



Building a better
working world

EY Office Limited
33rd Floor, Lake Rajada Office Complex
193/136-137 Rajadapisek Road
Klongtoey, Bangkok 10110
G.P.O.Box 1047, Bangkok 10501, Thailand
Tel: +66 2264 9090
Fax: +66 2264 0789-90
ey.com

บริษัท สำนักงาน อีวาย จำกัด
ชั้น 33 อาคารเลครัชดา
193/136-137 ถนนรัชดาภิเษก
คลองเตย กรุงเทพฯ 10110
ต.ป.ณ. 1047 กรุงเทพฯ 10501
โทรศัพท์: +66 2264 9090
โทรสาร: +66 2264 0789-90
ey.com

Independent Auditor's Report

To the Shareholders of Standard Chartered Bank (Thai) Public Company Limited

Opinion

I have audited the accompanying financial statements of Standard Chartered Bank (Thai) Public Company Limited ("the Bank"), which comprise the statement of financial position as at 30 June 2020, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Standard Chartered Bank (Thai) Public Company Limited as at 30 June 2020, its financial performance and cash flows for the six-month period then ended in accordance with the Bank of Thailand's regulations and Thai Financial Reporting Standards.

Basis for Opinion

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

Other Matter

Statement of financial position of Standard Chartered Bank (Thai) Public Company Limited as at 31 December 2019, presented as comparative information, was audited by other auditor, who expressed an unqualified opinion under her report dated 24 February 2020. Statements of comprehensive income, changes in equity and cash flows of Standard Chartered Bank (Thai) Public Company Limited for the period of six-month ended 30 June 2019, presented as comparative information, were audited by the above-mention other auditor, who expressed an unqualified opinion under her report dated 27 August 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 26 August 2020

Standard Chartered Bank (Thai) Public Company Limited

Statements of financial position

As at 30 June 2020 and 31 December 2019

		(Unit: Thousand Baht)	
	Note	30 June 2020	31 December 2019
Assets			
Cash		70,430	140,741
Interbank and money market items - net	9	63,374,941	38,617,369
Financial assets measured at fair value through profit or loss	10	31,299,080	-
Derivative assets	11	20,298,162	16,083,185
Investments - net	12	18,967,117	48,044,847
Loans to customers and accrued interest receivables - net	13	31,447,688	27,737,527
Premises, equipment and right-of-use assets - net	14	240,631	239,212
Intangible assets - net	15	229,854	176,077
Other assets	17		
Collateral receivables under the Credit Support Annex agreements and receivables on the private sector repurchase transactions		10,048,598	8,861,266
Others		1,872,139	2,213,824
Total assets		177,848,640	142,114,048

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

Standard Chartered Bank (Thai) Public Company Limited

Statements of financial position (continued)

As at 30 June 2020 and 31 December 2019

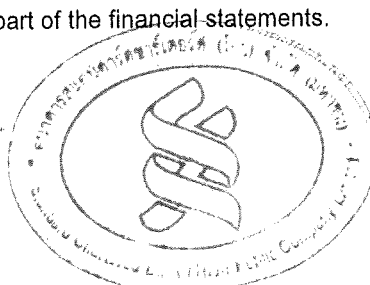
(Unit: Thousand Baht)

	Note	30 June 2020	31 December 2019
Liabilities and shareholders' equity			
Liabilities			
Deposits	18	83,247,862	61,907,707
Interbank and money market items	19	24,030,022	26,249,015
Liabilities payable on demand		878,468	1,185,486
Financial liabilities measured at fair value through profit or loss		2,093,294	-
Derivative liabilities	11	22,504,344	18,822,882
Provisions for liabilities	20	419,278	319,067
Deferred tax liabilities	16	291,126	108,631
Other liabilities	21		
Collateral payables under the Credit Support Annex agreements and payables on the private sector repurchase transactions		7,586,491	3,621,445
Payables on purchases of securities		7,078,603	53,977
Others		2,777,534	2,491,093
Total liabilities		150,907,022	114,759,303
Shareholders' equity			
Share capital			
Registered share capital	22	14,842,627	14,842,627
Issued and paid-up share capital	22	14,837,045	14,837,045
Premium on share capital	23	9,055,819	9,055,819
Other components of equity	24	87,055	179,258
Retained earnings			
Appropriated			
Statutory reserve	25	1,446,999	1,446,999
Unappropriated		1,514,700	1,835,624
Total shareholders' equity		26,941,618	27,354,745
Total liabilities and shareholders' equity		177,848,640	142,114,048

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

(Mr. Plakorn Wanglee)

Executive Director and President
and Chief Executive Officer



(Mr. Ashish Jain)

Executive Director
and Chief Financial Officer

Standard Chartered Bank (Thai) Public Company Limited

Statements of comprehensive income

For the six-month periods ended 30 June 2020 and 2019

(Unit: Thousand Baht)

	Note	2020	2019
Profit or loss:			
Interest income	29.3, 33	1,176,874	1,901,592
Interest expenses	34	368,660	775,976
Net interest income		808,214	1,125,616
Fees and service income		547,721	493,139
Fees and service expenses		149,543	86,113
Net fees and service income	35	398,178	407,026
Net gains on financial instruments measured as fair value			
through profit or loss	29.3, 36	1,192,494	-
Net gains on trading and foreign exchange transactions	29.3	-	1,031,464
Net gains on investments	37	409,926	15,550
Other operating income	38	685,399	6,448
Total operating income		3,494,211	2,586,104
Operating expenses			
Employee expenses	39	705,653	718,077
Directors' remuneration		3,900	3,900
Premises and equipment expenses		68,769	72,144
Taxes and duties		27,745	53,166
Other operating expenses	29.3, 29.5, 40	601,923	637,525
Total operating expenses		1,407,990	1,484,812
Expected credit loss	41	170,341	-
Bad debts, doubtful account and impairment losses	41	-	4,403
Profits before income tax expenses		1,915,880	1,096,889
Income tax expenses	16.2	392,082	296,348
Net profits		1,523,798	800,541


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

Standard Chartered Bank (Thai) Public Company Limited
Statements of comprehensive income (continued)
For the six-month periods ended 30 June 2020 and 2019


(Unit: Thousand Baht)

	Note	2020	2019
Other comprehensive income (loss)	16.3		
Items to be recognised subsequently in profit or loss:			
Loss on valuation of investments in debt instruments			
measured at fair value through other comprehensive income		(141,449)	-
Gains on valuation of available-for-sale investments		-	132,091
Gains on measurement of derivatives held for cash flows hedges		8,188	1,692
Add (less): Income tax benefits (expenses)		27,432	(26,757)
Items to be recognised subsequently in profit or loss			
- net of income taxes		(105,829)	107,026
Items not to be recognised subsequently in profit or loss:			
Loss on valuation of investments in equity securities designed to be measured			
at fair value through other comprehensive income		(880)	-
Change in fair value of financial liabilities attributable to			
changes in credit risk		5,416	-
Actuarial gains		-	14
Less: Income tax expenses		(438)	(3)
Items not to be recognised subsequently in profit or loss			
- net of income taxes		4,098	11
Other comprehensive income (loss) for the periods		(101,731)	107,037
Total comprehensive income for the periods		1,422,067	907,578
Earnings per share			
Basic earnings per share (Baht)	30	1.03	0.54

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


 (Mr. Plakorn Wanglee)
 Executive Director and President
 and Chief Executive Officer




 (Mr. Ashish Jain)
 Executive Director
 and Chief Financial Officer

Standard Chartered Bank (Thai) Public Company Limited
Statements of changes in shareholders' equity
For the six-month periods ended 30 June 2020 and 2019

(Unit: Thousand Baht)

	Equity						
	Other components of equity						Retained earnings
	Issued and paid-up share capital	Premium on share capital	Revaluation surplus (deficit) on investments	Revaluation surplus (deficit) on derivatives held for cash flow hedges	Change in fair value of financial liabilities attributable to change in credit risk	Total	
Balance as at 1 January 2019	14,837,045	9,055,819	(73,843)	603	-	(73,240)	16,119,870
Dividends paid	-	-	-	-	-	-	(15,964,661)
Reversal of deferred income taxes	-	-	-	-	-	-	15,287
Net profit	-	-	-	-	-	-	800,541
Other comprehensive income for the period	-	-	105,673	1,353	-	107,026	11
Total other comprehensive income	-	-	105,673	1,353	-	107,026	-
Balance as at 30 June 2019	14,837,045	9,055,819	31,830	1,956	-	33,786	971,048
Balance as at 1 January 2020	14,837,045	9,055,819	185,808	(6,550)	-	179,258	1,835,624
Cumulative effect of the change in accounting policies (Note 5)	-	-	(4,822)	-	16,696	11,874	(170,482)
Balance as at 1 January 2020 - as restated	14,837,045	9,055,819	180,986	(6,550)	16,696	191,132	1,665,142
Dividends paid (Note 26)	-	-	-	-	-	-	(1,676,586)
Derecognition of investments in equity securities	-	-	(2,346)	-	-	(2,346)	2,346
Net profit	-	-	-	-	-	-	1,523,798
Other comprehensive income (loss) for the period	-	-	(112,614)	6,550	4,333	(101,731)	-
Total other comprehensive income (loss)	-	-	(112,614)	6,550	4,333	(101,731)	-
Balance as at 30 June 2020	14,837,045	9,055,819	66,026	-	21,029	87,055	1,514,700
							26,941,618

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

Standard Chartered Bank (Thai) Public Company Limited

Statements of cash flows

For the six-month period ended 30 June 2020 and 2019

	(Unit: Thousand Baht)	
	2020	2019
Cash flows from operating activities		
Profit from operations before income tax expenses	1,915,880	1,096,889
Adjustments to reconcile profit from operations before income tax expense to net cash provided by (used in) operating activities		
Depreciation and amortisation	52,422	18,424
Expected credit losses	170,341	-
Bad debt, doubtful debt and impairment loss of loans	-	5,776
Amortisation premium (discount) of investments in debt securities	(76,873)	(48,804)
Gains on disposal of investments	(409,926)	(15,550)
Gains (losses) on financial instruments measured at fair value through profit or loss	526,100	-
Write-off premises and equipment	1,589	(1,037)
Increase in provision for long-term employees benefits	19,292	59,862
Net interest income	(808,214)	(1,125,616)
Cash received on interest income	1,195,416	1,908,606
Cash paid on interest expenses	(391,696)	(787,980)
Cash paid on income taxes	(15,998)	(167,284)
Profit from operation before changes in operating assets and liabilities	2,178,333	943,286
(Increase) decrease in operating assets		
Interbank and money market items	(24,645,931)	14,205,546
Derivative assets	(522,915)	1,606,815
Financial assets measured at fair value through profit or loss	(1,441,002)	-
Investments held for trading	-	(5,400,323)
Loans to customers	(4,138,794)	(1,736,158)
Other assets	(863,394)	(1,046,056)

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

Standard Chartered Bank (Thai) Public Company Limited

Statements of cash flows (continued)

For the six-month period ended 30 June 2020 and 2019

(Unit: Thousand Baht)

	2020	2019
Increase (decrease) in operating liabilities		
Deposits	21,340,155	1,301,868
Interbank and money market items	892,769	3,783,605
Liabilities payable on demand	(307,018)	58,398
Financial liabilities measured at fair value through profit or loss	(1,213,811)	-
Other liabilities	11,133,411	959,817
Net cash provided by operating activities	2,411,803	14,676,798
Cash flows from investing activities		
Purchases of debt and equity securities measured		
at fair value through other comprehensive income	(33,608,422)	-
Proceeds from sales of debt and equity securities measured		
at fair value through other comprehensive income	32,899,676	-
Purchase of available-for-sale investments	-	(15,554,279)
Proceeds from sales of available-for-sale investments	-	16,860,584
Purchase of premises and equipment	(96,782)	(15,134)
Proceeds from disposals of premises and equipment	-	1,037
Net cash provided by (used in) investing activities	(805,528)	1,292,208
Cash flows from financing activities		
Dividends paid	(1,676,586)	(15,964,661)
Net cash used in financing activities	(1,676,586)	(15,964,661)
Net increase (decrease) in cash and cash equivalents	(70,311)	4,345
Cash and cash equivalents as at 1 January	140,741	79,687
Cash and cash equivalents as at 30 June	70,430	84,032

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

Standard Chartered Bank (Thailand) Public Company Limited


Statements of cash flows (continued)

For the six-month period ended 30 June 2020 and 2019

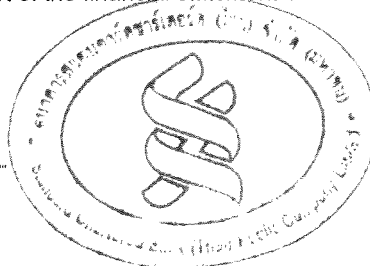
(Unit: Thousand Baht)


	2020	2019
Supplemental cash flows information		
Non-cash transactions		
Right-of-use assets	7,696	-
Gains (losses) on valuation of investments measured at fair value through other comprehensive income - net of income taxes	(112,614)	105,673
Gains (losses) on measurement of derivatives held for cash flows hedge - net of income taxes	6,550	1,353
Actuarial gains - net of income taxes	-	11

