

Standard Chartered Bank (Thai)  
Public Company Limited  
Report and financial statements  
31 December 2022

## **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 31 December 2022, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Standard Chartered Bank (Thai) Public Company Limited as at 31 December 2022, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand's regulations.

### **Basis for Opinion**

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

## **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 the Thai Financial Reporting Standards and Bank of Thailand's regulations, 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.



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- 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: 1 March 2023

Standard Chartered Bank (Thai) Public Company Limited

Statements of financial position

As at 31 December 2022 and 2021

(Unit: Thousand Baht)			
	Note	31 December 2022	31 December 2021
<b>Assets</b>			
Cash		26,622	61,273
Interbank and money market items - net	8	35,553,778	39,740,798
Financial assets measured at fair value through profit or loss	9	27,036,124	38,341,894
Derivatives assets	10	25,404,846	17,103,034
Investments - net	11	37,133,793	23,665,779
Loans to customers and interest receivables - net	12	30,065,293	39,948,317
Premises and equipment - net	13	323,505	192,550
Right-of-use assets - net	14	184,060	5,769
Intangible assets - net	15	786,452	568,919
Deferred tax assets	16.1	651,779	147,919
Other assets	17		
Collateral receivables under the Credit Support Annex agreements and the private sector repurchase transactions		5,859,490	6,316,885
Receivables on sale of investments		1,950,637	1,259,235
Others		760,689	698,517
<b>Total assets</b>		<b>165,737,068</b>	<b>168,050,889</b>

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 31 December 2022 and 2021

(Unit: Thousand Baht)

	Note	31 December 2022	31 December 2021
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Deposits	18	73,657,381	71,809,378
Interbank and money market items	19	27,552,659	35,692,755
Liabilities payable on demand		870,838	847,203
Financial liabilities measured at fair value through profit or loss	20	4,112,774	3,001,155
Derivatives liabilities	10	22,863,914	17,773,748
Lease liabilities	14.2	184,911	5,869
Provisions for liabilities	21	464,940	447,669
Other liabilities	22		
Collateral payables under the Credit Support Annex agreements and the private sector repurchase transactions		6,574,112	6,718,017
Payables on purchases of investments		681,112	3,692,153
Others		1,853,983	2,536,787
<b>Total liabilities</b>		<b>138,816,624</b>	<b>142,524,734</b>
<b>Shareholders' equity</b>			
Share capital			
Registered share capital	23	14,842,627	14,842,627
Issued and paid-up share capital	23	14,837,045	14,837,045
Premium on share capital	24	9,055,819	9,055,819
Other components of equity	25	(135,863)	(38,385)
Retained earnings			
Appropriated			
Statutory reserve	26	1,484,263	1,484,263
Unappropriated		1,679,180	187,413
<b>Total shareholders' equity</b>		<b>26,920,444</b>	<b>25,526,155</b>
<b>Total liabilities and shareholders' equity</b>		<b>165,737,068</b>	<b>168,050,889</b>

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



(Mr. Plakorn Wanglee)

Executive Director and President  
and Chief Executive Officer





(Ms. Toh Toak Cheng)

Chief Financial Officer

**Standard Chartered Bank (Thai) Public Company Limited**

**Statements of comprehensive income**

**For the years ended 31 December 2022 and 2021**

		(Unit: Thousand Baht)	
	Note	2022	2021
<b>Profit or loss:</b>			
Interest income	30.3, 34	2,638,686	1,849,038
Interest expenses	35	696,767	315,806
<b>Net interest income</b>		<b>1,941,919</b>	<b>1,533,232</b>
Fees and service income		1,139,832	1,019,154
Fees and service expenses		348,836	277,125
<b>Net fees and service income</b>	36	<b>790,996</b>	<b>742,029</b>
Net gains on financial instruments measured as fair value			
through profit or loss	30.3, 37	1,320,450	816,436
Net gains on investments	38	4,773	111,916
Other operating income		719,288	9,074
<b>Total operating income</b>		<b>4,777,426</b>	<b>3,212,687</b>
<b>Operating expenses</b>			
Employee expenses	30.6, 39	1,300,921	1,284,651
Directors' remuneration		7,054	7,800
Premises and equipment expenses		135,518	99,956
Taxes and duties		52,950	45,816
Other operating expenses	30.3, 30.5, 40	1,782,171	1,550,639
<b>Total operating expenses</b>		<b>3,278,614</b>	<b>2,988,862</b>
Expected credit loss (reversal)	41	(320,754)	608,058
<b>Profit (loss) before income tax expenses</b>		<b>1,819,566</b>	<b>(384,233)</b>
Income tax expenses	16.2	350,006	15,464
<b>Net profit (loss)</b>		<b>1,469,560</b>	<b>(399,697)</b>

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 years ended 31 December 2022 and 2021**

(Unit: Thousand Baht)

	Note	2022	2021
<b>Other comprehensive income (loss):</b>	16.3		
Items to be recognised subsequently in profit or loss:			
Losses on revaluation of investments in debt instruments			
measured at fair value through other comprehensive income		(215,917)	(167,113)
Gains on measurement of derivatives held for cash flows hedges		81,667	-
Income tax benefits		26,915	33,358
Items to be recognised subsequently in profit or loss			
- net of income taxes		(107,335)	(133,755)
Items not to be recognised subsequently in profit or loss:			
Gains on revaluation of investments in equity securities designated			
to be measured at fair value through other comprehensive income		276	2,381
Gains on revaluation of own credit risk		13,191	7,287
Actuarial gains		19,568	28,423
Income tax expenses		(7,523)	(6,702)
Items not to be recognised subsequently in profit or loss			
- net of income taxes		25,512	31,389
<b>Other comprehensive loss for the years</b>		(81,823)	(102,366)
<b>Total comprehensive income (loss) for the years</b>		1,387,737	(502,063)
<b>Earnings per share:</b>			
Earnings (loss) per share (Baht)	31	0.99	(0.27)

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

(Mr. Plakorn Wanglee)

Executive Director and President  
and Chief Executive Officer



(Ms. Toh Toak Cheng)

Chief Financial Officer

Standard Chartered Bank (Thai) Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2022 and 2021

(Unit: Thousand Baht)

	Shareholders' equity									
	Note	Other components of equity					Retained earnings			
		Issued and paid-up share capital	Premium on share capital	Fair value reserve	Cash flow hedge reserve	Own credit revaluation reserve	Total	Appropriated - Statutory reserve	Unappropriated	Total
Balance as at 1 January 2021		14,837,045	9,055,819	99,078	-	(12,358)	86,720	1,484,263	1,143,017	26,606,864
Dividends paid	27	-	-	-	-	-	-	-	(578,646)	(578,646)
Net loss		-	-	-	-	-	-	-	(399,697)	(399,697)
Other comprehensive income (loss) for the year		-	-	(131,851)	-	6,746	(125,105)	-	22,739	(102,366)
Total comprehensive income (loss) for the year		-	-	(131,851)	-	6,746	(125,105)	-	(376,958)	(502,063)
Balance as at 31 December 2021		14,837,045	9,055,819	(32,773)	-	(5,612)	(38,385)	1,484,263	187,413	25,526,155
Balance as at 1 January 2022		14,837,045	9,055,819	(32,773)	-	(5,612)	(38,385)	1,484,263	187,413	25,526,155
Reversal of deferred tax		-	-	-	-	-	-	-	6,552	6,552
Net profit		-	-	-	-	-	-	-	1,469,560	1,469,560
Other comprehensive income (loss) for the year		-	-	(172,448)	65,334	9,636	(97,478)	-	15,655	(81,823)
Total comprehensive income (loss) for the year		-	-	(172,448)	65,334	9,636	(97,478)	-	1,485,215	1,387,737
Balance as at 31 December 2022		14,837,045	9,055,819	(205,221)	65,334	4,024	(135,863)	1,484,263	1,679,180	26,920,444

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

**Standard Chartered Bank (Thai) Public Company Limited**

**Statements of cash flows**

**For the years ended 31 December 2022 and 2021**

	(Unit: Thousand Baht)	
	2022	2021
<b>Cash flows from operating activities</b>		
Profit before income tax expenses	1,819,566	(384,233)
Adjustments to reconcile profit before income tax expenses		
to net cash provided by (used in) operating activities		
Depreciation and amortisation	270,969	218,542
Expected credit losses (reversal)	(320,754)	608,056
Amortisation of net discount on investments in debt securities	(147,919)	(259,024)
Gains on disposals of investments in debt securities	(4,773)	(111,916)
Losses on financial instruments measured at		
fair value through profit or loss	2,737,694	3,230,523
Losses on disposals and write-offs of equipment	2,771	-
Gains on disposal of assets held for sales	(703,060)	-
Increase in provision for long-term employee benefits	38,967	39,509
Net interest income	(1,941,919)	(1,533,231)
Cash received on interest income	2,566,906	1,821,279
Cash paid on interest expenses	(638,621)	(351,213)
Cash paid on income taxes	(821,539)	(567,867)
<b>Profit from operation activities before changes</b>		
<b>in operating assets and liabilities</b>	2,858,288	2,710,425
(Increase) decrease in operating assets:		
Interbank and money market items	4,190,514	24,805,357
Net derivative assets	(3,129,979)	(1,041,924)
Financial assets measured at fair value through profit or loss	8,318,639	(10,535,389)
Loans to customers	10,271,459	(11,708,047)
Other assets	(187,737)	1,436,004
Increase (decrease) in operating liabilities:		
Deposits	1,848,003	(12,519,946)
Interbank and money market items	(8,140,096)	14,249,285
Liabilities payable on demand	23,635	(3,518)
Financial liabilities measured at fair value through profit or loss	1,232,116	942,643
Payments on provisions for liabilities	(3,981)	(5,374)
Other liabilities	(3,895,896)	3,738,965
<b>Net cash provided by operating activities</b>	<b>13,384,965</b>	<b>12,068,481</b>

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 years ended 31 December 2022 and 2021**

(Unit: Thousand Baht)

	Note	2022	2021
<b>Cash flows from investing activities</b>			
Purchases of debt securities measured at amortised cost		(13,730,534)	(3,850,000)
Purchases of debt and equity securities measured at fair value through other comprehensive income		(61,631,344)	(24,492,335)
Proceeds from sales of debt securities measured at fair value through other comprehensive income		61,900,720	17,346,560
Cash paid for purchases of equipment		(312,556)	(21,881)
Cash paid for purchases of intangible assets		(426,628)	(499,454)
Proceeds from disposals of assets held for sales		797,348	-
<b>Net cash used in investing activities</b>		<b>(13,402,994)</b>	<b>(11,517,110)</b>
<b>Cash flows from financing activities</b>			
Cash paid on lease liabilities		(16,622)	(6,908)
Dividends paid	25	-	(578,646)
<b>Net cash used in financing activities</b>		<b>(16,622)</b>	<b>(585,554)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(34,651)</b>	<b>(34,183)</b>
Cash and cash equivalents as at 1 January		61,273	95,456
<b>Cash and cash equivalents as at 31 December</b>		<b>26,622</b>	<b>61,273</b>

**Supplemental cash flows information**

Non-cash transaction:

Increase in right-of-use assets	195,664	4,301
Increase in assets held for sales	133,527	-

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

 (Mr. Plakorn Wanglee) Executive Director and President and Chief Executive Officer		 (Ms. Toh Toak Cheng) Chief Financial Officer
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**Standard Chartered Bank (Thai) Public Company Limited**

**Table for notes to financial statements**

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# **Standard Chartered Bank (Thai) Public Company Limited**

## **Notes to the financial statements**

**For the years ended 31 December 2022 and 2021**

### **1. General information**

#### **Corporate information**

Standard Chartered Bank (Thai) Public Company Limited (the "Bank"), has been incorporated in Thailand and has its Head Office located at No.100 North Sathorn Road, Silom, Bangrak, Bangkok. Since 26 September 2022, the Bank change registered office at 140 Wireless Road, Lumpini, Patumwan, Bangkok. The immediate and ultimate parent companies of the Bank are Standard Chartered Bank and Standard Chartered PLC, which have been incorporated in the United Kingdom, respectively. The Bank is a commercial bank, which provides a wide range of banking services to corporate and institutional clients.

On 1 November 2021, Standard Chartered Bank sold and transferred the entire shares of the Bank held by it to Standard Chartered Bank (Singapore) Limited. Therefore, the parent company has been Standard Chartered Bank (Singapore) Limited since then.

### **2. Basis of preparation of financial statements**

These financial statements have been prepared 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 their presentation has been made in compliance 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.

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

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

### **3. New financial reporting standards**

#### **3.1 Financial reporting standards that became effective in the current year**

During the year, the Bank has adopted the revised financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2022. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The adoption of these financial reporting standards does not have any significant impact on the Bank's financial statements.

#### **3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2023**

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2023. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards

The management of the Bank believes that adoption of these amendments will not have any significant impact on the Bank's financial statements.

#### **3.3 Accounting Guidance on guidelines regarding provision of assistance to debtors affected by the COVID-19 that will become effective for financial statements with fiscal years beginning on or after 1 January 2022**

The Federation of Accounting Professions announced the Accounting Guidance on guidelines regarding provision of assistance to debtors affected by the COVID-19. Its objectives are to provide temporary relief measures and an alternative for all entities providing assistance to debtors in accordance with the measures to assist debtors as specified in the circular of the Bank of Thailand No. BoT.RPD2.C. 802/2564 "Guidelines regarding provision of assistance to debtors affected by the COVID-19 (the sustainable debt resolution measures)" or any other measures additionally announced by the Bank of Thailand.

This Accounting Guidance is effective for entities that provide assistance to debtors impacted by the COVID-19 during the period as from 1 January 2022 to 31 December 2023 or until further change is made by the Bank of Thailand requiring entities to comply to such change. The guidance applies to staging and provisioning for qualified debtors, which cover all types of debts, namely large corporate, small-and-medium-sized (SME) and retail debtors as follows:

- a) In cases of debt restructuring for the purpose of reducing the debt burden of debtors that involve more than just extending the repayment schedules, the applicable procedures are as follows:
- Loans that are not yet non-performing (Non-NPL) are classified as loans with no significant increase in credit risk (Performing or Stage 1) without restructuring terms compliance monitoring, provided that the payment terms and conditions are clearly stated in the debt restructuring agreement and the debtors are assessed that they are able to comply with the debt restructuring agreement.
  - Non-performing loans (NPL) are classified as performing loans or Stage 1 if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or installments, whichever is the longer period.
  - Additional loans provided to a debtor for its use as additional working capital or liquidity enhancement to enable the debtor to continue its business operations during the debt restructuring are classified as performing loans or Stage 1 if the Bank considers that the debtor is able to comply with repayment conditions under the new debt restructuring agreement.
  - Loans are classified as loans that there has been a significant increase in credit risk (Under-performing or Stage 2) when principal or interest payments are more than 30 days or 1 month past due.
  - A new effective interest rate can be applied to determine the present value of loans that have been restructured if the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan.

- b) In cases of the debt restructuring involving only a repayment schedule extension, the applicable procedures are as follows:
- The staging assessment and provisioning are to be made in accordance with relevant financial reporting standards.
  - The guidelines specified in the appendix of the circular of the Bank of Thailand No. BOT.RPD2.C. 802/2564 "Guidelines in relation to provision of assistance to debtors affected by the COVID-19 (the sustainable debt resolution measures)" relating to assessment of whether there has been a significant increase in credit risk are to be applied for preliminary assessment as to whether or not a debtor is to move to underperforming stage or Stage 2.
- c) Expected credit losses are determined based on the outstanding balance of the drawn down portion only. No expected credit loss is calculated for unused credit lines.
- d) For retail and SME loans, which are in process of debt restructuring but unable to complete the process by 31 December 2021 in accordance with guidelines specified in the circular of the Bank of Thailand No. BOT.RPD2.C. 594/2564 "Guidelines in relation to debt restructuring to assist debtors affected by the COVID-19", such loans can continue to be remained at the same stage no longer than 31 March 2022 or until future changes are made by the Bank of Thailand requiring the entities to comply.

The Bank chose not to adopt this Accounting Guidance.

#### **4. Summary of significant accounting policies**

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

##### **4.1 Revenue recognition**

(a) Interest income and discounts on loans to customers

The Bank has recognised interest on loans on an accrual basis, using the effective interest method, applied to the outstanding principal amount, without ceasing revenue recognition. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate. If loans to customers are later credit-impaired, the Bank recognises interest income using the effective interest 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.

(b) Fees and service income

The Bank recognises fees and service income in profit or loss over the service rendering periods.

**4.2 Expense recognition**

The Bank recognises interest expenses and non-interest 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 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 measurement or 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 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 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 dates on which the derivative contracts are entered into (trade date) and are subsequently remeasured at their fair values. The gains or losses on remeasurement to fair value is recognised immediately in net gains (losses) from financial instruments measured at fair value through profit or loss except for those qualified and the derivatives designated as hedging instruments in a cash flow hedge relationship. All derivatives are carried as assets under "Derivatives assets" when the fair value is positive and as liabilities under "Derivatives liabilities" when the fair value is negative in the statements of financial position.

##### ***Hedge accounting***

The Bank makes use of derivatives to manage exposures arising from assets, liabilities, off-balance sheet items, net position or cash flow. Hedging accounting can be applied for hedged items and hedging instruments. Upon meeting specified criteria for hedge accounting, the Bank applies hedge accounting for the aforementioned derivatives. In hedging, the Bank takes into consideration the relationship between hedging instruments and the hedged items, including the nature of the risk, the objective and strategy for undertaking the hedge as well as the effectiveness of the hedging relationship.

##### ***Fair value hedge***

Where a derivative hedges the change 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 measured at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss. The cumulative changes in the fair value attributable to the hedged risk of hedged item is made as an adjustment to the carrying value of the hedged assets or liabilities.

##### ***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 change in the fair value of the derivative is recognised in other comprehensive income, and presented as "Cash flows hedge reserve" in other components of 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 qualified 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 previously reported in equity is recognised in profit or loss immediately.

## **4.8 Financial instruments**

### ***Recognition of financial instruments***

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

### ***Classification and measurement***

#### ***Financial assets - 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) 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 on the designation date. This financial asset is initially recognised at fair value on trade date and subsequently measured at amortised cost net of allowance for expected credit losses (if any).

(b) 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 on the designation date. This financial asset is initially recognised at fair value and subsequently measured at fair value. The unrealised gains or losses from change in fair value are recognised in other comprehensive income. Upon derecognition and disposal, the cumulative fair value change is recognised in other comprehensive income. The gains or losses on foreign exchange, expected credit losses, and interest income calculated using the effective interest method are recognised in profit or loss.

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

(c) 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 on the designation date. This financial asset is initially recognised at fair value and subsequently measured at fair value. Unrealised gains or losses from change in fair value, and gains and losses on disposals of instruments are recognised as gains (losses) on financial instruments measured at fair value through profit or loss.

***Financial assets - equity instruments***

The Bank classifies 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 designated 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 or losses arising from changes in fair value are recognised in other comprehensive income and not subsequently recognised in profit or loss when disposal, instead, they are transferred to retained earnings. Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of a 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 sector debt securities is determined using the formula specified by the Bank of Thailand and the yield rates quoted by the Thai Bond Market Association or other financial institutions.

### ***Gains (losses) on disposals of investments***

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

### ***Initial recognition***

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

### ***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 reclassified 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 the following criteria:

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

Fair value change in own credit risk is presented separately in other comprehensive income as an own credit revaluation reserve except it would create or enlarge an accounting mismatch in profit or loss. All changes in fair value on those liabilities, 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 "Own credit revaluation reserve" will not be subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the "Own credit revaluation 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 evaluates whether the cash flows of the modified financial asset are different from the original financial asset 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 recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss, which is presented as a part of 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 adjusts 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 in profit or loss.

### ***Derecognition of financial instruments***

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.

### ***Offsetting of financial instruments***

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.

### ***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 the amount due.

## **4.9 Loans to customers**

Loans to customers are stated at the outstanding principal amount, except for bank overdrafts which include interest receivables. 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**

The Bank recognises an allowance for expected credit losses for all financial debt instruments, which are interbank and money market (assets), loan 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 with either below 'investment grade' or no 'credit rating', 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 an increase (decrease) to expenses in profit or loss during the year.

#### **4.11 Financial assets with modifications of terms/Debt restructuring**

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 allowance for expected credit losses as follows:

- If the modification of terms does not result in derecognition of the financial asset, the Bank calculates the gross carrying 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.

- 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 carrying amount of the asset and the sum of the consideration received from the financial asset is recognised in profit or loss which is presented as expected credit losses.

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).

#### **4.12 Premises and equipment**

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

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

##### ***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, which are application softwares, are initially recognised at cost. Following the initial recognition, they are presented at cost net accumulated amortisation and allowance for impairment loss (if any).

Amortisation is recognised in profit or loss on a straight-line basis over the estimated benefit 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 at least at each financial year end. The amortisation expense is charged to profit or loss.

Since 1 January 2021, the Bank reassessed the estimated benefit lives, which were change to a cap of no more than 10 years.

No amortisation is made on 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 non-financial assets**

At the end of the reporting period, the Bank assesses to determine whether there is any indication of impairment of its assets. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and its 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.

#### **4.17 Employee benefits**

##### ***Short-term employee benefits***

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

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

##### ***Post-employment benefits and other long-term employee benefits***

###### **Defined contribution plans**

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by the employees and by the Bank. The Bank 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 the defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in respect of their current year's and prior years' services discounted to be present value.

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting changes in benefits that relate to past service or gains or losses on curtailment are recognised immediately in profit or loss. The Bank recognises gains and losses on settlement of the defined benefit plans 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 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. Monetary assets and liabilities are translated by using the reference exchange rates of the Bank of Thailand 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 prevailing on the transaction dates.