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


(Mr. Plakorn Wanglee)

Executive Director and President
and Chief Executive Officer




(Mr. Ashish Jain)

Executive Director Chief Financial Officer

Standard Chartered Bank (Thai) Public Company Limited

Table of notes to the financial statements

For the six-month period ended 30 June 2020 and 2019

Note	Contents	Page
1.	General information	1
2.	Basis of preparation of financial statements.....	1
3.	New financial reporting standards.....	2
4.	Summary of significant accounting policies.....	8
5.	Cumulative effect of the change in accounting policies	29
6.	Risk Management of the Bank.....	34
7.	Classification of financial assets and liabilities	50
8.	Capital funds	51
9.	Interbank and money market items.....	53
10.	Financial assets measured at fair value through profit or loss.....	54
11.	Derivatives assets/liabilities	54
12.	Investments	57
13.	Loans to customers and accrued interest receivables.....	58
14.	Premises, equipment and right-of-use assets	62
15.	Intangible assets.....	63
16.	Deferred tax assets/liabilities and income tax expenses	64
17.	Other assets	68
18.	Deposits	68
19.	Interbank and money market items (liabilities)	69
20.	Provisions for liabilities	69
21.	Other liabilities	73
22.	Share capital	73
23.	Share premium.....	73
24.	Other components of equity.....	74
25.	Statutory reserve	74
26.	Dividends.....	74
27.	Commitments and contingent liabilities	75
28.	Assets placed as collateral	75
29.	Related party transactions	76
30.	Earnings per share	79
31.	Non-cancellable operating lease agreements	80
32.	Segment information.....	80
33.	Interest income	82

Standard Chartered Bank (Thai) Public Company Limited
Table of notes to the financial statements (continued)
For the six-month period ended 30 June 2020 and 2019

Note	Contents	Page
34.	Interest expenses	82
35.	Fees and service income	82
36.	Net gains on financial instruments measured as fair value through profit or loss/Net gains on trading and foreign exchange transactions	83
37.	Net gains on investments	83
38.	Other operating income	83
39.	Employee expenses	84
40.	Other operating expenses	84
41.	Expected credit losses/Bad debts, doubtful accounts and impairment losses	85
42.	Fair values of financial assets and liabilities	85
43.	Approval of financial statements	88

Standard Chartered Bank (Thai) Public Company Limited

Notes to the financial statements

For the six-month periods ended 30 June 2020 and 2019

1. General information

1.1 Corporate information

Standard Chartered Bank (Thai) Public Company Limited (the "Bank"), is incorporated in Thailand and has its Head Office located at 100 North Sathorn Road, Silom, Bangrak, Bangkok. The immediate and ultimate parent companies of the Bank are Standard Chartered Bank and Standard Chartered PLC, respectively, which are incorporated in the United Kingdom. The Bank is a commercial bank, which provides a wide range of banking services to corporate and institutional clients.

1.2 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 pandemic is resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Bank operates. The Bank's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

2. Basis of preparation of financial statements

For the six-month period ended 30 June 2020, presented the financial statements are in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand ("BoT") and accordance with the Notification of the Bank of Thailand ("BoT") No. SOR NOR SOR. 21/2561 dated 31 October 2018, regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups, including any other supplementary BoT's Notifications.

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

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

3. New financial reporting standards

3.1 New financial reporting standards that became effective in the current period

During the period, the Bank has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. However, the new financial reporting standards that involve changes to key principles are summarised below:

(a) Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
--------	-------------------------------------

Financial Reporting Standard Interpretations:

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

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Bank's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

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

Classification and measurement of financial assets and financial liabilities

Financial asset - debt instruments

The Bank classifies debt instruments as financial assets subsequently measured at amortised cost or fair value in accordance with the Bank's business model in managing the financial assets and according to the contractual cash flows characteristics of the financial assets as follows:

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

Investment in equity instruments

Domestic non-marketable equity securities, The Bank has classified equity investments as the financial asset measured at fair value through other comprehensive income.

Financial liabilities

The Bank classifies financial liabilities measured at amortised cost or fair value through profit or loss when they are held for trading or the fair value designation is applied.

Financial liabilities may be designated to be measured as fair value through profit or loss under of the following criteria:

- The designation eliminates or significantly reduces an accounting mismatch.
- A group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis.
- The liabilities contain one or more embedded derivatives.

Change in the liability's credit risk is presented separately in other comprehensive income as an own credit reserve except it would create or enlarge an accounting mismatch in profit or loss. All changes in fair value on that liability, including the effects of changes in the credit risk are presented in "Gains (losses) on financial instruments measured at fair value through profit or loss".

The movement in fair value attributable to changes in own credit risk is calculated from the difference between the current fair value and the difference between the current and initial credit risk.

Amounts presented in the own credit reserve will not be subsequently transferred to profit or loss. When these instruments are derecognized, the related cumulative amount in the own credit reserve is transferred to retained earnings.

Impairment of financial assets

TFRS 9 requires entities to estimate allowance for expected credit losses in place of the incurred losses recognised under the previous accounting policy. It requires entities to recognise impairment based on Expected Credit Loss model and management overlay for the factors which are not captured by the model. It requires the Bank to recognise an allowance for expected credit losses for all financial assets that are investment in debt instruments which are not measured at fair value through profit or loss, including undrawn commitments and financial guarantees, and it is not necessary for a credit-impaired event to have occurred. The Bank applies the General Approach to calculate expected credit losses of financial assets such as loans to customers, Interbank and money market items (assets) and investments in debt instruments.

Transition

The Bank adopted a set of financial reporting standards related to financial instruments by recognising the cumulative effects of the first-time adoption of these set of financial reporting standards as an adjustment to the retained earnings or other components of shareholders' equity as at 1 January 2020. The comparative information was not restated; therefore, the presentation of the year 2019 was not comparable with the presentation of the year 2020.

The cumulative effect of the change is described in Note 5.1 to the financial statements.

(b) TFRS 16 Leases

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

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

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

The cumulative effect of the change is described in Note 5.2 to the financial statements.

3.2 Accounting Guidances

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

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

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by the aforementioned situations during the period from 1 January 2020 to 31 December 2021, considering the following guidelines.

- Debtors who were not yet non-performing (Stage 1 or Stage 2) on or after 1 January 2020
- Debtors who became non-performing (Stage 3) on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions

An entity, who provide assistance to affected debtors may apply the followings in accordance with the BoT's guideline.

- For the provision of assistance to loans that are not yet non-performing (Non-NPL), the Bank may classify them as loans with no significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. Should the assistance be provided to the debtor in accordance with the circular of BoT No. BoT.PRD.(01)C.380/2563 and the classification of the debtor remains at the same stage as before.
- For the provision of assistance to non-performing loans (NPL), the Bank may classify them as performing loans if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- Additional working capital loans provided to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- The guidelines of the BoT No. BoT.PRD.(23)C.276/2563 relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to Stage 2.
- Expected credit losses are determined based on the outstanding balance of the drawn down portion only.
- If the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan, the Bank may apply a newly calculated effective interest rate to determine the present value of loans that have been restructured and recognises interest income on the basis of this new effective interest rate during the grace period, or in accordance with the BoT's new guidelines No. BoT.PRD.(01)C.380/2563 if there are changes.
- In cases where a general approach is used in determining expected credit losses, consideration is given to placing less weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience.

However, the Bank did not apply this Accounting Guidance in its preparation of its financial statements for the six-month period ended 30 June 2020.

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

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

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

However, the Bank did not apply this Accounting Guidance in its preparation of its financial statements for the six-month period ended 30 June 2020.

4. Summary of significant accounting policies

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

4.1 Revenue recognition

(a) Interest income and discounts on loans to customers

Since 1 January 2020 the Bank has recognised interest on loans on an accrual basis, using the effective interest rate method, applied to the outstanding principal amount, without ceasing revenue recognition. If loans to customers are later credit-impaired, the Bank recognises interest income using the effective interest rate method applied to the net carrying value of the loan (the loan amount minus allowance for expected credit losses). If the financial asset is no longer credit-impaired, the Bank reverts to calculating interest income on a gross carrying amount

Before 1 January 2020, Interest income on loans to customers, discounts on loans to customers and other income are recognised on an accrual basis, except for interest income on loans overdue for more than three months and interest on loans where the borrowers' ability to pay is uncertain. In accordance with the BoT's regulations, interest in arrears for more than three months from the due date, regardless of whether it is covered by collateral, is reversed from profit or loss. Subsequent interest receipts are recognised on a cash basis.

(b) Fees and service income

The Bank recognises fees and service income in profit or loss when the service has been provided.

4.2 Expense recognition

Interest expenses

Interest expense are charged to expenses on an accrual basis.

4.3 Net gains (losses) from financial instruments measured at fair value through profit or loss

Net gains (losses) from financial instruments measured at fair value through profit or loss consist of gains (losses) on trading and foreign exchange transactions, gains (losses) from changes in the fair value of derivatives and financial assets designated at fair value through profit or loss, gains (losses) from sales of financial assets measured at fair value through profit or loss, and derivatives, and gains (losses) from hedge accounting. The Bank recognises them as revenues or expenses on the transaction dates.

4.4 Net gains (losses) on investments

The Bank recognises gains (losses) on disposals or derecognition of financial assets on the transaction dates.

4.5 Cash

Cash represent cash in hand and cash on collection.

4.6 Securities purchased under resale agreements/securities sold under repurchase agreements

The Bank enters into repurchase agreements to purchase/sell securities with an agreement to resell/repurchase the securities at certain dates and at fixed price. Amounts paid for the securities purchased under resale agreement are presented as assets under the caption of "Interbank and money market items" as assets in the statements of financial position and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement at the amounts received are presented as liabilities under the caption of "Interbank and money market items" as liabilities in the statement of financial position and the underlying securities are treated as collateral.

4.7 Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date on which the derivative contracts are entered into (trade date) and are subsequently remeasured at their fair values. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss unless the derivative is a designated hedge instrument in a cash flow hedge relationship. All derivatives are carried as assets when the fair value is positive as "Derivative assets" and as liabilities when the fair value is negative as "Derivative liabilities" in the statements of financial position.

Fair value hedge

Where a derivative hedges the changes in fair value of a recognised asset, liability or an identified portion of such asset and liabilities, any gain or loss on remeasuring the fair value of the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income, and presented in the hedging reserve in equity. Any ineffective portion is recognised immediately in profit or loss.

Discontinuing hedge accounting

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on hedging instrument recognised in equity is retained in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recognised in profit or loss immediately.

4.8 Investments

Since 1 January 2020 the Bank has classified investments in securities as debt or equity instruments financial assets as follows:

Financial assets - debt instruments

The Bank classifies its investment in debt instruments as financial assets subsequently measured at amortised cost or fair value in accordance with the Bank's business model in managing the financial assets and according to the contractual cash flows characteristics of the financial assets as follows:

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

It is classified as a financial asset measured at fair value through profit or loss unless the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows or, the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and are subsequently measured at fair value. Unrealised gains and losses from change in fair value measured at fair value through profit or loss.

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

It is classified as a financial asset measured at fair value through other comprehensive income only if both following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and subsequently measured at fair value. The unrealised gains or losses from changes in their fair value are reported as a component of shareholders' equity through other comprehensive income until realised, after which such gains or losses on disposal of the instruments will be recognised as gain or losses in income statement. The expected credit losses, and interest income which calculated using the effective interest rate method are recognised in profit or loss.

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

Investment in equity instruments

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

Fair value

The fair value of marketable securities is based on the latest bid price of the last working day of the reporting period. The fair value of non-marketable securities is based on discounted future cash flows and/or determined by comparing with information of similar companies.

The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions.

Revenues from investments and disposals of investments

Gains (losses) on disposals of investments (excluding investments in equity securities classified as financial assets measured at fair value through other comprehensive income) are recognised in profit or loss on the transaction date. The weighted average method is used for computation of the cost of investments.

Initial recognition

Purchases and sales of investments are initially recognised on the trade date, which is the date that the Bank commits to purchase or sell the investments.

Changes in classification of investments in debt instruments

When there are changes in the Bank's business model for management of financial assets, the Bank has to reclassify investments in debt instruments and adjust the value of these investments to their fair value on the reclassification date. Differences between the book value and fair value of investments in debt instruments on the reclassification date are recorded in profit or loss or other comprehensive income depending on the classification of the investment.

Before 1 January 2020, the Bank classified and measured investments in equity and debt securities as follows:

Debt securities and marketable equity securities held for trading are classified as trading securities and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities and marketable equity securities other than those securities held for trading are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

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

4.9 Loans to customers

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

4.10 Allowance for expected credit losses on financial assets

1 January 2020 onwards

The Bank recognises expected credit losses of financial assets - debt instruments, which are interbank and money market (assets), loans to customers and investments in debt securities, including loan commitments and financial guarantee contracts, measured at amortised cost or fair value through other comprehensive income using the General Approach. The Bank classifies its financial assets into three stages based on the changes in credit risk since initial recognition as follows:

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

For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the Bank recognises allowance for expected credit losses at the amount equal to the expected credit losses in the next 12 months. The Bank will use a probability of default that corresponds to remaining maturity for financial assets with a remaining maturity of less than 12 months.