The Bank enters into forward foreign exchange contracts for both trading and hedging purposes. Trading and hedging contracts are stated at fair value. Forward foreign exchange contracts outstanding and undue at the reporting date are stated at fair value by comparing contract rates to forward market rates having with similar maturities at the reporting date. Changes in fair value on outstanding forward foreign exchange contracts 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 their 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 liabilities recognised in the statements of financial position for all unpaid amounts, with any changes in fair value increased or reduced employee expenses in profit or loss.

#### **4.20 Income tax expenses**

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

##### **(a) Current income taxes**

Current income taxes are the expected tax payable to tax authorities determined based on the taxable income in accordance with tax laws, including any adjustment in respect of previous years. Current and deferred income taxes 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 taxes**

Deferred income taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes.

The measurement of deferred income taxes 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 income taxes are measured at the tax rate that is expected to be applied to the temporary differences when they reverse, using the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits 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 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.

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.

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.

#### **4.22 Significant accounting judgements and estimates**

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

##### ***Recognition and derecognition of assets and liabilities***

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

##### ***Allowance for expected credit 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 the forecasted macroeconomic variables used in the model. This estimation has various relevant factors; therefore, the actual results may differ from estimates.

##### ***Fair value of financial instruments***

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk 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.

### ***Leases - as a lessee***

#### ***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 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 incremental rate, staff turnover rate, and mortality rate, using the management's best knowledge of current situation and economic environment.

### ***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. Risk Management of the Bank**

### **5.1 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 31 December 2022 and 2021, the maximum exposures to credit risk were as follows:

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Interbank and money market items (asset)	35,554	39,741
Investments	37,134	23,666
Loans to customers and interest receivables	30,065	39,948
Interest receivables on non-loans	330	296
Total financial assets	103,083	103,651
Loan commitments	10,029	7,940
Financial guarantees	20,607	18,825
Total	30,636	26,765
Total credit risk exposures	133,719	130,416

### Interbank and money market items

As at 31 December 2022 and 2021, the Bank had interbank and money market items amounting to Baht 35,554 million and Baht 39,741 million, respectively, with counter parties having their credit ratings between AA+ and B, as rated by external rating agencies like 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 as at		Type of collateral
	31 December	31 December	
	2022	2021	
Interbank and money market items	28,205	20,228	Debt securities
Loans to customers and interest receivables	5,656	7,567	Land and construction thereon, machinery and others

### 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. The amounts presented for financial assets are gross carrying amounts (before allowance for expected credit losses). For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(Unit: Million Baht)

31 December 2022

	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
<b>Interbank and money market items (Assets)</b>					
Investment grade	33,978	-	-	-	33,978
Non-investment grade	1,055	300	-	-	1,355
Overdue for 1 day onwards	221	-	-	-	221
<b>Total</b>	<b>35,254</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>35,554</b>
<u>Less</u> Allowance for expected credit losses	-	-	-	-	-
<b>Net book value</b>	<b>35,254</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>35,554</b>
<b>Investments in debt securities measured at amortised cost</b>					
Investment grade	17,157	-	-	-	17,157
Non-investment grade	-	-	-	-	-
Overdue for 1 day onwards	-	-	-	-	-
<b>Total</b>	<b>17,157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,157</b>
<u>Less</u> Allowance for expected credit losses	(3)	-	-	-	(3)
<b>Net book value</b>	<b>17,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,154</b>

(Unit: Million Baht)

31 December 2022

	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
<b>Investments in debt securities measured at fair value through other comprehensive income</b>					
Investment grade	19,966	-	-	-	19,966
Non-investment grade	-	-	-	-	-
Overdue for 1 day onwards	-	-	-	-	-
<b>Total</b>	<b>19,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,966</b>
<u>Less</u> Allowance for expected credit losses	(2)	-	-	-	(2)
<b>Net book value</b>	<b>19,964</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,964</b>
<b>Loans to customers and interest receivables</b>					
Not overdue	28,506	1,448	-	-	29,954
Overdue 1 - 30 days	61	321	-	-	382
Overdue 31 - 90 days	-	16	-	-	16
Overdue longer than 90 days	-	-	-	-	-
<b>Total</b>	<b>28,567</b>	<b>1,785</b>	<b>-</b>	<b>-</b>	<b>30,352</b>
<u>Less</u> Allowance for expected credit losses	(19)	(68)	-	(200)	(287)
<b>Net book value</b>	<b>28,548</b>	<b>1,717</b>	<b>-</b>	<b>(200)</b>	<b>30,065</b>
<b>Loan commitments</b>					
Not overdue	9,766	263	-	-	10,029
<b>Total</b>	<b>9,766</b>	<b>263</b>	<b>-</b>	<b>-</b>	<b>10,029</b>
<u>Less</u> Allowance for expected credit losses	(3)	(3)	-	-	(6)
<b>Net book value</b>	<b>9,763</b>	<b>260</b>	<b>-</b>	<b>-</b>	<b>10,023</b>
<b>Financial guarantee contracts</b>					
Not overdue	17,071	3,200	336	-	20,607
<b>Total</b>	<b>17,071</b>	<b>3,200</b>	<b>336</b>	<b>-</b>	<b>20,607</b>
<u>Less</u> Allowance for expected credit losses	(2)	(17)	(102)	-	(121)
<b>Net book value</b>	<b>17,069</b>	<b>3,183</b>	<b>234</b>	<b>-</b>	<b>20,486</b>

(Unit: Million Baht)

31 December 2021

	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
<b>Interbank and money market items (Assets)</b>					
Investment grade	36,489	12	-	-	36,501
Non-investment grade	3,237	-	-	-	3,237
Overdue for 1 day onwards	4	-	-	-	4
Total	39,730	12	-	-	39,742
<b>Less Allowance for expected</b>					
credit losses	(1)	-	-	-	(1)
Net book value	39,729	12	-	-	39,741
<b>Investments in debt securities measured at amortised cost</b>					
Investment grade	3,790	-	-	-	3,790
Non-investment grade	-	-	-	-	-
Overdue for 1 day onwards	-	-	-	-	-
Total	3,790	-	-	-	3,790
<b>Less Allowance for expected</b>					
credit losses	(1)	-	-	-	(1)
Net book value	3,789	-	-	-	3,789

(Unit: Million Baht)

31 December 2021

	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
<b>Investments in debt securities measured at fair value through other comprehensive income</b>					
Investment grade	19,863	-	-	-	19,863
Non-investment grade	-	-	-	-	-
Overdue for 1 day onwards	-	-	-	-	-
<b>Total</b>	<b>19,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,863</b>
<u>Less</u> Allowance for expected credit losses	(1)	-	-	-	(1)
<b>Net book value</b>	<b>19,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,862</b>
<b>Loans to customers and interest receivables</b>					
Not overdue	37,743	1,205	-	-	38,948
Overdue 1 - 30 days	479	451	-	-	930
Overdue 31 - 90 days	-	1	-	-	1
Overdue longer than 90 days	-	-	1,632	-	1,632
<b>Total</b>	<b>38,222</b>	<b>1,657</b>	<b>1,632</b>	<b>-</b>	<b>41,511</b>
<u>Less</u> Allowance for expected credit losses	(28)	(341)	(894)	(300)	(1,563)
<b>Net book value</b>	<b>38,194</b>	<b>1,316</b>	<b>738</b>	<b>(300)</b>	<b>39,948</b>
<b>Loan commitments</b>					
Not overdue	6,665	1,275	-	-	7,940
<b>Total</b>	<b>6,665</b>	<b>1,275</b>	<b>-</b>	<b>-</b>	<b>7,940</b>
<u>Less</u> Allowance for expected credit losses	(1)	(10)	-	-	(11)
<b>Net book value</b>	<b>6,664</b>	<b>1,265</b>	<b>-</b>	<b>-</b>	<b>7,929</b>
<b>Financial guarantee contracts</b>					
Not overdue	16,587	2,236	2	-	18,825
<b>Total</b>	<b>16,587</b>	<b>2,236</b>	<b>2</b>	<b>-</b>	<b>18,825</b>
<u>Less</u> Allowance for expected credit losses	(2)	(112)	-	-	(114)
<b>Net book value</b>	<b>16,585</b>	<b>2,124</b>	<b>2</b>	<b>-</b>	<b>18,711</b>

## 5.2 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).

### ***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 options 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.

## **Interest Rate Benchmark Reform**

The Bank set up the Interest Rate Benchmark Reform Working Group to set clear procedures in relation to the change from IBOR and THBFIX to Thai Overnight Repurchase Rate (THOR). These will be jointly worked between relevant units within the Bank and regular progress updates are reported to the Bank's ALCO and Board of Directors. This operation of the Working Group corresponds to guidelines as laid down by the SCB Group's Working Group and the Committee in the relevant industries in Thailand. There are meetings between the Bank's units with the focus of issues that may arise from the change of the interest rate benchmark. In addition, the bank monitors the developments at these forums to reflect and align significant decision in its broader transition plan.

### *Progress of the interest rate benchmark reform transition plan*

The Bank has a clear progress in its transition plan from the reference rates to the risk-free rate (RFR) for various financial products whereby it will strictly adhere and follow the plan to end the use of the IBOR reference rates as determined by the Bank of Thailand. The Bank's financial products development and improvement plan to adopt the RFR are progressing during the year. This includes the change of financial contracts relating to loans and derivatives with reference to LIBOR and THBFIX and the plan to adapt to use the alternative reference rates.

### *Risk that may arise because of the interest rate benchmark reform*

The Bank adjusted the negative impact that may arise from cession of the application of LIBOR. However, it did not change the Bank's risk management strategies. The Bank focused on product development on financial products with reference to RFR, including monitoring and risk management because of the interest rate benchmark reform.

## **Market risk governance**

The Bank has established standards, principles, policies and techniques for managing market risk. The Board of Directors approve 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 these investments measured at fair value through other comprehensive income.