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

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the Bank recognises allowance for expected credit losses at the amount equal to the lifetime expected credit losses of financial assets.

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

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

At every reporting date, the Bank assesses whether there has been a significant increase in credit risk of financial assets since initial recognition by comparing the risk of default over the expected lifetime at the reporting date with the credit risk at the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Bank uses internal quantitative and qualitative indicators, and forecasts information to assess the deterioration in credit quality of financial assets such as arrears of over 30 days past due, loans under the watchlist (Early warning sign), loans that are classified as in the high risk group, changes of internal credit rating of the borrower since initial recognition, and issuer credit rating as either 'under investment grade' or 'no rating' for investments, etc.

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

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

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

The Bank considers its historical loss experience, adjusted by current observable data and plus on the reasonable and supportable forecasts of future economic conditions, including appropriate use of judgement, to estimate the amount of an expected credit losses. The Bank determines both current and future economic scenario, and probability-weighted in each scenario (base scenario, upturn scenario and downturn scenario) for calculating expected credit losses. The use of macroeconomic factors which major are include, but are not limited to, unemployment rate and property price index, etc. The Bank has established the process to review and monitor methodologies, assumptions and forward-looking macroeconomics scenarios on an annual basis.

In the case of investments in debt securities measured at fair value through other comprehensive income, the Bank recognises impairment charge in profit and loss as expected credit losses and the allowance for expected credit losses with the corresponding amount in other comprehensive income, whereas the carrying amount of the investments in debt securities in the statement of financial position still present at fair value.

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

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

Before 1 January 2020

The Bank's allowance for doubtful accounts is established to recognise impairment losses either on specific loan assets or within a portfolio of loans to customers. Specific provisions are made where the repayment of identified loans to customer is in doubt and reflects expected losses. The amount of specific provision is the excess of the carrying value over the present value of estimated future cash flows, discounted at the loan's effective interest rate. A portfolio provision is established to cover the inherent risk of losses that, although not specifically identified, are known from experience to have been incurred and are present in any loan portfolio. The amount of the portfolio provision is computed primarily based on historical experience and adjusted for current trends, economic conditions and management consideration. To the extent that the above policy does not meet the minimum provisioning guidelines established by the BoT, the Bank raises additional provisions to meet such requirements.

Estimating the amount and timing of future recoveries involves significant judgment, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral for which there may not be a readily accessible market. Actual losses identified could differ significantly from the impairment provisions reported as a result of uncertainties arising from the economic environment.

Any allowances for doubtful accounts established during the period are recorded as impairment loss of loans. The Bank writes off bad debts against the allowance for doubtful accounts for uncollectible amounts. Bad debts recovered are presented net of impairment loss of loans in profit or loss.

4.11 Financial assets with modifications of terms/Debt restructuring

1 January 2020 onwards

When a financial asset's terms of repayment are renegotiated or modified, or debt is restructured, or existing financial asset is replaced with a new financial asset because the debtor is having financial problem, the Bank assesses whether to derecognise the financial asset and measure the expected credit losses, as follows:

- If the modification of terms does not result in derecognition of the financial asset, the Bank calculates the gross book value of the new financial asset based on the present value of the new or modified cash flows, discounted using the original effective interest rate of the financial asset, and recognises gain or loss on contract modification of terms in profit or loss, less any impairment loss on the financial asset.

- If the modification of terms results in derecognition of the financial asset, the fair value of the new financial asset is the latest cash flows of the original financial asset on the date of derecognition. The difference between the book value and the fair value of the financial asset is recognised in profit or loss.

In cases where debt restructuring does not result in derecognition, a debtor is classified in the stage where there has been a significant increase in credit risk (Stage 2) or that is credit-impaired (Stage 3) until the repayment is made in compliance with the new debt restructuring agreement for not less than 12 months from the restructuring date. The financial asset is therefore classified in the stage where there has not been a significant increase in credit risk (Stage 1). If the debt restructuring results in a derecognition, the new financial asset is considered a financial asset with no significant increase in credit risk (Performing or Stage 1).

Before 1 January 2020

Where the troubled debt restructuring of loans involves modification of the terms and conditions of the remaining loan balances, the fair value of the investment in loans after restructuring is calculated based on the expected future cash flows discounted by the market rate of interest as per the Bank's risk criteria applicable to such loans as at the restructuring date.

The Bank records transferred assets from customers at the lower of the fair value of the assets or the book value of the loans to customers as at the restructuring date.

Losses on troubled debt restructuring are recognised in profit or loss. Gains are not recognised.

4.12 Premises and equipment

Premises and equipment are measured at cost less accumulated depreciation and impairment losses (if any).

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

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items of premises and equipment.

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

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

Buildings	-	20 years
Equipment	-	3 - 5 years

No depreciation is provided on assets in progress.

The Bank derecognises land, premises and equipment upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses arising on disposal of an asset are included in profit or loss when asset is derecognised.

4.13 Right-of-use-assets/Lease liabilities

Right-of-use assets

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

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

Lease liabilities

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

Short-term leases and Leases of low-value assets

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

4.14 Intangible assets

Intangible assets, comprising application softwares, are initially recognised at cost. Following the initial recognition, they are presented at cost net accumulated amortisation and allowance for impairment (if any).

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets and tested for impairment whenever there is an indication that the intangible asset may be impaired. The Bank will review amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

The intangible assets with finite useful lives have useful lives of approximately 3 - 5 years.

No amortisation for application softwares under development.

4.15 Provisions

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

4.16 Impairment of assets

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

The recoverable amount of non-financial assets is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

4.17 Employee benefits

Short-term employee benefits

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

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Bank and their employees have jointly established a provident fund. The fund is monthly contributed by the employees and by the Bank and will have no legal or constructive obligation to pay further amount. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans

The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Bank determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Termination benefits

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

4.18 Foreign currency translation

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

Items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction dates. Balances of monetary assets and liabilities are translated by using the reference exchange rates of the BoT as at the reporting date.

Foreign currency differences are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the date of the transactions.

The Bank enters into forward foreign exchange contracts for both trading and hedging purposes. Trading and hedging contracts are stated at fair value. Outstanding forward foreign exchange contracts at the reporting date are stated at fair value by comparing contract rates to forward market rates with similar maturities. At each reporting date, changes in fair value on outstanding forward foreign exchange contracts calculated as described above are recognised in profit or loss except for the portion of the effective cash flow hedges.

4.19 Share-based payments

The Standard Chartered Group operates a number of share-based payment schemes for its directors and employees, for which the fair value of the services received in exchange for the grant of the options is recognised as an expense in profit or loss. Cash-settled awards are revalued at each reporting date and a liability recognised in the statements of financial position for all unpaid amounts, with any changes in fair value charged or credited to employee expense in profit or loss.

4.20 Income tax expenses

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

(a) Current income tax

Current income tax is the expected tax payable or receivable to tax authorities base on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(b) Deferred income tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiary and jointly ventures to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiary in the Group. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.21 Fair value measurement

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

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

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

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

4.22 Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

4.23 Offsetting of financial assets and financial liabilities

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

4.24 Financial instruments

1 January 2020 onwards

Recognition of financial instruments

The Bank recognises financial assets or financial liabilities when the Bank become a party to the contractual provisions of the financial instrument.

Classification and measurement

Financial asset - debt securities

The Bank classifies its financial assets - debt instruments as financial assets subsequently measured at amortised cost or fair value in accordance with the Bank's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets as follows:

- A financial asset measured at amortised cost

A financial asset shall be classified as a financial asset measured at amortised cost only if both following conditions are met: the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value on trade date and subsequently measured at amortised cost net of allowance for expected credit losses (if any).

- A financial asset measured at fair value through other comprehensive income

A financial asset shall be classified as a financial asset measured at fair value through other comprehensive income only if both following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and subsequently measured at fair value. The unrealised gains or losses from changes in their fair value are reported as a component of shareholders' equity through other comprehensive income until realised, after which such gains or losses on disposal of the instruments will be recognised as gain or losses in income statement. The gains or losses on foreign exchange, expected credit losses, and interest income which calculated using the effective interest rate method are recognised in profit or loss.

- A financial asset measured at fair value through profit or loss

A financial asset shall be classified as a financial asset measured at fair value through profit or loss unless the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows or, the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and are subsequently measured at fair value. Unrealised gains and losses from change in fair value, and gains and losses on disposal of instruments are recognised as gains (losses) on financial instruments measured at fair value through profit or loss.

Investment in equity securities

The Bank has classified investments in equity securities that are not held for trading but held for strategic purposes or for securities with potential for high market volatility as the financial asset measured at fair value through other comprehensive income, where an irrevocable election has been made by the management. Such classification is determined on an instrument-by-instrument basis. Gains and losses arising from changes in fair value is recognised in other comprehensive income and not subsequently transferred to profit or loss when disposal, instead, it is transferred to retained earnings. Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial liabilities

The Bank classifies and measures financial liabilities at amortised cost. They are initially recognised at fair value and subsequently measured at amortised cost. The Bank may classify financial liabilities as financial liabilities measured at fair value through profit or loss when they are held for trading or designated to be measured at fair value.

Financial liabilities may be designated to be measured at fair value through profit or loss under of the following criteria:

- The designation eliminates or significantly reduces an accounting mismatch
- A group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis
- The liabilities contain one or more embedded derivatives

Change in the liability's credit risk is presented separately in other comprehensive income as an own credit reserve except it would create or enlarge an accounting mismatch in profit or loss. All changes in fair value on that liability, including the effects of changes in the credit risk are presented in 'Gains (losses) on financial instruments measured at fair value through profit or loss'.

The movement in fair value attributable to changes in own credit risk is calculated from the difference between the current fair value and the difference between the current and initial credit risk.

Amounts presented in the own credit reserve will not be subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the own credit reserve is transferred to retained earnings.

Modifications of financial instruments not measured at fair value

Financial assets

If the terms of a financial asset are modified, the Bank evaluate whether the cash flows of the modified financial asset are different form the original financial assets significantly. The original financial asset is derecognised and a new financial asset is recognised at fair value. The difference between the carrying amount of the financial asset extinguished and the new financial asset is recognised in profit or loss as a part of impairment loss.

If the cash flows of the modified financial asset are not substantially different, the Bank recalculate the gross carrying amount of the financial asset and recognise the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss which is presented as impairment losses.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified financial liability are substantially different. A new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability is recognised in profit or loss.

If the cash flows of the modified financial liability are not substantially different, the Bank adjust the carrying amount of the financial liability to reflect the net present value of the revised cash flows discounted at the original effective interest rate and recognises the amount arising from adjusting the carrying amount as a modification gains or losses.

Derecognition of financial instruments

The Bank derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which all or substantially all the risks and rewards of ownership are transferred. Any interest from transferred financial assets, which is created or retained by the Bank, are recognised separately as asset or liability.

A financial liability is derecognised from the statement of financial position when the Bank has discharged its obligation, or the contract is cancelled or expires.

Write-off

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

4.25 Significant accounting judgments and estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Recognition and write-off of assets and liabilities

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

Allowance for expected credit losses

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

Fair value of financial instruments

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

Premises and equipment and depreciation

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

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

Determination of the term of lease with the option to extend or cancel the lease - as a lessee

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

Deferred tax assets

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

Post-employment benefits

Obligations under the defined benefit plan are determined by using actuarial technique. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, and mortality rate, based on their best knowledge of current situation.

Litigation

The Bank has contingent liabilities as a result of litigation for claims. The management has used judgement to assess the outcome of the cases and in case where they believe that there will be no losses, no provisions are recorded as at the end of the reporting period.

5. Cumulative effect of the change in accounting policies

As described in Note 3.1 to the financial statements, the Bank initially adopted a set of Thai Financial Reporting Standards (TFRS) related to financial instruments and TFRS 16 on 1 January 2020. The Bank chose to recognise the cumulative effect of the change in such accounting policies as an adjustment to retained earnings as at 1 January 2020 and the comparative information was not restated.

5.1 Financial instruments

Details of the impact on retained earnings as at 1 January 2020 due to the first time adoption of a set of TFRSs related to financial instruments were presented as follows:

	(Unit: Million Baht)
	1 January 2020
Impact as result of reclassification and measurement	(198)
Losses from impairment of investment in non-listed equity securities	6
Relevant deferred tax assets	22
The impact to retained earnings as at 1 January 2020 due to the adoption of a set of TFRSs related to financial instruments	(170)

The following table shows a reconciliation of (a) the closing allowance for impairments as at 31 December 2019, recognised in accordance with the BoT regulations and TAS 105 Accounting for Investments in Debt and Equity Securities and the provisions for contingent liabilities, recognised in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets, and (b) the opening allowance for expected credit losses as at 1 January 2020, determined in accordance with TFRS 9 whereby the differences arose as a result of remeasurement of allowance for expected credit losses under the requirement of TFRS 9.

	(Unit: Million Baht)		
	31 December 2019	Remeasurement under TFRS 9	1 January 2020
Allowance for expected credit losses			
- Interbank and money market items (assets)	108	(108)	-
- Investments in debt securities measured at fair value through other comprehensive income	-	4	4
- Loans to customers and accrued interest receivables	423	95	518
- Loan commitments and financial guarantee contracts	7	9	16
Total	538	-	538

5.2 Leases

Upon an initial application of TFRS 16, the Bank recognised lease liabilities that were previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at 1 January 2020 of 3.10% to 3.52% per annum. For leases previously classified as finance leases, the Bank recognised the same carrying amount of the right-of-use assets and lease liabilities based on the same carrying amounts of the lease assets and lease liabilities as of the date of the initial application of TFRS 16.

	(Unit: Million Baht)
Operating lease commitments disclosed as at 31 December 2019	11
Less: Short-term leases and leases of low-value assets	<u>(8)</u>
Increase in lease liabilities due to the first time adoption of TFRS 16	3
Liabilities under finance lease agreements as at 31 December 2019	<u>-</u>
Lease liabilities as at 1 January 2020	<u>3</u>

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

	(Unit: Million Baht)
Premises and building improvement	1
Motor vehicles	<u>2</u>
Total right-of-use assets as at 1 January 2020	<u>3</u>

5.3 Table showing adjustments and classification in accordance with new financial reporting standards

The amounts of adjustments affecting each line item in statement of financial position as at 1 January 2020 due to the adoption of a set of TFRSs related to financial instruments and TFRS 16 were presented as follows:

	The impacts of		Classification and measurement in accordance with under TFRS 9							(Unit: Million Baht)
	31 December 2019	TFRS 16	TFRSs related to financial instruments	1 January 2020					Financial instruments measured at fair value through profit or loss	
					Financial instruments measured at fair value through other comprehensive income		Investments in equity securities designated to be measured at fair value through other comprehensive income			
Financial assets										
Interbank and money market items - net	38,617	-	108	38,725	-	-	-	-	-	38,725
Financial assets measured at fair value through profit or loss	-	-	30,366	30,366	30,366	-	-	-	-	-
Derivative assets	16,083	-	-	16,083	16,083	-	-	-	-	-
Investments - net	48,045	-	(30,127)	17,918	-	17,904	14	-	-	-
Loans to customers and accrued interest receivables - net	27,738	-	(336)	27,402	-	-	-	-	-	27,402
Right-of-use assets - net	-	3	-	3	-	-	-	-	-	-

(Unit: Million Baht)

	The impacts of			Classification and measurement in accordance with under TFRS 9					
	31 December 2019	TFRS 16	TFRSs related to financial instruments	1 January 2020	Financial instruments			Investments in equity securities designated to be measured at fair value through other comprehensive income	
					Financial instruments measured at fair value through profit or loss	measured at fair value through other comprehensive income		Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at amortise cost
Financial liabilities									
Deposit	61,908	-	-	61,908	-	-	-	-	61,908
Interbank and money market items	26,249	-	(3,112)	23,137	-	-	-	-	23,137
Financial liabilities measured at fair value through profit or loss	-	-	3,294	3,294	3,294	-	-	-	-
Derivative liabilities	18,823	-	-	18,823	18,823	-	-	-	-
Lease liabilities	-	3	-	3	-	-	-	-	-
Provisions for liabilities	20	-	9	29	-	-	-	-	29
Deferred tax liabilities	109	-	(22)	87	-	-	-	-	-
Shareholders' equity									
Other components of equity	179	-	12	191	-	-	-	-	-
Retained earnings	3,283	-	(170)	3,113	-	-	-	-	-

6. Risk Management of the Bank

6.1 Credit Risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms. The Bank manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.

The Credit Risk function is the second line control function responsible for independent challenge, monitoring and oversight of the Credit risk management practices of the business and functions engaged in or supporting revenue-generating activities, which constitute the first line of defence. In addition, to ensure that credit risks are properly assessed and are transparent, credit decisions are controlled in accordance with the Risk Appetite, credit policies and standards, which are approved by the Bank's Board of Directors.

The Credit Policy sets the principles that must be followed for the end-to-end credit process including credit initiation, credit grading, credit assessment, structuring of product, credit risk mitigation, monitoring and control and documentation. In addition, there are other Group-wide policies as those relating to Risk Appetite, Model Risk, stress testing and impairment provisioning. Appropriate allocation and sound diversification of lending portfolios among suitable industries are also key objectives of the Bank.

The Bank regularly monitors credit exposures, portfolio performance, and external trends that may impact risk management outcomes.

All credit proposals are subject to a robust Credit Risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is based on the client's credit quality and the repayment capacity from operating cashflows for counterparties. The risk assessment gives due consideration to the client's liquidity and leverage position.

The maximum exposure to credit risk

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

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

For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 30 June 2020 and 31 December 2019, the maximum exposure to credit risk were as follow:

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Interbank and money market items (asset)	63,375	38,617
Investments	18,967	17,922
Loans to customers and accrued interest receivables	31,448	27,737
Accrued interest receivables on non-loans	299	353
Total financial assets	114,089	84,629
Loan commitments	8,289	9,290
Financial guarantees	19,773	21,267
Total	28,062	30,557
Total credit risk exposures	142,151	115,186

Interbank and money market items

As at 30 June 2020 and 31 December 2019, the Bank had interbank and money market items amounting to Baht 63,375 million and Baht 38,617 million, respectively, with counterparties having their credit ratings between AAA and B-, as rated by Moody's, S&P and Fitch.

Collateral and any arrangements to increase creditability

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

)Unit: Million Baht)

	Exposure to credit risk with collateral		Type of collateral
	30 June	31 December	
	2020	2019	
Interbank and money market items	21,814	17,156	Debt securities
Loans to customers and accrued interest receivables	2,897	3,694	Land and construction thereon, Machinery, Letter of guarantee, Fixed deposits, Unclassified collateral

Credit quality analysis

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank has adopted the policy to prevent this risk by performing credit analysis from customers' information and follow-up on customer status consistently.

The table below shows the credit quality of financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented for financial assets are gross carrying amount (before impairment allowances). For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(Unit: Million Baht)

30 June 2020

	Financial assets				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Excess allowance	Total
Interbank and money market items (Assets)					
Investment grade	59,766	-	-	-	59,766
Non-investment grade	3,611	-	-	-	3,611
Overdue for 1 day onwards	-	-	-	-	-
Total	63,377	-	-	-	63,377
<u>Less</u> Allowance for expected credit losses	(3)	-	-	-	(3)
Net book value	63,374	-	-	-	63,374
Investments in debt securities measured at fair value through other comprehensive income					
Investment grade	18,960	-	-	-	18,960
Non-investment grade	11	-	-	-	11
Overdue for 1 day onwards	-	-	-	-	-
Total	18,971	-	-	-	18,971
<u>Less</u> Allowance for expected credit losses	(4)	-	-	-	(4)
Net book value	18,967	-	-	-	18,967

(Unit: Million Baht)

30 June 2020

	Financial assets				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Excess allowance	Total
Loans to customers and accrued interest					
receivables - net					
Not overdue	28,179	3,506	-	-	31,685
Overdue 1-30 days	78	285	-	-	363
Overdue 31-60 days	-	6	-	-	6
Total	28,257	3,797	-	-	32,054
<u>Less</u> Allowance for expected credit losses	(13)	(193)	-	(400)	(606)
Net book value	28,244	3,604	-	(400)	31,448
Loan commitments					
Not overdue	8,234	55	-	-	8,289
Total	8,234	55	-	-	8,289
<u>Less</u> Allowance for expected credit losses	(11)	(3)	-	-	(14)
Net	8,223	52	-	-	8,275
Financial guarantee					
contracts					
Not overdue	16,516	3,257	-	-	19,773
Total	16,516	3,257	-	-	19,773
<u>Less</u> Allowance for expected credit losses	(5)	(75)	-	-	(80)
Net	16,511	3,182	-	-	19,693

6.2 Market Risk

Market risk is the potential for loss of economic value due to adverse changes in financial market rates or prices. The Bank's exposure to market risk arises predominantly from these sources.

Trading book

The Bank provides clients access to financial markets, facilitation of which entails the Bank taking moderate market risk positions. All trading teams support client activity; there are no proprietary teams. Hence, income earned from market-risk related activities is primarily driven by the volume of client activity rather than risk-taking. From 1 January 2016, a CVA desk has been actively hedging the credit and market exposure arising from CVA (Credit Valuation Adjustment) and FVA (Funding Valuation Adjustment). Nonetheless, the Bank did not adopt FVA in its preparation of the Bank's financial statements.

Non-trading book

Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high-quality liquid debt securities and from the translation of non-Thai baht denominated assets, liabilities and earnings.

The primary categories of market risk for the Bank are:

- (a) Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options.
- (b) Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options.
- (c) Commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals and agricultural. For this category of market risk, the Bank is fully hedged through a back-to-back position.
- (d) Credit spread risk: arising from changes in the credit spread of its derivatives' counterparties through credit value adjustment (CVA) accounting.

Market risk governance

The Bank has established standards, principles, policies and techniques for managing market risk. The Board of Directors approves the Bank's market risk appetite and market risk limits taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. The Market and Traded Credit Risk Function, which is independent from the business, measures and monitors exposures against the approved limits to ensure the Bank's market risk exposures are within acceptable levels.

Value at Risk (VaR)

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 percent. This confidence level suggests that potential daily losses, in excess of the VaR measures, are likely to be experienced six times per year.

The Bank applies the following two VaR methodologies:

Historical simulation

This methodology involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and the majority of specific (credit spread) risk VaR.

Monte Carlo simulation

This methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

In both methods an historical observation period of one year is chosen and applied.

VaR is calculated as our exposure as at the close of business. Intra-day risk levels may vary from those reported at the end of the day.

In addition, sensitivity measures are used in addition to VaR as a risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the option's value.

Stress Testing

Losses beyond the 97.5 percent confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

The Bank complements the VaR measurement by monthly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Stress scenarios are regularly updated to reflect the changes in risk profile and economic events. The Market and Traded Credit Risk function reviews stress exposures and, where necessary, enforces reductions in overall market risk exposure. The Risk Committee considers the results of stress tests as part of its supervision of risk appetite.

Regular stress-test scenarios are applied to interest rates, credit spread, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets banking and trading books.

Non-trading book and Treasury Market's risk treatment

Interest rate risk from non-trading book portfolios is transferred to financial markets where it is managed by Treasury Market (TM) desks under the supervision of Assets and Liabilities Committee (ALCO). TM deals in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and risk limits.

VaR and stress tests are therefore applied to these non-trading book exposures in the same way as for trading book, including available-for-sale securities.

(a) Interest rate risk

Significant financial assets and liabilities of the Bank classified by repricing periods of interest rate were as follows:

(Unit: Million Baht)

	30 June 2020						Average yield rate (% per annum)		
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Non-Accrual	Total	
Financial assets									
Cash	-	-	-	-	-	70	-	70	-
Interbank and money market items - net	27,087	32,702	1,458	-	-	2,128	-	63,375	1.11
Financial assets measured at fair value through profit or loss	-	-	31,175	-	-	124	-	31,299	2.32
Investments - net	-	-	4,988	10,040	3,929	10	-	18,967	1.19
Loans to customers and accrued interest receivables	2,441	24,948	2,923	1,741	-	1	-	32,054	2.54
Accounts receivable from sales of investments and debenture issuance	-	-	-	-	-	1,275	-	1,275	-
Collateral receivables under Credit Support Annex agreements and receivables on private repurchase transactions	10,049	-	-	-	-	-	-	10,049	0.66
Others	-	-	-	-	-	299	-	299	-
Total financial assets	39,577	57,650	40,544	11,781	3,929	3,907	-	157,388	
Financial liabilities									
Deposits	72,144	9,835	118	-	-	1,151	-	83,248	0.72
Interbank and money market items	2,959	4,589	463	-	42	15,977	-	24,030	1.13
Liabilities payable on demand	878	-	-	-	-	-	-	878	0.24
Financial liabilities measured at fair value through profit or loss	-	-	209	355	1,529	-	-	2,093	-
Accounts payable from purchase of investments	-	-	-	-	-	7,079	-	7,079	-
Collateral payables under Credit Support Annex agreements and payables on private repurchase transactions	7,586	-	-	-	-	-	-	7,586	0.63
Others	-	-	-	-	-	64	-	64	-
Total financial liabilities	83,567	14,424	790	355	1,571	24,271	-	124,978	

(Unit: Million Baht)

31 December 2019

	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Non-Accrual	Total	Average return rate (% annum)
Financial assets									
Cash	-	-	-	-	-	141	-	141	-
Interbank and money market items - net	11,983	23,970	21	-	-	2,643	-	38,617	1.70
Investments - net	-	30,122	-	17,126	779	18	-	48,045	2.47
Loans to customers and accrued interest receivables	2,959	22,943	1,468	705	-	85	1	28,161	3.33
Accounts receivable from sales of investments and debenture issuance	-	-	-	-	-	1,614	-	1,614	-
Collateral receivables under Credit Support Annex agreements and receivables on private repurchase transactions	8,861	-	-	-	-	-	-	8,861	1.75
Others	-	-	-	-	-	352	-	352	-
Total financial assets	23,803	77,035	1,489	17,831	779	4,853	1	125,791	
Financial liabilities									
Deposits	46,693	6,869	-	-	-	8,346	-	61,908	1.75
Interbank and money market items	12,239	1,883	302	2,680	1,243	7,902	-	26,249	0.93
Liabilities payable on demand	1,185	-	-	-	-	-	-	1,185	0.14
Accounts payable from purchase of investments	-	-	-	-	-	54	-	54	-
Collateral payables under Credit Support Annex agreements and payables on private repurchase transactions	3,621	-	-	-	-	-	-	3,621	2.26
Others	-	-	-	-	-	87	-	87	-
Total financial liabilities	63,738	8,752	302	2,680	1,243	16,389	-	93,104	

Interest rate sensitivity analysis

Analysis of sensitivity to changes in interest rates shows the potential change in interest rates on the Bank's profit or loss and equity by setting constant to other variables.