## (a) Interest rate risk

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

	Immediate repricing	31 December 2022					Non-interest bearing	Non-accrual	Total	Average yields (% annum)
		Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years					
<b>Financial assets</b>										
Cash	-	-	-	-	-	-	27	-	27	-
Interbank and money market items - net	845	32,914	23	-	-	-	1,772	-	35,554	1.17
Financial assets measured at fair value through profit or loss	-	27,036	-	-	-	-	-	-	27,036	2.71
Investments - net	-	11,137	3,288	19,264	3,429	-	16	-	37,134	1.56
Loans to customers and interest receivables	3,946	22,208	3,710	350	-	-	138	-	30,352	1.96
Collateral receivables under Credit Support Annex agreements and private repurchase transactions	5,859	-	-	-	-	-	-	-	5,859	0.84
Receivables on sales of investments	-	-	-	-	-	-	1,951	-	1,951	-
Others	-	-	-	-	-	-	330	-	330	-
<b>Total financial assets</b>	<b>10,650</b>	<b>93,295</b>	<b>7,021</b>	<b>19,614</b>	<b>3,429</b>	<b>-</b>	<b>4,234</b>	<b>-</b>	<b>138,243</b>	
<b>Financial liabilities</b>										
Deposits	47,619	13,117	115	-	-	-	12,806	-	73,657	0.52
Interbank and money market items	15,376	2,654	-	-	-	-	9,523	-	27,553	0.36
Liabilities payable on demand	-	-	-	-	-	-	871	-	871	-
Financial liabilities measured at fair value through profit or loss	1,455	-	198	2,460	-	-	-	-	4,113	-
Lease liabilities	-	15	13	113	44	-	-	-	185	2.83
Collateral payables under Credit Support Annex agreements and private repurchase transactions	6,574	-	-	-	-	-	-	-	6,574	1.85
Payables on purchases of investments	-	-	-	-	-	-	681	-	681	-
Others	-	-	-	-	-	-	66	-	66	-
<b>Total financial liabilities</b>	<b>71,024</b>	<b>15,786</b>	<b>326</b>	<b>2,573</b>	<b>44</b>	<b>-</b>	<b>23,947</b>	<b>-</b>	<b>113,700</b>	

(Unit: Million Baht)

(Unit: Million Baht)

31 December 2021

	Immediate replicing	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 yields (% annum)
<b>Financial assets</b>									
Cash	-	-	-	-	-	61	-	61	-
Interbank and money market items - net	6,662	29,773	65	-	-	3,241	-	39,741	0.53
Financial assets measured at fair value through profit or loss	-	36,681	658	1,003	-	-	-	38,342	2.35
Investments - net	-	15,224	1,800	-	6,627	15	-	23,666	0.84
Loans to customers and interest receivables	2,788	21,703	4,719	11,985	182	134	-	41,511	1.72
Collateral receivables under Credit Support Annex agreements and private repurchase transactions	6,317	-	-	-	-	-	-	6,317	0.24
Receivables on sales of investments	-	-	-	-	-	1,259	-	1,259	-
Others	-	-	-	-	-	296	-	296	-
<b>Total financial assets</b>	<b>15,767</b>	<b>103,381</b>	<b>7,242</b>	<b>12,988</b>	<b>6,809</b>	<b>5,006</b>	<b>-</b>	<b>151,193</b>	
<b>Financial liabilities</b>									
Deposits	60,351	2,184	-	-	-	9,274	-	71,809	0.16
Interbank and money market items	15,639	8,355	-	-	-	11,699	-	35,693	0.21
Liabilities payable on demand	-	-	-	-	-	847	-	847	-
Financial liabilities measured at fair value through profit or loss	1,800	-	-	1,201	-	-	-	3,001	-
Lease liabilities	-	3	2	1	-	-	-	6	2.14
Collateral payables under Credit Support Annex agreements and private repurchase transactions	6,718	-	-	-	-	-	-	6,718	0.52
Payables on purchases of investments	-	-	-	-	-	3,692	-	3,692	-
Others	-	-	-	-	-	8	-	8	-
<b>Total financial liabilities</b>	<b>84,508</b>	<b>10,542</b>	<b>2</b>	<b>1,202</b>	<b>-</b>	<b>25,520</b>	<b>-</b>	<b>121,774</b>	

### 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 year. 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 year.

### **(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.

As at 31 December 2022 and 2021, the Bank's net foreign currency positions were as follows:

	(Unit: Million US Dollar)	
	31 December 2022	31 December 2021
<b>Net foreign currency exposure</b>		
US Dollar	(51)	(10)
Others*	(61)	(22)

\* Balance denominated in 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.

### 5.3 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 31 December 2022 within 4 months after the period-end date through the Bank's website <https://www.sc.com/th>. However, the Bank already disclosed its Liquidity Coverage Ratio as of 30 June 2022 on 15 September 2022.

As at 31 December 2022 and 2021, the loans to deposits ratios of the Bank were 41% and 56%, respectively, and the liquidity coverage ratios of the Bank were 175% and 186%, respectively, against the regulatory requirement of 100%.

As at 31 December 2022 and 2021, the Bank's financial assets and liabilities were classified by remaining periods to maturity as follows:

(Unit: Million Baht)

	31 December 2022						Total
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	No Maturity	
<b>Financial assets</b>							
Cash	27	-	-	-	-	-	27
Interbank and money market items - net	2,293	33,238	23	-	-	-	35,554
Financial assets measured at fair value through profit or loss	-	6,043	403	1,972	18,618	-	27,036
Investments - net	-	11,137	3,288	19,264	3,429	16	37,134
Loans to customers and interest receivables	2,819	18,216	3,974	3,066	2,277	-	30,352
Collateral receivables under Credit Support Annex agreements and private repurchase transactions	5,859	-	-	-	-	-	5,859
Receivables on sales of investments	1,951	-	-	-	-	-	1,951
Others	330	-	-	-	-	-	330
<b>Total financial assets</b>	<b>13,279</b>	<b>68,634</b>	<b>7,688</b>	<b>24,302</b>	<b>24,324</b>	<b>16</b>	<b>138,243</b>
<b>Financial liabilities</b>							
Deposits	58,826	14,716	115	-	-	-	73,657
Interbank and money market items	16,562	10,991	-	-	-	-	27,553
Liabilities payable on demand	871	-	-	-	-	-	871
Financial liabilities measured at fair value through profit or loss	-	-	200	3,913	-	-	4,113
Lease liabilities	-	15	13	113	44	-	185
Collateral payables under Credit Support Annex agreements and private repurchase transactions	6,574	-	-	-	-	-	6,574
Payables on purchase of investments	681	-	-	-	-	-	681
Others	66	-	-	-	-	-	66
<b>Total financial liabilities</b>	<b>83,580</b>	<b>25,722</b>	<b>328</b>	<b>4,026</b>	<b>44</b>	<b>-</b>	<b>113,700</b>

(Unit: Million Baht)

	31 December 2021						
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	No Maturity	Total
<b>Financial assets</b>							
Cash	61	-	-	-	-	-	61
Interbank and money market items - net	3,196	36,475	70	-	-	-	39,741
Financial assets measured at fair value through profit or loss	-	7,175	2,592	4,352	24,223	-	38,342
Investments - net	-	15,224	1,800	1,176	5,451	15	23,666
Loans to customers and interest receivables	2,960	16,486	5,319	13,142	2,029	1,575	41,511
Collateral receivables under Credit Support Annex agreements and private repurchase transactions	6,317	-	-	-	-	-	6,317
Receivables on sales of investments	1,259	-	-	-	-	-	1,259
Others	296	-	-	-	-	-	296
<b>Total financial assets</b>	<b>14,089</b>	<b>75,360</b>	<b>9,781</b>	<b>18,670</b>	<b>31,703</b>	<b>1,590</b>	<b>151,193</b>
<b>Financial liabilities</b>							
Deposits	68,917	2,892	-	-	-	-	71,809
Interbank and money market items	12,699	22,994	-	-	-	-	35,693
Liabilities payable on demand	847	-	-	-	-	-	847
Financial liabilities measured at fair value through profit or loss	-	67	-	2,934	-	-	3,001
Lease liabilities	-	3	2	1	-	-	6
Collateral payables under Credit Support Annex agreements and private repurchase transactions	6,718	-	-	-	-	-	6,718
Payables on purchase of investments	3,692	-	-	-	-	-	3,692
Others	8	-	-	-	-	-	8
<b>Total financial liabilities</b>	<b>92,881</b>	<b>25,956</b>	<b>2</b>	<b>2,935</b>	<b>-</b>	<b>-</b>	<b>121,768</b>

## Derivatives

The remaining periods to maturity of the notional amounts of derivatives as at 31 December 2022 and 2021 were as follows:

(Unit: Million Baht)			
31 December 2022			
	Within 1 year	Over 1 year	Total
<b>Foreign exchange</b>			
Forward exchange contracts	465,974	12,371	478,345
Cross currency swap contracts	31,459	143,869	175,328
Currency option contracts	19,207	-	19,207
<b>Interest rate</b>			
Interest rate swap contracts	143,557	333,146	476,703
Interest rate option contracts	3,161	4,660	7,821
<b>Others</b>			
Bond forward contracts	9,988	12,163	22,151
Credit default swap contracts	69	78	147
<b>Total</b>	<b>673,415</b>	<b>506,287</b>	<b>1,179,702</b>

(Unit: Million Baht)			
31 December 2021			
	Within 1 year	Over 1 year	Total
<b>Foreign exchange</b>			
Forward exchange contracts	535,861	16,471	552,332
Cross currency swap contracts	50,138	136,527	186,665
Currency option contracts	4,430	-	4,430
<b>Interest rate</b>			
Interest rate swap contracts	70,044	235,615	305,659
Interest rate option contracts	1,185	3,396	4,581
<b>Others</b>			
Bond forward contracts	9,196	18,496	27,692
Credit default swap contracts	67	-	67
Commodity swap contracts	30	-	30
<b>Total</b>	<b>670,951</b>	<b>410,505</b>	<b>1,081,456</b>

## 6. Classification of financial assets and liabilities

(Unit: Million Baht)

31 December 2022					
	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 at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets</b>					
Cash	-	-	-	27	27
Interbank and money market items - net	-	-	-	35,554	35,554
Financial assets measured at fair value through profit and loss	27,036	-	-	-	27,036
Derivatives assets	25,405	-	-	-	25,405
Investments - net	-	19,964	16	17,154	37,134
Loans to customers and interest receivables - net	-	-	-	30,065	30,065
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions	-	-	-	5,859	5,859
Receivables on sales of investments <sup>(1)</sup>	-	-	-	1,951	1,951
Accrued income and interest receivables <sup>(1)</sup>	-	-	-	330	330
<b>Total financial assets</b>	<b>52,441</b>	<b>19,964</b>	<b>16</b>	<b>90,940</b>	<b>163,361</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	73,657	73,657
Interbank and money market items	-	-	-	27,553	27,553
Liabilities payable on demand	-	-	-	871	871
Financial liabilities measured at fair value through profit or loss	4,113	-	-	-	4,113
Derivatives liabilities	22,864	-	-	-	22,864
Lease liabilities	-	-	-	185	185
Collateral payables under the Credit Support Annex agreements and the private repurchase transactions	-	-	-	6,574	6,574
Payables on purchase of investments <sup>(2)</sup>	-	-	-	681	681
Interest payables <sup>(2)</sup>	-	-	-	66	66
<b>Total financial liabilities</b>	<b>26,977</b>	<b>-</b>	<b>-</b>	<b>109,587</b>	<b>136,564</b>

<sup>(1)</sup> These items were included as a part of "Other assets - others" in statements of financial position.

<sup>(2)</sup> These items were included as a part of "Other liabilities - others" in statements of financial position.