The sensitivity to profit or loss is the effect of changing interest rates on profit or loss for the period. For financial assets and financial liabilities at the end of the reporting period, sensitivity of equity is calculated by measuring fair value as at the reporting date of financial assets measured at fair value through other comprehensive income with a new fixed rate, including the effect of hedging cash flow risk by assuming change in interest rate. The methods used in sensitivity analysis does not change from the previous period.

(b) Foreign exchange rate risk

Foreign exchange rate risk is the risk that foreign exchange rate volatility gives the adverse impact on income or capital due to foreign currency transactions or having assets or liabilities in foreign currency, when converting all items on the Bank's financial statements to local currency, the book values decrease including decline of income or loss incurred from foreign exchange trading.

The status of the Bank's foreign currency balances as at 30 June 2020 and 31 December 2019 were as follows:

	(Unit: Million US Dollar)	
	30 June 2020	31 December 2019
Net foreign currency exposure		
US Dollar	(73)	(21)
Euro*	2	2
Others*	(1)	(1)

* Balance denominated in Euro and other currencies were stated in USD equivalents.

Foreign exchange rate sensitivity analysis

Analysis of sensitivity to changes in foreign exchange rate shows the potential change in interest rates on the income statement and the equity of the bank by setting constant to other variables. Risks and methods used in sensitivity analysis does not change from the previous period.

6.3 Liquidity Risk

Liquidity Risk is the potential for loss where the Bank may not have sufficient stable or diverse sources of funding or financial resources to meet obligations as they fall due. It is the Bank policy to maintain adequate liquidity at all times, and hence to be in a position to meet obligations as they fall due.

The Bank manages liquidity risk both on a short-term and medium-term basis. In the short term, the Bank's focus is on ensuring that the cash flow demands can be met where required. In the medium term the focus is on ensuring that the statement of financial position remains structurally sound and aligned to the strategy.

The Bank's liquidity risk management framework requires limits to be set and monitored to ensure that they remain relevant given market conditions and business strategy. Through this framework, the Bank controls and optimises the risk return profile of the Bank. This is principally achieved by:

- Setting risk appetites aligned with strategic objectives
- Identifying, measuring and monitoring liquidity risks:
 - Assessment of regulatory requirements and internal balance sheet characteristics driving liquidity risk
 - Assessment of the liquidity adequacy of the Bank under business as usual and stressed conditions
 - The Bank's liquidity stress testing framework covering both internal and regulatory scenarios
- Constraining risk profile within the Board approved risk appetite:
 - Development of policies to address the liquidity and funding risks identified
 - Implementation of associated risk measures that act as mitigants of these risks
 - Ongoing monitoring of risk measures against limits

To mitigate liquidity risk, the Bank maintains a well diversified, customer driven funding base and access to wholesale funds under normal market conditions. In addition, the Bank maintains a diversified portfolio of marketable securities that can be monetised or pledged as collateral in the event of a liquidity stress. Country Recovery Plan (CRP) is reviewed and approved annually with a broad set of Risk Indicators (RIs), an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress.

Liquidity risk governance

The Bank's Board of Directors approves the Bank's risk appetite for liquidity and funding risk along with supporting metrics. The Assets and Liabilities Committee (ALCO) is the responsible governing body to ensure that the financial position of the Bank is managed effectively in compliance with the policies and standards of the Standard Chartered Group, as well as, any other applicable regulatory requirements.

Stress Testing

The Bank intends to maintain a prudent and sustainable funding and liquidity position, such that it can withstand a severe yet plausible liquidity stress.

Regular stress testing is conducted to demonstrate that the Bank's liquidity exposure remains within the approved Risk Appetite Statement as well as within regulatory limits.

The internal liquidity stress testing framework includes multiple stress scenarios with varied survival periods and stressed conditions to appropriately reflect the liquidity risks undertaken by the Bank. The framework includes an idiosyncratic stress, a market wide stress and a combined stress.

The Bank's Board of Directors and ALCO have oversight over the appropriateness of the stress scenarios and the assumption contained within them.

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 2/2018 dated 25 January 2018, Re: "Liquidity coverage ratio disclosure standards", the Bank intends to disclose Liquidity coverage ratio as of 30 June 2020 within 4 months after the period end date, as indicated in the notification, through the Bank's website <https://www.sc.com/th>.

As at 30 June 2020 and 31 December 2019, the loans to deposits ratios of the Bank were 38% and 45%, respectively, and the liquidity coverage ratios of the Bank were 174% and 260%, respectively, against the regulatory requirement of 100%.

As at 30 June 2020 and 31 December 2019, the Bank's financial assets and liabilities were classified by remaining periods to maturity as follows:

(Unit: Million Baht)

	30 June 2020						Total
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	No Maturity	
Financial assets							
Cash	70	-	-	-	-	-	70
Interbank and money market items - net	29,047	32,860	1,468	-	-	-	63,375
Financial assets measured at fair value through profit or loss	-	943	1,407	2,036	26,913	-	31,299
Investments - net	-	-	4,987	10,040	3,929	11	18,967
Loans to customers and accrued interest receivables	2,717	20,824	2,480	5,887	146	-	32,054
Accounts receivable from sales of investments and debenture issuance	1,275	-	-	-	-	-	1,275
Collateral receivables under Credit Support Annex agreements and receivables on private repurchase transactions	10,049	-	-	-	-	-	10,049
Others	299	-	-	-	-	-	299
Total financial assets	43,457	54,627	10,342	17,963	30,988	11	157,388
Financial liabilities							
Deposits	72,593	10,536	119	-	-	-	83,248
Interbank and money market items	18,977	4,898	155	-	-	-	24,030
Liabilities payable on demand	878	-	-	-	-	-	878
Financial liabilities measured at fair value through profit or loss	-	-	328	298	1,467	-	2,093
Accounts payable from purchase of investments	7,079	-	-	-	-	-	7,079
Collateral payables under Credit Support Annex agreements and payables on private repurchase transactions	7,586	-	-	-	-	-	7,586
Others	64	-	-	-	-	-	64
Total financial liabilities	107,177	15,434	602	298	1,467	-	124,978

(Unit: Million Baht)

	31 December 2019						
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	No Maturity	Total
Financial assets							
Cash	141	-	-	-	-	-	141
Interbank and money market items - net	14,402	24,194	21	-	-	-	38,617
Investments - net	-	64	188	20,564	27,211	18	48,045
Loans to customers and accrued interest receivables	2,417	16,741	2,919	6,083	1	-	28,161
Accounts receivable from sales of investments and debenture issuance	1,614	-	-	-	-	-	1,614
Collateral receivables under Credit Support Annex agreements and receivables on private repurchase transactions	8,861	-	-	-	-	-	8,861
Others	352	-	-	-	-	-	352
Total financial assets	<u>27,787</u>	<u>40,999</u>	<u>3,128</u>	<u>26,647</u>	<u>27,212</u>	<u>18</u>	<u>125,791</u>
Financial liabilities							
Deposits	53,037	8,871	-	-	-	-	61,908
Interbank and money market items	20,141	1,581	1,809	1,474	1,244	-	26,249
Liabilities payable on demand	1,185	-	-	-	-	-	1,185
Accounts payable from purchase of investments	54	-	-	-	-	-	54
Collateral payables under Credit Support Annex agreements and payables on private repurchase transactions	3,621	-	-	-	-	-	3,621
Others	87	-	-	-	-	-	87
Total financial liabilities	<u>78,125</u>	<u>10,452</u>	<u>1,809</u>	<u>1,474</u>	<u>1,244</u>	<u>-</u>	<u>93,104</u>

Derivatives

The remaining periods to maturity of the notional amounts of derivatives as at 30 June 2020 and 31 December 2019 were as follows:

(Unit: Million Baht)			
30 June 2020			
	Within 1 year	Over 1 year	Total
Foreign exchange			
Forward exchange contracts	421,916	5,781	427,697
Cross currency swap contracts	25,529	150,441	175,970
Currency option contracts	2,847	624	3,471
Interest rate			
Interest rate swap contracts	114,252	310,385	424,637
Interest rate option contracts	3,064	5,240	8,304
Others			
Bond forward contracts	6,964	10,918	17,882
Commodities contracts	13	-	13
Total	574,585	483,389	1,057,974

(Unit: Million Baht)			
31 December 2019			
	Within 1 year	Over 1 year	Total
Foreign exchange			
Forward exchange contracts	344,572	9,533	354,105
Cross currency swap contracts	29,967	124,337	154,304
Currency option contracts	4,186	544	4,730
Interest rate			
Interest rate swap contracts	119,211	327,945	447,156
Interest rate option contracts	4,726	5,219	9,945
Others			
Bond forward contracts	4,350	12,096	16,446
Commodities contracts	185	-	185
Total	507,197	479,674	986,871

7. Classification of financial assets and liabilities

(Unit: Million Baht)

	30 June 2020				
	Financial instruments measured at fair value through profit and loss	Investments in debt securities measured at fair value through other comprehensive income	Investments in equity securities designated to be measured at fair value through other comprehensive income	Amortised cost	Total
Financial assets					
Cash	-	-	-	70	70
Interbank and money market items - net	-	-	-	63,375	63,375
Financial assets measured at fair value through profit and loss	31,299	-	-	-	31,299
Derivatives assets	20,298	-	-	-	20,298
Investments - net	-	18,956	11	-	18,967
Loans to customers and accrued interest receivables - net	-	-	-	31,448	31,448
Total financial assets	51,597	18,956	11	94,893	165,457
Financial liabilities					
Deposits	-	-	-	83,248	83,248
Interbank and money market items	-	-	-	24,030	24,030
Liabilities payable on demand	-	-	-	878	878
Financial liabilities measured at fair value through profit or loss	2,093	-	-	-	2,093
Derivatives liabilities	22,504	-	-	-	22,504
Provisions for liabilities	-	-	-	107	107
Lease liabilities	-	-	-	11	11
Total financial liabilities	24,597	-	-	108,274	132,871

8. Capital funds

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

The Capital Funds and Capital Adequacy Ratio of the Bank as at 30 June 2020 and 31 December 2019 in accordance with the BoT's requirements with reference to Basel III framework consisted of the followings:

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
<u>Tier 1 capital</u>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital and premium		
on share capital	23,893	23,893
Statutory reserve	1,447	1,358
Net profit after appropriation	150	34
Other components of equity	13	299
Less: Deduction items from Common Equity Tier 1	(406)	(177)
Total Tier 1 Capital	25,097	25,407
<u>Tier 2 capital</u>		
Provision for asset classified as normal	48	64
Surplus of provision	92	258
Total Tier 2 Capital	140	322
Total Capital Funds	25,237	25,729

Capital Adequacy Ratio	(Unit: Percentage)			
	30 June 2020		31 December 2019	
	The BoT's minimum regulatory requirement	The Bank	The BoT's minimum regulatory requirement	The Bank
Total Capital Funds to Risk-weighted				
Assets	11.000	27.58	11.000	33.30
Tier-1 Capital Funds to Risk-weighted				
Assets	8.500	27.42	8.500	32.88
Common Equity Tier-1 to Risk-weighted				
Assets	7.000	27.42	7.000	32.88
Tier-2 Capital Funds to Risk-weighted				
Assets	-	0.15	-	0.42
Capital Funds after deducting additional capital to support Single Lending Limit (Baht million)	-	24,737	-	25,729
Capital after deducting capital add-on arising from Single Lending Limit to total risk-weighted assets ratio	-	27.03	-	33.30

According to the BoT's Notification Sor Nor Sor 4/2556, commercial banks are required to disclose certain additional capital information for their position. The Bank will disclose such information as at 30 June 2020 in its website (www.sc.com/th) by the end of October 2020. The Bank already disclosed such information as at 31 December 2019 on 24 April 2020.

According to the BoT's Notification Sor Nor Sor 2/2561, commercial banks are required to disclose certain information for Liquidity Coverage Ratio (LCR). The Bank will disclose such information for the first-half of 2020 via its website (www.sc.com/th) by the end of October 2020. The Bank already disclosed such information for the second-half of 2019 on 15 April 2020.