(Unit: Million Baht)

	31 December 2021				
	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 at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets</b>					
Cash	-	-	-	61	61
Interbank and money market items - net	-	-	-	39,741	39,741
Financial assets measured at fair value through profit and loss	38,342	-	-	-	38,342
Derivatives assets	17,103	-	-	-	17,103
Investments - net	-	19,862	15	3,789	23,666
Loans to customers and interest receivables - net	-	-	-	39,948	39,948
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions	-	-	-	6,317	6,317
Receivables on sales of investments <sup>(1)</sup>	-	-	-	1,259	1,259
Accrued income and interest receivables <sup>(1)</sup>	-	-	-	296	296
<b>Total financial assets</b>	<b>55,445</b>	<b>19,862</b>	<b>15</b>	<b>91,411</b>	<b>166,733</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	71,809	71,809
Interbank and money market items	-	-	-	35,693	35,693
Liabilities payable on demand	-	-	-	847	847
Financial liabilities measured at fair value through profit or loss	3,001	-	-	-	3,001
Derivatives liabilities	17,774	-	-	-	17,774
Lease liabilities	-	-	-	6	6
Collateral payables under the Credit Support Annex agreements and the private repurchase transactions	-	-	-	6,718	6,718
Payables on purchase of investments <sup>(2)</sup>	-	-	-	3,692	3,692
Interest payables <sup>(2)</sup>	-	-	-	8	8
<b>Total financial liabilities</b>	<b>20,775</b>	<b>-</b>	<b>-</b>	<b>118,773</b>	<b>139,548</b>

<sup>(1)</sup> These items were included as a part of "Other assets - others" in statements of financial position.

<sup>(2)</sup> These items were included as a part of "Other liabilities - others" in statements of financial position.

## 7. 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 31 December 2022 and 2021 in accordance with the BoT's requirements with reference to Basel III framework consisted of the followings:

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
<b>Tier 1 capital</b>		
Common Equity Tier 1 (CET1):		
Issued and paid-up share capital and premium		
on share capital	23,893	23,893
Statutory reserve	1,484	1,484
Net profit after appropriation	131	525
Other components of equity	(290)	(73)
Less: Deduction items from Common Equity Tier 1	(1,780)	(1,185)
<b>Total Tier 1 Capital</b>	<b>23,438</b>	<b>24,644</b>
<b>Tier 2 capital</b>		
Provision for asset classified as normal	23	38
Surplus of provision	201	163
<b>Total Tier 2 Capital</b>	<b>224</b>	<b>201</b>
<b>Total Capital Funds</b>	<b>23,662</b>	<b>24,845</b>

(Unit: Percentage)				
Capital Adequacy Ratio	31 December 2022		31 December 2021	
	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	33.5	11.000	34.5
Tier-1 Capital Funds to Risk-weighted Assets	8.5000	33.2	8.500	34.2
Common Equity Tier-1 to Risk-weighted Assets	7.000	33.2	7.000	34.2
Tier-2 Capital Funds to Risk-weighted Assets	-	0.3	-	0.3
Capital Funds after deducting additional capital to support Single Lending Limit (Baht million)	-	23,662	-	24,845
Capital after deducting capital add-on arising from Single Lending Limit to total risk-weighted assets ratio	-	33.5	-	34.5

According to the BoT's Notification Sor Nor Sor 4/2556 and Sor Nor Sor 14/2562 commercial banks are required to disclose certain additional capital information for their position. The Bank will disclose such information as at 31 December 2022 in its website ([www.sc.com/th](http://www.sc.com/th)) by the end of April 2023. The Bank already disclosed such information as at 31 December 2021 on 19 April 2022.

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 as at 31 December 2022 via its website ([www.sc.com/th](http://www.sc.com/th)) by the end of April 2023. The Bank already disclosed such information as at 31 December 2021 on 15 March 2022.

## 8. Interbank and money market items (assets)

(Unit: Million Baht)

	31 December 2022			31 December 2021		
	On demand	Term	Total	On demand	Term	Total
<b>Domestic</b>						
Bank of Thailand	160	903	1,063	591	9,905	10,496
Commercial banks	33	29,978	30,011	18	18,102	18,120
Other financial institutions	300	-	300	400	-	400
<b>Total</b>	<b>493</b>	<b>30,881</b>	<b>31,374</b>	<b>1,009</b>	<b>28,007</b>	<b>29,016</b>
Add: Interest receivables	12	-	12	1	-	1
Less: Unearned revenue	(8)	-	(8)	-	-	-
Less: Allowance for expected credit losses	-	-	-	-	-	-
<b>Total domestic items</b>	<b>497</b>	<b>30,881</b>	<b>31,378</b>	<b>1,010</b>	<b>28,007</b>	<b>29,017</b>
<b>Foreign</b>						
US Dollar	311	2,377	2,688	1,060	8,380	9,440
Yen	776	-	776	85	-	85
Euro	309	2	311	717	159	876
Yuan	126	-	126	63	-	63
Other currencies	258	-	258	233	-	233
<b>Total</b>	<b>1,780</b>	<b>2,379</b>	<b>4,159</b>	<b>2,158</b>	<b>8,539</b>	<b>10,697</b>
Add: Interest receivables	22	-	22	29	-	29
Less: Unearned revenue	(5)	-	(5)	(1)	-	(1)
Less: Allowance for expected credit losses	-	-	-	-	(1)	(1)
<b>Total foreign items</b>	<b>1,797</b>	<b>2,379</b>	<b>4,176</b>	<b>2,186</b>	<b>8,538</b>	<b>10,724</b>
<b>Total domestic and foreign items</b>	<b>2,294</b>	<b>33,260</b>	<b>35,554</b>	<b>3,196</b>	<b>36,545</b>	<b>39,741</b>

As at 31 December 2022, Bank has unfunded risk participant transactions. The underlying obligations for a portion on which credit risk has been transferred amounted to THB 247 million (31 December 2021: THB 1,635 million).

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

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Financial assets held for trading		
Government and state enterprises securities	16,384	23,638
Domestic private sector debt securities	4,304	7,592
Foreign private sector debt securities	685	821
Securities purchase under resale agreements	5,663	5,633
Total financial assets held for trading	27,036	37,684
Loans to customers and interest receivables	-	658
Total financial assets measured at fair value through profit or loss	27,036	38,342

## 10. Derivatives assets/liabilities

### 10.1 Derivatives held for trading

As at 31 December 2022 and 2021, the fair values and notional amounts of derivatives held for trading, classified by type of risks, were as follows:

	31 December 2022			31 December 2021		
	Fair values		Notional amounts	Fair values		Notional amounts
Type of risks	Assets	Liabilities		Assets	Liabilities	
Foreign currency	13,400	15,650	660,119	11,371	12,136	743,427
Interest rate	9,374	6,909	477,127	4,683	4,491	310,240
Others						
- Bond forward	1,990	294	22,151	1,047	1,091	27,692
- Credit default swap	641	11	147	-	54	67
- Commodity swaps	-	-	-	2	2	30
Total others	2,631	305	22,298	1,049	1,147	27,789
Total	25,405	22,864	1,159,544	17,103	17,774	1,081,456

## 10.2 Derivatives held for hedging

As at 31 December 2022, hedging instruments, classified by types of hedge accounting and risk (31 December 2021: Nil), were as follows:

### Fair value hedges

The amounts relating to items designated as hedged items under fair value hedges are as follows:

(Unit: Million Baht)			
31 December 2022			
Hedge items	Carrying value of investments	Accumulated amount of fair value adjustments on the hedged items	
		Assets	Liabilities
<u>Interest rate risk</u>			
THB and US Dollar fixed-rate investments in debt securities measured at fair value through other comprehensive income	7,397	20	85

The amounts relating to items designated as hedging instruments under fair value hedges are as follows:

(Unit: Million Baht)			
31 December 2022			
Hedging instruments	Notional amounts	Fair value of hedging instruments	
		Assets	Liabilities
<u>Interest rate risk</u>			
Interest rate swap contracts	7,397	86	21

The below table sets out the outcome of the Bank's hedging strategy, set out in Note 4.7 to the financial statements, in particular, to changes in the fair value of the hedged items and hedging instruments during the year, used as the basis for recognising ineffectiveness:

(Unit: Million Baht)				
For the year ended 31 December 2022				
Hedged items	Hedging instruments	Gains (losses) attributable to the hedged risk		Change in fair value used for measuring hedge ineffectiveness
		Hedged items	Hedging instruments	
<u>Interest rate risk</u>				
THB and US Dollar fixed-rate investments in debt securities measured at fair value through other comprehensive income	Interest rate swap	(64)	65	1

## Cash flow hedges

The amounts relating to items designated as hedged items under cash flow hedges are as follows:

(Unit: Million Baht)

Hedged items	31 December 2022		
	Change in fair value used in measuring hedge ineffectiveness	Cash flow hedge reserve	
		Continuing hedges	Discontinued hedges
<b><u>Interest rate and foreign exchange rate risk</u></b>			
KRW fixed-rate investments in debt securities measured at amortised cost	130	129	-
MYR float-rate investments in debt securities measured at amortised cost	-	-	-

The below table sets out the outcome of the Bank's hedging strategy, set out in Note 4.7 to the financial statements, in particular, the notional and the carrying amounts of the derivatives the Bank uses as cash flow hedging instruments and the changes in fair value used for measuring ineffectiveness of the cash flow hedges as follows:

(Unit: Million Baht)

31 December 2022							
Hedging instruments	Notional amounts	Carrying values		Changes in fair value used for measuring hedge ineffectiveness			Amount reclassified from the cash flow hedge reserve to profit or loss
		Assets	Liabilities	Total	Effective portion recognised in other comprehensive income		
					Ineffective portion recognised in profit or loss	Effective portion recognised in other comprehensive income	
<b><u>Interest rate and foreign exchange rate risk</u></b>							
Cross currency swap (KRW:THB) - hedge the risk of KRW fixed-rate investments in debt securities	11,508	102	24	85	84	1	-
Cross currency swap (MYR:THB) - hedge the risk of MYR float-rate investments in debt securities	1,253	36	-	(2)	(2)	-	-

## 11. Investments

### 11.1 Classified by types of investment

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
	Amortised cost/ Fair value	Amortised cost/ Fair value
<b>Investments in debt securities measured at amortised cost</b>		
Government and state enterprises securities	4,395	3,790
Foreign private sector debt securities	12,762	-
Less: Allowance for expected credit losses	(3)	(1)
Investments in debt securities measured at amortised cost - net	17,154	3,789
<b>Investments in debt securities measured at fair value through other comprehensive income</b>		
Government and state enterprises securities	19,966	19,863
Less: Allowance for expected credit losses	(2)	(1)
Investments in debt securities measured at fair value through other comprehensive income - net	19,964	19,862
<b>Investments in equity securities designated to be measured at fair value through other comprehensive income</b>		
Non-marketable domestic equity securities	16	15
Investments in equity securities designated to be measured at fair value through other comprehensive income	16	15
Investments - net	37,134	23,666

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

	(Unit: Million Baht)			
	Fair Value		Dividends received	
	As at		For the years ended	
	31 December		31 December	
	2022	2021	2022	2021
Non-marketable domestic equity securities	16	15	8	6
Total	16	15	8	6

During the years ended 31 December 2022 and 2021, the Bank did not dispose equity investments designated to be measured at fair value through other comprehensive income.

## 12. Loans to customers and interest receivables

### 12.1 Classified by loan types

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Overdrafts	5	20
Loans	28,930	40,557
Bills	1,279	800
Less: Deferred revenue	(20)	(24)
Loans to customers net of deferred revenue	30,194	41,353
Add: Interest receivables	158	158
Loans to customers net of deferred revenue and interest receivables	30,352	41,511
Less: Allowance for expected credit losses	(87)	(1,263)
Excess allowance	(200)	(300)
Total allowance for expected credit losses	(287)	(1,563)
Loans to customers and interest receivables - net	30,065	39,948

## 12.2 Classified by currencies and debtors' residency

(Unit: Million Baht)

	31 December 2022			31 December 2021		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	25,825	-	25,825	36,606	-	36,606
US Dollar	1,869	1,440	3,309	2,632	1,547	4,179
Others	130	930	1,060	568	-	568
Loans to customers net of deferred revenue	27,824	2,370	30,194	39,806	1,547	41,353

## 12.3 Classified by loan classification

(Unit: Million Baht)

	31 December 2022		31 December 2021	
	Loans to customers and interest receivables	Allowance for expected credit losses	Loans to customers and interest receivables	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	28,567	19	38,222	28
Financial assets where there has been a significant increase in credit risk (Under-Performing)	1,785	68	1,657	341
Financial assets that are credit-impaired (Non-Performing)	-	-	1,632	894
Excess allowance	-	200	-	300
Total	30,352	287	41,511	1,563

## 12.4 Allowance for expected credit losses

(Unit: Million Baht)

For the year ended 31 December 2022					
	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	Total
<b>Interbank and money market items (assets)</b>					
Beginning balance	1	-	-	-	1
Changes due to remeasurement of allowance for expected credit losses	-	-	-	-	-
New financial assets purchased or acquired	-	-	-	-	-
Payments and derecognition of financial assets	(1)	-	-	-	(1)
Ending balance	-	-	-	-	-
<b>Investments in debt securities measured at amortised cost</b>					
Beginning balance	1	-	-	-	1
Changes due to remeasurement of allowance for expected credit losses	-	-	-	-	-
New financial assets purchased or acquired	3	-	-	-	3
Payments and derecognition of financial assets	(1)	-	-	-	(1)
Ending balance	3	-	-	-	3
<b>Investments in debt securities measured at fair value through other comprehensive income</b>					
Beginning balance	1	-	-	-	1
Changes due to remeasurement of allowance for expected credit losses	1	-	-	-	1
New financial assets purchased or acquired	1	-	-	-	1
Payments and derecognition of financial assets	(1)	-	-	-	(1)
Ending balance	2	-	-	-	2
<b>Loans to customers and accrued interest receivables</b>					
Beginning balance	28	341	894	300	1,563
Changes due to changes in staging	(8)	8	-	-	-
Changes due to remeasurement of allowance for expected credit losses	(2)	57	-	-	55
New financial assets purchased or acquired	9	3	-	-	12
Recovery	(8)	(94)	(254)	-	(356)
Written off	-	(247)	(640)	-	(887)
Amortisation of excess allowance	-	-	-	(100)	(100)
Ending balance	19	68	-	200	287

(Unit: Million Baht)

For the year ended 31 December 2021

	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	Total
<b>Interbank and money market items (assets)</b>					
Beginning balance	4	-	-	-	4
Changes due to remeasurement of allowance for expected credit losses	-	-	-	-	-
New financial assets purchased or acquired	1	-	-	-	1
Payments and derecognition of financial assets	(4)	-	-	-	(4)
Ending balance	1	-	-	-	1
<b>Investments in debt securities measured at amortised cost</b>					
Beginning balance	-	-	-	-	-
Changes due to remeasurement of allowance for expected credit losses	-	-	-	-	-
New financial assets purchased or acquired	1	-	-	-	1
Payments and derecognition of financial assets	-	-	-	-	-
Ending balance	1	-	-	-	1
<b>Investments in debt securities measured at fair value through other comprehensive income</b>					
Beginning balance	3	-	-	-	3
Changes due to remeasurement of allowance for expected credit losses	(1)	-	-	-	(1)
New financial assets purchased or acquired	1	-	-	-	1
Payments and derecognition of financial assets	(2)	-	-	-	(2)
Ending balance	1	-	-	-	1
<b>Loans to customers and accrued interest receivables</b>					
Beginning balance	34	481	14	400	929
Changes due to changes in staging	-	(328)	328	-	-
Changes due to remeasurement of allowance for expected credit losses	(19)	-	566	-	547
New financial assets purchased or acquired	23	341	-	-	364
Recovery	(10)	(153)	(14)	-	(177)
Amortisation of excess allowance	-	-	-	(100)	(100)
Ending balance	28	341	894	300	1,563

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 accounting policy adopted before 1 January 2020 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 years ended 31 December 2022 and 2021, the Bank reduced the excess allowance by Baht 100 million for each year.

### 13. Premises and equipment

	(Unit: Million Baht)			
	Premises	Equipment	Assets in progress	Total
<b>Cost</b>				
As at 1 January 2021	583	110	4	697
Acquisitions	-	4	18	22
Transfer in (out)	-	4	(4)	-
Disposal and written off	-	-	-	-
As at 31 December 2021	583	118	18	719
Acquisitions	-	8	304	312
Transfer in (out)	175	139	(314)	-
Transfer to assets held for sale	(583)	(57)	-	(640)
Disposal and written off	-	(30)	(1)	(31)
As at 31 December 2022	175	178	7	360
<b>Accumulated depreciation</b>				
As at 1 January 2021	447	38	-	485
Depreciation charged for the year	19	22	-	41
Disposal and written off	-	-	-	-
As at 31 December 2021	466	60	-	526
Depreciation charged for the year	19	27	-	46
Transfer to assets held for sale	(481)	(25)	-	(506)
Disposal and written off	-	(30)	-	(30)
As at 31 December 2022	4	32	-	36
<b>Net book value</b>				
As at 31 December 2021	117	58	18	193
As at 31 December 2022	171	146	7	324
Remaining useful lives as at 31 December 2022 (years)	10	0 - 5		
<b>Depreciation included in profit or loss for the years ended</b>				
31 December 2021				41
31 December 2022				46

As at 31 December 2022 and 2021, certain equipment were fully depreciated but are still in use. The original costs, before deducting accumulated depreciation, of those assets amounted to Baht 4 million and Baht 13 million, respectively.

During 2022, the Bank moved its offices to a new location and discontinued the existing office building. The building has a book value of 134 million baht and has sold 94 million baht. Net profit from the sale of buildings amounted to 703 million baht is recognised in profit or loss which is presented as other operating income.

#### 14. Leases

The Bank has lease contracts for property and equipment used in its operations. Leases generally have lease terms between 1 - 6 years.

##### 14.1 Right-of-use assets

Movement of right-of-use assets for the year ended 31 December 2022 and 2021 are summarised below:

	(Unit: Million Baht)		
	Buildings	Motor vehicles	Total
<b>Cost</b>			
As at 1 January 2021	8	6	14
Acquisition of assets	3	1	4
As at 31 December 2021	11	7	18
Acquisition of assets	195	1	196
Closed contract	(7)	-	(7)
As at 31 December 2022	199	8	207
<b>Accumulated depreciation</b>			
As at 1 January 2021	4	2	6
Depreciation charged	4	3	7
As at 31 December 2021	8	5	13
Depreciation charged	14	2	16
Closed contract	(6)	-	(6)
As at 31 December 2022	16	7	23
<b>Net book value</b>			
As at 31 December 2021	3	2	5
As at 31 December 2022	183	1	184
<b>Depreciation charged in profit or loss for the years ended</b>			
31 December 2021			7
31 December 2022			16

## 14.2 Lease liability

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Lease payments	204	6
Less: Deferred interest expenses	19	-
Total	185	6

A maturity analysis of lease payments is disclosed in Note to financial statement under the liquidity risk.

## 14.3 Expenses relating to leases that are recognised in profit or loss

	(Unit: Million Baht)	
	For the year ended 31 December	
	2022	2021
Depreciation expense of right-of-use assets	16	7
Interest expense on lease liabilities	1	-
Expense relating to short-term leases	-	-

The Bank had total cash outflows for leases for the year ended 31 December 2022 of Baht 17 million (2021: Baht 7 million).

## 15. Intangible assets

(Unit: Million Baht)

	Application softwares	Application softwares in progress	Application softwares
<b>Cost</b>			
As at 1 January 2021	369	-	369
Acquisitions	500	-	500
Disposal and written off	(17)	-	(17)
As at 31 December 2021	852	-	852
Acquisitions	27	399	426
Transfer in (out)	397	(397)	-
Disposal and written off	(65)	-	(65)
As at 31 December 2022	1,211	2	1,213
<b>Accumulated amortisation</b>			
As at 1 January 2021	129	-	129
Amortisation for the year	171	-	171
Disposal and written off	(17)	-	(17)
As at 31 December 2021	283	-	283
Amortisation for the year	209	-	209
Disposal and written off	(65)	-	(65)
As at 31 December 2022	427	-	427
<b>Net book value</b>			
As at 31 December 2021			240
As at 31 December 2022			786
<b>Remaining useful lives as at 31 December 2022 (years)</b>			0 - 10
<b>Amortisation included in profit or loss for the years ended</b>			
31 December 2021			171
31 December 2022			209

As at 31 December 2022 and 2021, the Bank had application softwares, which were fully amortised but still in use. The original costs, before deducting accumulated amortisation, of those assets amounted to Baht 5 million and Baht 55 million, respectively.

## 16. Deferred tax assets/liabilities and income tax expenses

### 16.1 Deferred tax assets/liabilities

Deferred tax assets/liabilities as at 31 December 2022 and 31 December 2021 consisted of the following components.