9. Interbank and money market items

(Unit: Million Baht)

	30 June 2020			31 December 2019		
	On demand	Term	Total	On demand	Term	Total
Domestic						
Bank of Thailand	27,815	10,764	38,579	5,420	4,782	10,202
Commercial banks	12	12,198	12,210	7,005	8,780	15,785
Other financial institutions	-	-	-	100	-	100
Total	27,827	22,962	50,789	12,525	13,562	26,087
Add: Accrued interest receivable	-	4	4	2	9	11
Less: Allowance for doubtful account	-	-	-	(22)	(20)	(42)
Total domestic items	27,827	22,966	50,793	12,505	13,551	26,056
Foreign						
US Dollar	784	7,682	8,466	38	6,564	6,602
Yen	12	3,443	3,455	1,211	3,863	5,074
Euro	268	218	486	255	298	553
Yuan	72	-	72	274	-	274
Other currencies	87	-	87	120	-	120
Total	1,223	11,343	12,566	1,898	10,725	12,623
Add: Accrued interest receivable	-	19	19	-	4	4
Less: Allowance for doubtful account	-	-	-	-	(66)	(66)
Allowance for expected credit losses	-	(3)	(3)	-	-	-
Total foreign	1,223	11,359	12,582	1,898	10,663	12,561
Total domestic and foreign items	29,050	34,325	63,375	14,403	24,214	38,617

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

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Financial assets held for trading		
Government and state enterprises securities	27,263	-
Domestic private sector debt securities	3,358	-
Foreign private sector debt securities	554	-
Total financial assets held for trading	31,175	-
Loans to customers and accrued interest receivables	124	-
Total financial assets measured at fair value through profit and loss	31,299	-

11. Derivatives assets/liabilities

11.1 Derivatives held for trading

As at 30 June 2020 and 31 December 2019, the fair value and notional amounts of derivatives held for trading classified by type of risks were as follows:

	30 June 2020			31 December 2019		
Type of risks	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Foreign currency	9,338	8,065	607,137	9,359	8,851	513,138
Interest rate	10,796	11,178	431,941	6,686	6,377	456,101
Others						
- Bond forward	151	3,220	17,883	28	3,564	16,446
- Commodities	13	13	13	10	10	186
Total others	164	3,233	17,896	38	3,574	16,632
Total	20,298	22,476	1,056,974	16,083	18,802	985,871

11.2 Derivatives held for hedging

As at 30 June 2020, hedging instruments were classified by types of hedge accounting and risk as follows:

Fair value hedge

The amounts of hedging instruments designated for fair value hedge and hedge effectiveness were summarised as follows:

(Unit: Million Baht)

30 June 2020							
Type of risk	Notional amounts	Carrying value		Line item in statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities				
Interest rate risk							
Interest rate swap - hedge of THB fixed-rate investments in debt securities	1,000	-	28	Derivative assets (liabilities)	(10)	(2)	Net gains from trading transactions and foreign exchange transactions

(Unit: Million Baht)

31 December 2019							
Type of risk	Notional amounts	Carrying value		Line item in statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities				
Interest rate risk							
Interest rate swap - hedge of THB fixed-rate investments in debt securities	1,000	-	21	Derivative assets (liabilities)	35	(11)	Net gains from trading transactions and foreign exchange transactions

The amounts relating to items designated as hedged items were as follows:

(Unit: Million Baht)

30 June 2020							
Type of risk	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Interest rate risk							
THB fixed-rate investments in debt securities							
	1,028	-	28	-	Investments, net	12	-

(Unit: Million Baht)

31 December 2019							
Type of risk	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Interest rate risk							
THB fixed-rate investments in debt securities							
	1,016	-	16	-	Investments, net	(24)	-

The interest rate swaps from fixed rates for floating rates on funding to match floating rates received on assets, or on assets to match the floating rates paid on funding. For qualifying fair value hedges, hedges, the fair value changes of the derivative can be offset with the fair value change of hedged items, and were recognised in profit or loss. For the six-month period ended 30 June 2020, the Bank recognised loss on fair value hedges in profit or loss amounted to Baht 2 million. (For the year ended 31 December 2019: Loss on fair value hedge amounted to Baht 11 million).

12. Investments

12.1 Classified by types of investment

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
	Fair value	Fair value/cost
Investments in debt securities measured at fair value through other comprehensive income		
Government and state enterprises securities	18,960	-
Less: Allowance for expected credit losses	(4)	-
Investments in debt securities measured at fair value through other comprehensive income - net	18,956	-
Investments in equity securities designated to be measured at fair value through other comprehensive income		
Non-marketable domestic equity securities	11	-
Total Investments in equity securities designated to be measured at fair value through other comprehensive income	11	-
Trading investments		
Government and state enterprises securities	-	27,019
Private sector debt securities	-	3,104
Total trading investments	-	30,123
Available-for-sale investments		
Government and state enterprises securities	-	17,904
Total available-for-sale investments	-	17,904
General investments		
Non-marketable domestic equity securities	-	24
Total	-	24
Less: Allowance for impairment	-	(6)
General investments - net	-	18
Investments - net	18,967	48,045

As at 30 June 2020 and 31 December 2019, the Bank had commitments to purchase debt securities totalling Baht 7,079 million and Baht 54 million, respectively and had commitments to sell debt securities totalling Baht 1,275 million and Baht 1,614 million, respectively.

12.2 Investments in equity securities designated to be measured at fair value through other comprehensive income.

(Unit: Million Baht)

	30 June 2020	
	Fair Value	Dividend income
Non-marketable domestic equity securities	11	3
Total	11	3

For the six-month period ended 30 June 2020, the Bank disposed equity investments designated at fair value through other comprehensive income of Baht 0.03 million.

12.3 Investments in businesses with financial and operational difficulties

As at 30 June 2020, the Bank invested in two non-listed companies with financial and operational difficulties with fair value of Baht 0.4 million.

13. Loans to customers and accrued interest receivables

13.1 Classified by type of loans

(Unit: Million Baht)

	30 June 2020	31 December 2019
Overdrafts	22	19
Loans	30,506	25,915
Bills	1,514	2,238
Less: Deferred revenue	(68)	(96)
Loans to customers net of deferred revenue	31,974	28,076
Add: Accrued interest receivables	80	85
Loans to customers net of deferred revenue and accrued interest receivables	32,054	28,161
Less: Allowance for doubtful accounts		
- BoT's minimum requirement	-	(245)
- Excess allowance	(400)	(178)
Allowance for expected credit losses	(206)	-
Total allowance for expected credit losses/allowance for doubtful accounts	(606)	(423)
Loans to customers and accrued interest receivables - net	31,448	27,738

13.2 Classified by currencies and debtors' residency

(Unit: Million Baht)

	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	26,411	-	26,411	20,793	-	20,793
US Dollar	4,446	1,117	5,563	5,116	2,167	7,283
Loans to customers net of deferred revenue	30,857	1,117	31,974	25,909	2,167	28,076

13.3 Classified by loan classification

(Unit: Million Baht)

	30 June 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	28,257	13
Financial assets where there has been a significant increase in credit risk (Under-Performing)	3,797	193
Financial assets that are credit-impaired (Non-Performing)	-	-
Excess allowance	-	400
Total	32,054	606

(Unit: Million Baht)

	31 December 2019			
	Net amount used			Allowance for doubtful accounts
	Loans to customers and accrued interest receivables	in setting up allowance for doubtful accounts [*]	% used for setting allowance for doubtful accounts	
1. BoT's minimum requirement				
Pass	28,152	24,469	1	244
Special mention	8	8	2	-
Sub-standard	1	1	100	1
Doubtful	-	-	100	-
Doubtful of loss	-	-	100	-
2. Excess allowance	-	-		178
Total	28,161	24,478		423

^{*} Net amount used in setting the allowance for doubtful accounts represents the outstanding amount of principal, net of deferred revenue but including accrued interest receivables, after deducting the present value of expected cash flows from debtors, or the present value of expected cash flows from the sale of collateral.

13.4 Allowance for expected credit losses/Allowance for doubtful accounts

(Unit: Million Baht)

30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts
				Total
Interbank and money market items				
(assets)				
Beginning balance	-	-	-	108
Changes due to the adoption of new accounting standards	-	-	-	(108)
Beginning balance - as restated	-	-	-	-
New financial assets purchased or acquired	3	-	-	3
Ending balance	3	-	-	3

(Unit: Million Baht)

30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for impairment
				Total
Investments in debt securities measured				
at fair value through other				
comprehensive income				
Beginning balance	-	-	-	-
Changes due to the adoption of new accounting standards	4	-	-	4
Beginning balance - as restated	4	-	-	4
New financial assets purchased or acquired	-	-	-	-
Ending balance	4	-	-	4

(Unit: Million Baht)

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Excess allowance	BoT's minimum requirement	Total
Loans to customers and accrued interest receivables						
Beginning balance	-	-	-	178	245	423
Changes due to the adoption of new accounting standards	9	9	-	322	(245)	95
Beginning balance - as restated	9	9	-	500	-	518
Changes due to changes in stages	-	154	-	-	-	154
Changes due to revaluation of allowance for credit losses	-	6	-	-	-	6
New financial assets purchased or acquired	13	27	-	-	-	40
Recovery	(9)	(3)	-	-	-	(12)
Amortisation of the excess allowance	-	-	-	(100)	-	(100)
Ending balance	13	193	-	400	-	606

Due to the first time adoption of TFRS 9, on 1 January 2020 the Bank had an excess allowance of Baht 500 million, which was the difference between the allowance for doubtful accounts determined based on prior year's accounting policy and the allowance for expected credit losses determined under TFRS 9. The Bank already notified to the Bank of Thailand in its letter dated 22 November 2019 that the Bank determined the plan to gradually reduce such excess allowance on a straight-line basis over the 5-year period, which is in accordance with the alternatives as determined by the Bank of Thailand. During the six-month period ended 30 June 2020, the Bank already reduced the excess allowance by Baht 100 million. Therefore, as at 30 June 2020, the outstanding balance of the excess allowance was Baht 400 million.

(Unit: Million Baht)

31 December 2019

	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Excess allowance	Total
Beginning balance	275	-	-	-	2,011	516	2,802
Doubtful accounts	(31)	-	1	-	24	-	(6)
Bad debt written off	-	-	-	-	(1,818)	(100)	(1,918)
Reversal of doubtful accounts	-	-	-	-	(217)	(238)	(455)
Ending balance	244	-	1	-	-	178	423

14. Premises, equipment and right-of-use assets

(Unit: Million Baht)

				Right-of-use assets		
			Assets in			
	Premises	Equipment	progress	Premises	Vehicles	Total
<u>Cost</u>						
As at 1 January 2019	763	48	-	-	-	811
Acquisitions	-	25	52	-	-	77
Transfer in (out)	(180)	(9)	-	-	-	(189)
Disposal and written off	-	-	-	-	-	-
As at 31 December 2019	583	64	52	-	-	699
Impact from the first time adoption of TFRS 16	-	-	-	1	2	3
As at 1 January 2020	583	64	52	1	2	702
Acquisitions	-	6	3	6	7	22
Transfer in (out)	-	11	(11)	-	-	-
Disposal and written off	-	(7)	-	-	-	(7)
As at 30 June 2020	583	74	44	7	9	717
<u>Accumulated depreciation</u>						
As at 1 January 2019	534	26	-	-	-	560
Depreciation charged for the year	25	13	-	-	-	38
Disposal and written off	(131)	(7)	-	-	-	(138)
As at 31 December 2019	428	32	-	-	-	460
Depreciation charged for the period	9	8	-	1	4	22
Disposal and written off	-	(6)	-	-	-	(6)
As at 30 June 2020	437	34	-	1	4	476
<u>Net book value</u>						
As at 31 December 2019	155	32	52	-	-	239
As at 30 June 2020	146	40	44	6	5	241
Remaining useful lives						
as at 30 June 2020 (years)	22	0 - 5		0 - 3	0 - 3	
Depreciation included in profit or loss for the six-month periods ended 30 June						
2019						19
2020						22

As at 30 June 2020 and 31 December 2019, certain premises and equipment were fully depreciated but are still in use. The original cost, before deducting accumulated depreciation approximately, were Baht 5 million and Baht 4 million, respectively.

15. Intangible assets

(Unit: Million Baht)

	Application software	Application softwares in progress	Total
<u>Cost</u>			
As at 1 January 2019	-	79	79
Acquisitions	146	2	148
Transfer in (out)	79	(79)	-
Disposal and written off	-	-	-
As at 31 December 2019	225	2	227
Acquisitions	89	-	89
Disposal and written off	-	(2)	(2)
As at 30 June 2020	314	-	314
<u>Accumulated amortisation</u>			
As at 1 January 2019	-	-	-
Amortisation for the year	51	-	51
Disposal and written off	-	-	-
As at 31 December 2019	51	-	51
Amortisation for the period	33	-	33
Disposal and written off	-	-	-
As at 30 June 2020	84	-	84
<u>Net book value</u>			
As at 31 December 2019	174	2	176
As at 30 June 2020	230	-	230
Remaining useful lives as at 30 June 2020 (years)	0 - 5	-	
Amortisation included in profit or loss for the six-month periods ended 30 June			
2019			-
2020			33

As at 30 June 2020 and 31 December 2019, the Bank did not have any application softwares, which were fully amortised but still in use.