	(Unit: Million Baht)			
	Statement of		Changes in deferred	
	financial position		income taxes for the	
	as at 31 December		years ended	
	2022	2021	2022	2021
Deferred tax assets:				
Revaluation allowance on financial instrument	501	20	481	10
Allowance for expected credit losses	25	25	-	(76)
Provision for long-term employee benefits	68	64	4	1
Provision for other liabilities	8	12	(4)	-
Accrued expenses	45	37	8	3
Others	21	20	1	(17)
Total	668	178	490	(79)
Deferred tax liabilities:				
Reserve of derivatives held for cash flow hedge	16	-	(16)	-
Revaluation allowance on financial instruments	-	-	-	626
Others	-	30	2	(5)
Total	16	30	(14)	621
Deferred tax assets	652	148		
Changes in deferred income taxes			504	542

Movements in deferred tax assets (liabilities) during the years ended 31 December 2022 and 2021 were summarised as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
Deferred tax assets (liabilities) - beginning balances	148	(394)
Changes in deferred income taxes:		
Adjustment in respect of deferred tax assets	6	-
Recognised in profit or loss	478	515
Recognised in other comprehensive income	20	27
Total changes in deferred income taxes for the years	504	542
Deferred tax assets (liabilities) - ending balances	652	148

## 16.2 Income tax expenses

Income tax expenses for the years ended 31 December 2022 and 2021 were summarised as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
<b>Current income taxes:</b>		
Current income tax charge for the years	(828)	(530)
<b>Deferred income taxes:</b>		
Income tax relating to origination and reversal of temporary differences	478	515
Income tax expenses reported in profit or loss	(350)	(15)

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2022 and 2021 multiplied by the applicable tax rate were as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
Accounting profits (losses) before income tax expenses	1,819	(384)
Applicable tax rate	20%	20%
Accounting profits (losses) before income tax expenses multiplied by applicable tax rate	364	(77)
Tax effects from:		
Net tax effect of tax-exempted revenue and non-tax deductible expenses	6	92
Others	(20)	-
Income tax expenses reported in profit or loss	350	15

### 16.3 Components of other comprehensive income (losses)

(Unit: Million Baht)

	For the years ended 31 December					
	2022			2021		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
<b>Items to be recognised subsequently in profit or loss:</b>						
Losses from revaluation of investments in debt securities measured at fair value through other comprehensive income	(216)	43	(173)	(167)	34	(133)
Gains from measurement of derivatives held for cash flows hedges	82	(16)	66	-	-	-
<b>Total items to be recognised subsequently in profit or loss</b>	<b>(134)</b>	<b>27</b>	<b>(107)</b>	<b>(167)</b>	<b>34</b>	<b>(133)</b>
<b>Items not to be recognised subsequently in profit and loss:</b>						
Gains from revaluation of investments in equity securities designated to be measured at fair value through other comprehensive income	-	-	-	2	-	2
Gains from revaluation of own credit risk	13	(3)	10	7	(1)	6
Actuarial gains	19	(4)	15	29	(6)	23
<b>Total items not to be recognised subsequently in profit or loss</b>	<b>32</b>	<b>(7)</b>	<b>25</b>	<b>38</b>	<b>(7)</b>	<b>31</b>
	<b>(102)</b>	<b>20</b>	<b>(82)</b>	<b>(129)</b>	<b>27</b>	<b>(102)</b>

## 17. Other assets

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions	5,859	6,317
Receivables on sales of investments	1,951	1,259
Interest receivables and accrued income	330	296
Income taxes paid in advance	283	300
Assets of discontinued operation held for sale	66	27
Others	82	76
Total	8,571	8,275

## 18. Deposits

### 18.1 Classified by type of deposits

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Current accounts	13,126	9,274
Savings accounts	45,700	59,644
Fixed deposits	14,831	2,891
Total deposits	73,657	71,809

### 18.2 Classified by currency and residence of depositors

	31 December 2022			31 December 2021		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	45,473	1,712	47,185	42,727	671	43,398
US Dollar	20,699	4,164	24,863	25,095	3,152	28,247
Others	1,553	56	1,609	56	108	164
Total deposits	67,725	5,932	73,657	67,878	3,931	71,809

## 19. Interbank and money market items (liabilities)

(Unit: Million Baht)

	31 December 2022			31 December 2021		
	On demand	Term	Total	On demand	Term	Total
<b>Domestic items</b>						
Commercial banks	-	8,137	8,137	-	10,250	10,250
Specific financial institutions	-	200	200	-	1,047	1,047
Other financial institutions	7,250	45	7,295	6,824	-	6,824
<b>Total domestic items</b>	<b>7,250</b>	<b>8,382</b>	<b>15,632</b>	<b>6,824</b>	<b>11,297</b>	<b>18,121</b>
<b>Foreign items</b>						
US Dollar	2	-	2	2	11,697	11,699
Baht	9,310	-	9,310	5,795	-	5,795
Yen	-	2,609	2,609	78	-	78
<b>Total foreign items</b>	<b>9,312</b>	<b>2,609</b>	<b>11,921</b>	<b>5,875</b>	<b>11,697</b>	<b>17,572</b>
<b>Total domestic and foreign items</b>	<b>16,562</b>	<b>10,991</b>	<b>27,553</b>	<b>12,699</b>	<b>22,994</b>	<b>35,693</b>

## 20. Financial liabilities measured at fair value through profit or loss

### 20.1 Financial liabilities held for trading

(Unit: Million Baht)

	31 December 2022	31 December 2021
Provision for returning securities	1,079	1,251

### 20.2 Financial liabilities designated at fair value through profit or loss

(Unit: Million Baht)

	31 December 2022	31 December 2021
Bills of Exchange	1,716	1,750
Structured debenture	1,318	-
<b>Total</b>	<b>3,034</b>	<b>1,750</b>
Cumulative change in fair values due to a change in credit risk of liabilities recognised in other comprehensive income	4	(5)
Difference between book values and notional amounts to be settled as the contracts mature	468	361

## 21. Provisions for liabilities

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Provision for long-term employee benefits	338	323
Provision for other liabilities	127	125
Total provision for liabilities	465	448

### 21.1 Provision for long-term employee benefits

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

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
Provisions for long-term employee benefits at beginning of the year	323	317
Recognised in profit or loss:		
Current service cost	31	34
Interest cost	7	5
Total benefits recognised in profit or loss	38	39
Recognised in other comprehensive income:		
Actuarial gains arising from		
Financial assumption changes	(17)	(21)
Experience adjustments	(2)	(7)
Total recognised in other comprehensive income or loss	(19)	(28)
Employee benefits paid during the year	(4)	(5)
Provisions for long-term employee benefits at end of the year	338	323

As at 31 December 2022 and 2021, the Bank expected to pay long-term employee benefits during the next year amounting to Baht 4 million and Baht 9 million, respectively.

As at 31 December 2022 and 2021, the weighted average duration of the Bank's long-term employee benefit obligation was 10 years and 10 years, respectively.

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

	(Unit: Percentage per year)	
	31 December 2022	31 December 2021
Future salary incremental rate (depending on age)	4	4
Turnover rates (depending on age)	0.0 - 30.0	0.0 - 30.0
Average discount rate	2.8	2.2
Mortality development rates	0.0004 - 0.0073	0.0004 - 0.0073

Sensitivity analysis for principal assumptions that affected provision for long-term employee benefits as at 31 December 2022 and 2021 were summarised below:

	(Unit: Million Baht)							
	31 December 2022							
	Salary incremental rate		Turnover rate		Discount rate		Mortality development rate	
	Increased	Decreased	Increased	Decreased	Increased	Decreased	Increased	Decreased
	by 0.5%	by 0.5%	by 20%	by 20%	by 0.25%	by 0.25%	by 1%	by 1%
Increase (decrease) in provision for long-term employee benefits	13	(12)	(8)	9	(6)	6	-	-

	(Unit: Million Baht)							
	31 December 2021							
	Salary incremental rate		Turnover rate		Discount rate		Mortality development rate	
	Increased	Decreased	Increased	Decreased	Increased	Decreased	Increased	Decreased
	by 0.5%	by 0.5%	by 20%	by 20%	by 0.25%	by 0.25%	by 1%	by 1%
Increase (decrease) in provision for long-term employee benefits	15	(14)	(10)	12	(7)	8	-	-

## 21.2 Provision for other liabilities

(Unit: Million Baht)

	For the year ended 31 December 2022		
	Loan commitments and financial guarantee contracts	Others	Total
Beginning balances	125	-	125
Increase in estimation during the year	2	-	2
Ending balances	127	-	127

(Unit: Million Baht)

	For the year ended 31 December 2021		
	Loan commitments and financial guarantee contracts	Others	Total
Beginning balances	113	-	113
Increase in estimation during the year	12	-	12
Ending balances	125	-	125

As at 31 December 2022 and 2021, allowances for expected credit losses on loan commitments and financial guarantee contracts classified by classification were as follows:

(Unit: Million Baht)

	31 December 2022		31 December 2021	
	Loan commitments and financial guarantee contracts	Allowance for expected credit losses	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)	26,837	5	23,252	4
Financial assets where there has been a significant increase in credit risk (Under-Performing)	3,463	20	3,511	121
Financial assets that are credit-impaired (Non-Performing)	336	102	2	-
Total	30,636	127	26,765	125

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

(Unit: Million Baht)

For the year ended 31 December 2022				
	Financial assets where there has not been a significant increase in credit risk (12-month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
Beginning balances	4	121	-	125
Changes due to changes in staging	6	(104)	98	-
Changes due to remeasurement of allowance for expected credit losses	(5)	6	4	5
Derecognition	(1)	(4)	-	(5)
Obligations to grant new credit limits and financial guarantees	1	1	-	2
Ending balances	5	20	102	127

(Unit: Million Baht)

For the year ended 31 December 2021

	Financial assets where there has not been a significant increase in credit risk (12-month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
Beginning balances	12	101	-	113
Changes due to changes in staging	3	(3)	-	-
Changes due to remeasurement of allowance for expected credit losses	(12)	54	-	42
Derecognition	(1)	(31)	-	(32)
Obligations to grant new credit limits and financial guarantees	2	-	-	2
Ending balances	4	121	-	125

**22. Other liabilities**

(Unit: Million Baht)

	31 December 2022	31 December 2021
Collateral payables under Credit Support Annex agreements and payables on private repurchase transactions	6,574	6,718
Payables on purchases of investments	681	3,692
Accrued expense	1,030	1,572
Withholding tax payables	52	54
VAT payable	28	9
Interest payables	66	8
Lease liabilities	185	6
Others	678	894
Total	9,294	12,953

## 23. Share capital

		31 December 2022		31 December 2021	
	Par value	Number of		Number of	
	per share	shares	Amounts	shares	Amounts
	(Baht)	(Million shares)	(Million Baht)	(Million shares)	(Million Baht)
Registered share capital:					
Ordinary shares	10	1,484	14,843	1,484	14,843
Issued and paid-up share capital:					
Ordinary shares	10	1,484	14,837	1,484	14,837

## 24. Premium on share capital

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 under the name of "Premium on share capital", which is not available for dividend distribution.

## 25. Other components of equity

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Other components of equity:		
Revaluation deficit on investments measured at fair value through other comprehensive income		
Debt securities	(249)	(33)
Total	(249)	(33)
Revaluation deficit on investments designated to be measured at fair value through other comprehensive income		
Equity securities	(8)	(8)
Total	(8)	(8)
Total fair value reserve	(257)	(41)
Cash flow hedge reserve	82	-
Own credit revaluation reserve	5	(8)
Total other components of equity	(170)	(49)
Less: Income taxes	34	11
Other components of equity - net of income taxes	(136)	(38)

## 26. Statutory reserve

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

## 27. Dividends

On 27 April 2021, the Annual General Meeting of the Bank's shareholders passed a resolution approving payment of cash dividend from operating results for the year ended 31 December 2020 at the rate of Baht 0.39 per share, or a total of Baht 579 million. The dividend payment was made on 24 May 2021.