16. Deferred tax assets/liabilities and income tax expenses

16.1 Deferred tax assets/liabilities

Deferred tax assets/liabilities as at 30 June 2020 and 31 December 2019 consisted of the following components.

	(Unit: Million Baht)			
	Statements of financial position		Changes in deferred income taxes	
			for the six-month periods ended 30 June	
	30 June 2020	31 December 2019	2020	2019
Deferred tax assets				
Unrealised losses on financial derivatives	6	7	(1)	-
Allowance for expected credit losses	16	-	16	-
Provision for long-term employee benefits	62	60	2	10
Provision for other liabilities	246	163	83	(269)
Accrued expenses	45	82	(37)	20
Tax losses carried forward	-	259	(259)	-
Other assets	5	63	(58)	(3)
Total	380	634	(254)	(242)
Deferred tax liabilities on:				
Revaluation gain on investments	671	742	99	(11)
Total	671	742	99	(11)
Deferred tax liabilities	(291)	(108)		
Changes in deferred income taxes			(183)	(253)

Movements in deferred tax assets (liabilities) during the six-month periods ended 30 June 2020 and 2019 were summarised as follows:

	(Unit: Million Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
Beginning balances	(108)	313
Changes in deferred income taxes		
Recognised in profit or loss	(232)	(242)
Recognised in other comprehensive income	27	(26)
Reversal due to dividend payment	-	15
Recognise in equity	22	-
Total changes in deferred income taxes for the periods	(183)	(253)
Ending balances	(291)	60

16.2 Income tax expenses

Income tax expenses for the six-month periods ended 30 June 2020 and 2019 were summarised as follows:

	(Unit: Million Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Current income taxes:		
Current income tax charge for the periods	160	-
Adjustments in respect of corporate income taxes of previous year	-	54
Deferred income taxes:		
Income tax relating to origination and reversal of temporary differences	232	242
Income tax expenses reported in profit or loss	392	296

Reconciliation between income tax expenses and the product of accounting profits for the six-month periods ended 30 June 2020 and 2019 multiplied by the applicable tax rate were as follows:

	(Unit: Million Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Accounting profits before income tax expenses	1,916	1,097
Applicable tax rate	20%	20%
Accounting profits before income tax expenses multiplied by applicable tax rate	383	219
Tax effects from:		
Adjustments in respect of corporate income taxes of previous year	-	54
Tax effect of tax-exempted revenue and non-tax deductible expenses	9	39
Adjustments	-	(16)
Income tax expenses reported in profit or loss	392	296

16.3 Components of other comprehensive income (losses)

(Unit: Million Baht)

For the six-month periods ended 30 June						
	2020			2019		
	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
Items to be recognised subsequently in profit or loss:						
Loss from revaluation of investments in debt securities measured at fair value through other comprehensive income	(141)	29	(112)	-	-	-
Gain from revaluation of available-for-sale investments	-	-	-	132	(26)	106
Gain from measurement of derivatives held for cash flows hedge	8	(2)	6	1	-	1
Total items to be recognised subsequently in profit or loss	(133)	27	(106)	133	(26)	107
Items not to be recognised subsequently in profit and loss:						
Loss from revaluation of investments in equity securities designated to be measured at fair value through other comprehensive income	(1)	1	-	-	-	-
Change in fair value at financial liabilities arising from change in credit risk	5	(1)	4	-	-	-
Actuarial gains	-	-	-	-	-	-
Total items not to be recognised subsequently in profit or loss	4	-	4	-	-	-
	(129)	27	(102)	133	(26)	107

17. Other assets

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Collateral receivables under the Credit Support Annex agreements and receivables on the private sector repurchase transaction	10,049	8,861
Receivable from sales of investments and issuance of debentures	1,275	1,614
Accrued income and interest receivable	299	352
Advanced income tax paid	191	175
Other receivables	58	12
Assets of discontinued operation held for sale	36	36
Others	13	25
Total	11,921	11,075

18. Deposits

18.1 Classified by type of deposits

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Current accounts	9,891	9,929
Savings accounts	62,702	43,108
Fixed deposits	10,655	8,871
Total deposits	83,248	61,908

18.2 Classified by currency and residence of depositors

	(Unit: Million Baht)					
	30 June 2020			31 December 2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	58,373	545	58,918	50,490	682	51,172
US Dollar	21,637	2,622	24,259	8,842	1,638	10,480
Others	42	29	71	226	30	256
Total deposits	80,052	3,196	83,248	59,558	2,350	61,908

19. Interbank and money market items (liabilities)

(Unit: Million Baht)

	30 June 2020			31 December 2019		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
Commercial banks	2,000	-	2,000	2,252	1,810	4,062
Specific financial institutions	1	-	1	1	-	1
Other financial institutions	9,456	-	9,456	7,468	3,093	10,561
Total domestic items	11,457	-	11,457	9,721	4,903	14,624
Foreign items						
US Dollar	7	4,479	4,486	2,019	1,205	3,224
Baht	7,489	-	7,489	8,387	-	8,387
Yen	24	574	598	14	-	14
Total foreign items	7,520	5,053	12,573	10,420	1,205	11,625
Total domestic and foreign items	18,977	5,053	24,030	20,141	6,108	26,249

20. Provisions for liabilities

(Unit: Million Baht)

	30 June 2020	31 December 2019
Provision for long-term employee benefits	312	299
Provision for other liabilities	107	20
Total provision for liabilities	419	319

20.1 Provision for long-term employee benefits

Changes in provision for long-term employee benefits were summarised as followed:

	(Unit: Million Baht)	
	For the six-month period ended 30 June 2020	For the year ended 31 December 2019
Provision for long-term employee benefits at beginning of the period	299	192
Recognised in profit or loss:		
Current service cost	17	29
Interest cost	2	5
Past service cost	-	44
Total benefits recognised in profit or loss	19	78
Recognised in other comprehensive income:		
Actuarial (gains) losses arising from		
Financial assumption changes	-	32
Experience adjustment	-	(1)
Total amount recognised in other comprehensive income or loss	-	31
Employee benefits paid during the period	(6)	(2)
Provision for long-term employee benefits at the end of the period	312	299

The principal assumptions used in estimation of provision for employee benefits under retirement plans were summarised as followed:

	(Unit: Percentage per year)	
	As at 30 June 2020	As at 31 December 2019
Salary incremental rates (depending on age)	4.0	4.0
Turnover rates (depending on age)	0.0 - 30.0	0.0 - 30.0
Average discount rate	1.5	1.5

20.2 Provisions for other liabilities

(Unit: Million Baht)

For the six-month period ended 30 June 2020				
	Loan commitments and financial guarantee contracts	Obligations under litigation cases	Others	Total
Beginning balances	7	4	9	20
Changes due to the adoption of new accounting standards	9	-	-	9
Beginning balance - as restated	16	4	9	29
Increase in estimation during the period	78	-	-	78
Ending balances	94	4	9	107

(Unit: Million Baht)

For the year ended 31 December 2019				
	Financial commitments	Obligations under litigation cases	Others	Total
Beginning balances	4	8	10	22
Increase (decrease) in estimation during the year	7	-	(1)	6
Decrease from payment during the year	(4)	(4)	-	(8)
Ending balances	7	4	9	20

As at 30 June 2020, allowance for expected credit losses on loan commitments and financial guarantee contracts classified by classification were as follows:

)Unit: Million Baht)

	30 June 2020	
	Loan commitments and financial guarantee contracts	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	24,750	16
Financial assets where there has been a significant increase in credit risk (Under-Performing)	3,312	78
Financial assets that are credit-impaired (Non-Performing)	-	-
Total	28,062	94

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

)Unit: Million Baht)

	30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts/ Allowance for expected credit loss	Total
Beginning balance	-	-	-	7	7
Changes due to the adoption of new accounting standards	7	9	-	(7)	9
Beginning balance - as restated	7	9	-	-	16
Derecognition	(2)	-	-	-	(2)
Obligations to grant new credit limits and financial guarantees	11	69	-	-	80
Ending balance	16	78	-	-	94

21. Other liabilities

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Collateral payables under Credit Support Annex agreements and payables on private sector repurchase transactions	7,586	3,621
Payables on purchases of securities	7,079	54
Accrued expense	1,654	1,552
Withholding tax payables	121	80
VAT payable	6	6
Other payables	358	465
Accrued interest payables	64	87
Lease liabilities	11	-
Others	563	302
Total	17,442	6,167

22. Share capital

	Par value	30 June 2020		31 December 2019	
	per share	Number	Amount	Number	Amount
	(Baht)	(Million shares)	(Million Baht)	(Million shares)	(Million Baht)
Registered share capital					
At 1 January - ordinary shares	10	1,484	14,843	1,484	14,843
At ending - ordinary shares	10	1,484	14,843	1,484	14,843
Issued and paid-up share capital					
At 1 January - ordinary shares	10	1,484	14,837	1,484	14,837
At ending - ordinary shares	10	1,484	14,837	1,484	14,837

23. Share premium

Section 51 of the Public Limited Company Act B.E. 2535 requires the Bank to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("Share premium"). Share premium is not available for dividend distribution.

24. Other components of equity

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Other components of equity:		
Revaluation surplus on investments measured at fair value through other comprehensive income		
Debt securities	95	232
Total	95	232
Revaluation deficit on investments designated to be measured at fair value through other comprehensive income		
Equity securities	(13)	-
Total	(13)	-
Total revaluation surplus on investments	82	232
Revaluation deficit on derivatives held for cash flow hedge	-	(7)
Changes in fair value of financial liabilities attributable to change in credit risk	26	-
Total other components of equity	108	225
Less: income taxes	(21)	(46)
Other components of equity - net of income taxes	87	179

25. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Bank is required to its legal reserve not less than 5% of its net profits, after deducting any balance of deficit brought forward (if any), until such reserve reaches 10% of the Bank's registered share capital. The statutory reserve is not available for dividend distribution.

26. Dividends

On 24 April 2020, the Annual General Meeting of the shareholders passed a resolution approving payment of cash dividend from operating results for the year ended 31 December 2019 at the rate of Baht 1.13 per share, or a total of Baht 1,677 million. The dividend payment was made on 21 May 2020.

27. Commitments and contingent liabilities

27.1 Contingent liabilities

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Guarantees of loans	819	3,470
Letters of credit	1,111	726
Bank's liability under acceptances	469	-
Other commitments		
- Undrawn committed lines of other credits	8,289	9,290
- Other guarantees	17,843	17,071
- Others *	2,651	2,528
Total other commitments	28,783	28,889
Total commitments	31,182	33,085

* As at 30 June 2020 and 31 December 2019, this included the obligation to return the financial assets accepted as collateral from private reverse repurchase transactions and repledged for private repurchase transactions amounting to Baht 2,005 million and Baht 1,818 million, respectively, and collateral per Credit Support Annex agreements for derivative transactions amounting to Baht 7,586 million and Baht 3,621 million, respectively. The Bank has the obligation to return the securities in the same amount.

27.2 Litigation

In the course of normal business operation of the Bank, the Bank has been sued under various civil lawsuits, including for tort cases. Under these lawsuits, claims against the Bank as at 30 June 2020 and 31 December 2019 totaled Baht 653 million and Baht 636 million, respectively, and the lawsuits are under court process. The Bank's management exercise their reasonable judgment to estimate the amount of claims to the Bank and already recorded provision for liabilities and believe that should the outcome of the lawsuits be finalised, there will not be a material impact to the Bank's financial position or operating performance.

28. Assets placed as collateral

	(Unit: Million Baht)	
	Carrying value	
	30 June 2020	31 December 2019
Government bonds		
Placed as collateral for Intraday Liquidity Facilities		
with the BoT	12,119	15,050
Placed as collateral for hedging of settlement risk	1,133	81

29. Related party transactions

29.1 Related parties

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Group, a person or entity that are under common control or under the same significant influence as the Group, or the Group has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

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

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Key management personnel	Thailand/Foreign	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank
Standard Chartered PLC	United Kingdom	Ultimate parent company of the Bank
Standard Chartered Bank	United Kingdom	Immediate parent company of the Bank
Standard Chartered Global Business Services Private Limited	India	Affiliated company of Standard Chartered Group
Standard Chartered Global Business Services SDN BHD	Malaysia	Affiliated company of Standard Chartered Group
Standard Chartered Global Business Services Private Limited	China	Affiliated company of Standard Chartered Group
Raffles Nominees Pte Ltd.	Singapore	Affiliated company of Standard Chartered Group

29.2 Pricing policies

The pricing policies for particular types of transactions were summarised below:

Transactions	Pricing policies
Interest rate	Based on market rate
Services	Contractually agreed price
Derivatives	Based on market price

29.3 Significant related parties transactions

Significant transactions for the six-month period ended 30 June 2020 and 2019 with key management and related persons and parties were as follows:

	(Unit: Million Baht)	
	<u>For the six-month period ended 30 June</u>	
Interest income	46	73
Net losses on financial instruments measured at fair value through profit or loss/losses on trading and foreign exchange transactions	(3,261)	(598)
Service fees under the service agreements*	(320)	(352)
Other operating income (expense)	2	(53)

* Service fees under the service agreements were presented in other operating expenses.

29.4 Outstanding balance

Significant outstanding balance as of 30 June 2020 and 31 December 2019 were as follows:

	(Unit: Million Baht)			
	<u>30 June 2020</u>		<u>31 December 2019</u>	
	Ending		Ending	
	balance	Average	balance	Average
Loans to customers and accrued interest				
Receivables				
To key management, including				
their related parties	-	1	-	1,645

(Unit: Million Baht)

	30 June 2020		31 December 2019	
	Standard		Standard	
	Chartered		Chartered	
	Group	Others	Group	Others
Interbank and money market items				
(assets)	8,303	-	6,721	-
Derivative assets (fair value)	2,250	-	1,567	-
Collateral receivables from Credit Support				
Annex agreements and receivables from				
private repurchase transactions	4,331	-	1,387	-
Other assets	154	-	176	-
Deposits	-	184	-	252
Interbank and money market items				
(liabilities)	5,704	-	3,510	-
Derivative liabilities	7,740	-	2,028	-
Collateral payable from Credit Support				
Annex agreements and payables from				
private repurchase transactions	402	-	813	-
Accrued expenses	1,129	-	926	1
Other liabilities	1,393	-	342	-
Other letters of guarantee	2,286	-	2,193	-
Derivatives (notional amount) - Foreign				
exchange	90,097	-	57,609	-
Derivatives (notional amount) - Interest				
rate	143,606	-	107,100	-
Derivatives (notional amount) -				
Commodities	13	-	168	-

29.5 Significant agreements with related parties

(a) Service agreements

In 2011, the Bank entered into service agreements with Standard Chartered Bank-UK relating to the provision of certain advisory and other services to the Bank by Standard Chartered Bank-UK. The fees payable by the Bank to Standard Chartered Bank-UK under the advisory and service agreements are based on an allocation of actual costs plus a margin, in accordance with the terms in the agreement.

(b) Outsourcing service agreements

In 2002 until present, the Bank entered into service agreements with related parties for certain accounting and financial processing activities, information technology support, and other related activities. The fees are based on the terms of the agreements which include actual cost, actual cost plus margin, fixed cost per transaction and other agreed fees.

29.6 Remunerations to directors and senior management

For the six-month periods ended 30 June 2020 and 2019, remunerations payable to the Bank's directors and senior management, who are key management personnel with authority and responsibility, whether direct or indirect, for planning, direction and controlling the operations of the Bank, are consisted of monthly remunerations, salaries, provident fund contributions and long-term benefits as follows:

		(Unit: Million Baht)
		For the six-month periods ended 30 June
	2020	2019
Short-term employee benefits	109	121
Post-employment benefits	6	4
Share-based payments	1	8
Termination benefits	9	-
Total	125	133

The Bank did not provide additional benefit to the directors and management other than the benefits normally provided. These include managements salary, bonus and director remuneration, which were approved in Shareholders' Meeting. All the directors appointed by Standard Chartered PLC. had renounce all types of benefits.

30. Earnings per share

Basic earnings per share is calculated by dividing net profits (exclude other comprehensive income) by the weighted average number of ordinary shares in issue during the periods.

		For the six-month periods ended 30 June
	2020	2019
Profits for the periods (Million Baht)	1,524	801
Earnings per share (Baht/share)	1.03	0.54
Weighted average number of ordinary shares (Million shares)	1,484	1,484

31. Non-cancellable operating lease agreements

As at 30 June 2020 and 31 December 2019, the Bank had operating lease and service agreements of office equipments of Baht 1 million and Baht 11 million, respectively. The terms of the agreements are less than 1 year to 3 years.

32. Segment information

32.1 Client segments

The business in Thailand, consists of two client segments, namely Corporate and Institutional Banking (CIB) and Commercial Banking (CB) as follows;

- (a) "Corporate and Institutional Banking" (CIB) comprises of International Corporates, which are major multinational corporations and large business groups with sophisticated, cross-border needs requiring high levels of international service and Financial Institutions, consists of Banks, Investor clients, Insurance companies, Broker, Dealers, Public Sector such as Bank of Thailand, Sovereign Wealth Funds, Development Organisations and other types of financial institutions.
- (b) "Commercial Banking" (CB) comprises of Commercial Clients that are medium-sized businesses and Local Corporates that are typically clients with operations in three geographies or less. The Bank has classified "Commercial Banking" under "Corporate and Institutional Banking", effective from 1 January 2019.

Activities not directly related to a client segment are included in "Central and other items" which mainly include Asset and Liability Management and unallocated central costs. This segment information is reported in a manner consistent with the internal performance framework as presented to the Bank's management.

Operating segment information of the Bank was summarised as follow:

	(Unit: Million Baht)			
	For the six-month period ended 30 June 2020			
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Net interest income	628	-	180	808
Non-interest income	2,256	2	428	2,686
Operating income	2,884	2	608	3,494
Operating expenses	1,307	-	101	1,408
Expected credit losses and impairment loss	170	-	-	170
Profits before Income tax expenses	1,407	2	507	1,916
Income tax expenses				392
Profits from operation				1,524

(Unit: Million Baht)

For the six-month period ended 30 June 2019

	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Net interest income	755	4	367	1,126
Non-interest income	1,462	5	(6)	1,461
Operating income	2,217	9	361	2,587
Operating expenses	1,402	-	83	1,485
Bad debt, doubtful accounts and impairment loss (reverse)	6	-	(1)	5
Profits before income tax expenses	809	9	279	1,097
Income tax expenses				296
Profits from operation				801

(Unit: Million Baht)

30 June 2020

	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Total assets	89,951	897	87,000	177,848
Total liabilities	127,452	17	23,438	150,907

(Unit: Million Baht)

31 December 2019

	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Total assets	85,156	(69)	57,027	142,114
Total liabilities	103,103	14	11,642	114,759

32.2 Geographic information

The Bank operates in Thailand only. Therefore, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical report.

33. Interest income

(Unit: Million Baht)

For the six-month periods ended 30 June

	2020	2019
Interbank and money market items	271	643
Investments and trading transactions	378	433
Investments in debt securities	117	201
Loans to customers	411	625
Total interest income	1,177	1,902

34. Interest expenses

(Unit: Million Baht)

For the six-month periods ended 30 June

	2020	2019
Deposits	213	355
Interbank and money market items	67	201
Contributions to the Deposit Protection Agency and the Financial Institutions Development Fund	89	219
Debts issued and borrowings	-	1
Total interest expenses	369	776

35. Fees and service income

(Unit: Million Baht)

For the six-month periods ended 30 June

	2020	2019
Fees and service income		
- Acceptances and guarantees	64	51
- Transaction fees	121	121
- Custody fee	175	215
- Others	188	106
Total fees and service income	548	493
Fees and service expenses		
- Commission	39	30
- Others	111	56
Total fees and service expenses	150	86
Net fees and service income	398	407

36. Net gains on financial instruments measured as fair value through profit or loss/Net gains on trading and foreign exchange transactions

	(Unit: Million Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
Foreign currencies and derivatives on foreign exchange	1,866	2,201
Derivatives on interest rates	(696)	(1,139)
Debt securities	(381)	1,691
Others	406	(1,718)
Total	1,195	1,035
Losses on hedging transactions	(3)	(4)
Total	1,192	1,031

37. Net gains on investments

	(Unit: Million Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
Gains on sales		
- Investments in debt securities measured at fair value through other comprehensive income	410	-
- Available-for-sale investments	-	16
Net gains on investments	410	16

38. Other operating income

	(Unit: Million Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
Income from lawsuit settlement	364	-
Reversal of impairment on other assets	315	-
Other	6	6
Total	685	6

39. Employee expenses

	(Unit: Million Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
<u>Management</u>		
Wages and salaries	80	85
Post-employment benefits - define benefit plan	5	4
Share-based payments	1	8
Others	38	36
Total management	124	133
<u>Other employees</u>		
Wages and salaries	332	331
Post-employment benefits - define benefit plan	15	56
Share-based payments	8	3
Others	227	195
Total employees	582	585
Total employee expenses	706	718

The Bank has established contributory provident fund for their employees. Membership of the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Bank at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by licensed Fund Managers.

40. Other operating expenses

	(Unit: Million Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
Service fees under the service agreements - related parties	320	352
Other	282	286
Total other operating expenses	602	638

41. Expected credit losses/Bad debts, doubtful accounts and impairment losses

	(Unit: Million Baht)	
	For the six-month periods ended	
	30 June	
	2020	2019
Expected credit losses/Bad debts, doubtful accounts and impairment losses:		
Interbank and money market items	3	-
Loans to customers and commitments	167	4
Total expected credit losses/bad debts, doubtful accounts and impairment losses	170	4

42. Fair values of financial assets and liabilities

42.1 Fair value estimation process

The Bank estimates fair values of assets and liabilities under the following policies, controls, methods and assumptions.

The Bank's fair value estimation process is monitored under the policies, which cover methods of calculation, market data, counterparty credit risk and reserve provisioning. Such policies determine the methods and controls in estimating fair values of assets and liabilities where mark-to-market or mark-to-model is required.

The rates and parameters used in estimating fair values are reviewed independently by Product Control and Governance (PCG) Unit and other relevant units whereby in case of products or financial instruments that are traded in the liquid market or the exchange, the fair values will be cross-checked with other service providers in the market or other market sources. If the market prices obtained have no liquidity, the Bank will use other additional techniques, i.e. valuation using historical information or using market rates and parameters available to test the level of reasonableness of such fair values.

42.2 Fair values of financial assets and liabilities

Fair values of each item of financial assets and liabilities were estimated using the following methods and assumptions.

(a) Cash

The fair value is assumed to approximate its carrying value.

(b) Interbank and money market items (assets and liabilities)

The fair value of floating interest rate interbank and money market items (both assets and liabilities) were assumed to approximate the carrying value as at the reporting date. The fair value of fixed interest rate interbank and money market items with a remaining to maturity period of more than 1 year from the statement of financial position date was determined by discounting the expected future cash flows at the current average interest rate for similar debts.

(c) Investments

The fair value of investments in non-marketable equity securities is determined using non-observable information.

(d) Loans to customers

Fair value of floating interest loans to customer where the rates changed frequently without material impact on credit risk were measured at carrying value as at reporting date. Fixed interest loans to customer where the interest rate was expected to change within 1 year of the reporting date were measured approximately at carrying value as at reporting date. Other fixed interest loans to customers were measured by discounting future cash flow. The discount rate used was determined based on loans with similar credit risk.

(e) Deposits

Fair value of deposit payable on demand were measured at carrying value. Floating interest deposit, fixed term money market transactions, promissory notes, fixed interest deposit and floating interest deposit which was subject to interest rate change within a year after reporting date were measured approximately at carrying value as at reporting date. Other fixed interest deposits were measured by discounting future cash flow. The discount rate used was determined based on current interest rate and deposit expected to mature within each month.

As at 30 June 2020 and 31 December 2019, the Bank had financial assets and liabilities measured at fair value or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 30 June 2020				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivatives assets	20,298	2	20,296	-	20,298
Financial assets measured at fair value through profit or loss:					
Investment in debt securities	31,175	-	31,175	-	31,175
Loan to customers and accrued interest receivables	124	-	124	-	124
Investments in debt securities designed to be measured at fair value through other comprehensive income					
	18,960	-	18,956	-	18,956
Investment in equity securities designated to be measured at fair value through other comprehensive income					
	11	-	-	11	11
Financial liabilities measured at fair value					
Derivatives liabilities	22,504	1	22,503	-	22,504
Financial liabilities measured at fair value through profit or loss					
	2,093	-	2,093	-	2,093
Financial assets for which fair value were disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	63,375	-	63,375	-	63,375
Loans to customers and accrued interest receivables - net	31,448	-	31,448	-	31,448
Financial liabilities for which fair value were disclosed					
Deposits	83,248	-	83,248	-	83,248
Interbank and money market items	24,030	-	24,030	-	24,030
Liabilities payable on demand	878	-	878	-	878

(Unit: Million Baht)

	As at 31 December 2019				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivatives assets	16,083	2,805	13,278	-	16,083
Trading investments					
Debt securities	30,123	-	30,123	-	30,123
Available-for-sale-investments					
Debt securities	17,904	-	17,904	-	17,904
Financial liabilities measured at fair value					
Derivatives liabilities	18,823	2,619	16,204	-	18,823
Financial assets for which fair value are disclosed					
Cash	141	141	-	-	141
Interbank and money market items - net	38,617	-	38,617	-	38,617
Loans to customers and accrued interest receivables - net	27,738	-	27,738	-	27,738
Financial liabilities for which fair value are disclosed					
Deposits	61,908	-	61,908	-	61,908
Interbank and money market items	26,249	-	26,249	-	26,249
Liabilities payable on demand	1,185	-	1,185	-	1,185

43. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 26 August 2020.