## 28. Commitments and contingent liabilities

### 28.1 Contingent liabilities

	(Unit: Million Baht)	
	31 December 2022	31 December 2021
Guarantees of loans	2,454	3,097
Letters of credit	3,261	705
Bank's liability under acceptances	974	568
Other commitments		
- Undrawn committed lines of other credits	10,029	7,940
- Other guarantees	14,891	15,023
- Others <sup>(1)</sup>	7,817	2,349
Total other commitments	32,737	25,312
Total commitments	39,426	29,682

<sup>(1)</sup> As at 31 December 2022 and 2021, these amounts included the obligations to return the financial assets accepted as collateral from private reverse repurchase transactions and repledged for private repurchase transactions amounting to Baht 7,208 million and Baht 1,821 million, respectively, and collateral under the Credit Support Annex agreements for derivative transactions amounting to Baht 609 million and Baht 528 million, respectively. The Bank has obligations to return the securities in the same amounts.

As at 31 December 2021, the Bank had unfunded risk participant credit transfer transactions whereby the underlying assets with credit risk transferred amounted to Baht 17 million (31 December 2022: nil).

## 28.2 Litigation

In the course of normal business operation of the Bank, the Bank has been sued and as of 31 December 2022 and 2021, there were lawsuits under court proceeding. Under these lawsuits, the original principal amount of claim against the Bank as of 31 December 2022 and 2021 in the aggregate were Baht 649 million and Baht 643 million, respectively (excluding interest and other costs). The Bank's management exercise their reasonable judgment to estimate the amount of claims to the bank and believe that, should the outcome of the lawsuits be finalized, there will not be a material impact to the Bank's financial position or operating performance.

## 29. Assets placed as collateral

	(Unit: Million Baht)	
	Carrying value as at 31 December	
	2022	2021
<b>Government bonds</b>		
Placed as collateral for Intraday Liquidity Facilities		
with the BoT	16,379	13,393
Placed as collateral for hedging of settlement risk	898	323
Placed as collateral for derivatives	-	1,019
<b>Total</b>	<b>17,277</b>	<b>14,735</b>

## 30. Related party transactions

### 30.1 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	Thai/Foreigners	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 (Singapore) Limited	Singapore	Immediate parent company of the Bank since 1 November 2021
Standard Chartered Bank	United Kingdom	Affiliated company within Standard Chartered Group (Before 1 November 2021, it was the immediate parent company of the Bank.)
Standard Chartered Global Business Services Private Limited	India	Affiliated company within Standard Chartered Group
Standard Chartered Global Business Services SDN BHD	Malaysia	Affiliated company within Standard Chartered Group
Standard Chartered Global Business Services Private Limited	China	Affiliated company within Standard Chartered Group
Raffles Nominees Pte Ltd.	Singapore	Affiliated company within Standard Chartered Group

### 30.2 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

### 30.3 Significant related parties transactions

Significant transactions for the year ended 31 December 2022 and 2021 with key management and related persons and parties were as follows:

	(Unit: Million Baht)	
	For the year ended 31 December	
	2022	2021
Interest income	154	4
Net gains (losses) on financial instruments measured		
at fair value through profit or loss	4,930	(3,161)
Service fees under the service agreements <sup>(1)</sup>	(1,146)	(1,056)
Other operating income (expense)	(113)	38

<sup>(1)</sup> This amount was presented as a part of "Other operating expenses".

### 30.4 Outstanding balance

Significant outstanding balance as of 31 December 2022 and 2021 were as follows:

	(Unit: Million Baht)			
	31 December 2022		31 December 2021	
	Standard Chartered Group	Others	Standard Chartered Group	Others
Interbank and money market items (assets)	2,281	-	4,026	-
Derivatives assets	11,201	-	2,019	-
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions <sup>(1)</sup>	86	-	5,029	-
Others <sup>(1)</sup>	68	-	125	-
Deposits	-	199	-	124
Interbank and money market items (liabilities)	4,061	-	12,421	-
Derivatives liabilities	5,709	-	7,638	-
Collateral payables under the Credit Support Annex agreements and the private repurchase transactions <sup>(2)</sup>	4,686	-	-	-
Accrued expenses <sup>(2)</sup>	590	-	1,090	-
Others <sup>(2)</sup>	98	-	83	-
Government bond placed as collateral for derivatives	-	-	1,019	-
Other letters of guarantee	4,540	-	2,381	-
Derivatives (stated in notional amounts)				
Foreign exchange	144,436	-	215,640	-
Interest rate	121,942	-	118,869	-
Others				
- Credit default swap	147	-	67	-
- Commodity swaps	-	-	15	-

<sup>(1)</sup> These accounts were presented as a part of "Other assets".

<sup>(2)</sup> These accounts were presented as a part of "Other liabilities".

### 30.5 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, 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, including actual cost, actual cost plus margin, fixed cost per transaction and other agreed fees.

### 30.6 Remunerations to directors and senior management

Remunerations 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, consisted of monthly remunerations, salaries, provident fund contributions and long-term benefits, which were incurred for the years ended 31 December 2022 and 2021 as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
Short-term employee benefits	246	236
Post-employment benefits	8	9
Share-based payments	6	6
Termination benefits	-	8
Total	260	259

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 renounced all types of benefits.

### 30.7 Share-based payments

The Standard Chartered Group operates a number of share-based arrangements for its executive directors and employees. The Bank participates in cash settled and equity settled share-based compensations under the following schemes:

#### 2021 Standard Chartered Share Plan (the '2021 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the Standard Chartered Group's main share plan. Since approval, it has been used to deliver various types of share awards. Currently the following only one type of share award has been granted to employees in Thailand.

- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant.

#### All Employee Sharesave Plans - 2013 Sharesave Plan

Under the 2013 Sharesave Plan, employees may open a 3-year savings contract. Contribution (saving) amount will determine number of options granted. Within a period of six months after the third anniversary, employees can decide to exercise their options to receive a payment equal to any increase in value of Standard Chartered PLC share price units less any withholding tax and stock broking commission charges.

### 31. Earnings per share

Basic earnings per share is calculated by dividing net profit or loss, excluding other comprehensive income or loss, by the weighted average number of ordinary shares in issue during the periods.

	For the years ended 31 December	
	2022	2021
Net profit (loss) (Million Baht)	1,470	(400)
Earnings (loss) per share (Baht/share)	0.99	(0.27)
Weighted average number of ordinary shares (Million shares)	1,484	1,484

### 32. Non-cancellable operating lease agreements

As at 31 December 2022 and 2021, the Bank had rental and related service commitments related to 1 - 6 years office lease agreements. Future minimum lease payments required under such contracts were as follows:

Payable within	(Unit: Million Baht)	
	As at 31 December	
	2022	2021
1 year	1	-
1 to 5 years	3	-
Over 5 years	1	-

### 33. Segment information

#### 33.1 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 classifies "Commercial Banking" under "Corporate and Institutional Banking".

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 year ended 31 December 2022			
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Net interest income	1,566	-	376	1,942
Non-interest income	2,071	-	764	2,835
Operating income	3,637	-	1,140	4,777
Operating expenses	(3,048)	-	(230)	(3,278)
Expected credit losses (reversal)	321	-	-	321
Profits before income tax expenses	910	-	910	1,820
Income tax expenses				(350)
Net profit				1,470

(Unit: Million Baht)

	For the year ended 31 December 2021			
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Net interest income	1,118	-	415	1,533
Non-interest income	1,581	-	98	1,679
Operating income	2,699	-	513	3,212
Operating expenses	(2,861)	-	(128)	(2,989)
Expected credit losses	(608)	-	-	(608)
Profits (losses) before income tax expenses	(770)	-	385	(385)
Income tax expenses				(15)
Net loss				(400)

(Unit: Million Baht)

	31 December 2022			
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Total assets	106,090	-	59,647	165,737
Total liabilities	124,483	-	14,334	138,817

(Unit: Million Baht)

	31 December 2021			
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Total assets	86,867	-	81,184	168,051
Total liabilities	144,393	-	(1,868)	142,525

### 33.2 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.

### 34. Interest income

(Unit: Million Baht)

	For the years ended 31 December	
	2022	2021
Interbank and money market items	579	311
Investments and trading transactions	700	834
Investments in debt securities	509	67
Loans to customers	851	637
Total interest income	2,639	1,849

### 35. Interest expenses

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
Deposits	315	93
Interbank and money market items	217	64
Contributions to the Deposit Protection Agency and the Financial Institutions Development Fund	164	159
Others	1	-
Total interest expenses	697	316

### 36. Fees and service income

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
Fees and service income		
- Acceptances and guarantees	85	100
- Transaction fees	315	251
- Custody fee	413	382
- Others	326	286
Total fees and service income	1,139	1,019
Fees and service expenses		
- Commission	61	46
- Others	288	231
Total fees and service expenses	349	277
Net fees and service income	790	742

**37. Net gains on financial instruments measured at fair value through profit or loss**

(Unit: Million Baht)		
For the years ended 31 December		
	2022	2021
Gains (losses) on foreign currencies and derivatives on foreign exchange	(679)	622
Gains on derivatives on interest rates	2,340	460
Losses on debt securities and derivative linked to price of debt securities	(537)	(424)
Others	239	146
Total	1,363	804
Gains (losses) on hedging transactions	(43)	12
Net gains on financial instruments measured at fair value through profit or loss	1,320	816

**38. Net gains on investments**

(Unit: Million Baht)		
For the years ended 31 December		
	2022	2021
Gains on sales		
- Investments in debt securities measured at fair value through other comprehensive income	5	112
Net gains on investments	5	112

### 39. Employee expenses

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
<u>Management</u>		
Wages and salaries	148	145
Post-employment benefits - define benefit plan	8	9
Share-based payments	6	6
Others	98	99
Total management	260	259
<u>Other employees</u>		
Wages and salaries	635	634
Post-employment benefits - define benefit plan	31	31
Share-based payments	39	34
Others	335	327
Total employees	1,040	1,026
Total employee expenses	1,300	1,285

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 years ended 31 December	
	2022	2021
Service fees under the service agreements - related parties	1,146	1,056
Technology expenditure	317	278
Others	319	217
Total other operating expenses	1,782	1,551

#### 41. Expected credit losses (reversal)

	(Unit: Million Baht)	
	For the years ended 31 December	
	2022	2021
Expected credit losses (reversal):		
Interbank and money market items	(1)	(4)
Investments in debt securities measured at amortised cost	3	1
Investments in debt securities measured at fair value through other comprehensive income	1	(1)
Loans to customers, commitments and contingent liabilities	(324)	612
Total expected credit losses (reversal)	(321)	608

#### 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 are 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) Derivatives assets/liabilities

The fair value of derivatives is referred to market price. In case that fair value cannot be quoted in market price, the fair value is determined by using valuation techniques. The information used in the valuation techniques is observable in the market, which is based on reliable sources, such as interest rates and exchange rates etc. Moreover, in using valuation techniques, the Bank has adjusted valuation adjustment in order to appropriately reflect relevant risks such as credit valuation adjustment (CVA), market liquidity risk based on the bid-offer spread, etc.

(d) Investments

The fair values of debt securities are determined based on the yield rates quoted by the Thai Bond Market Association.

The fair value of foreign debt securities are determined based on the value quoted by reliable international financial institutions will be used.

The fair value of non-marketable equity securities are determined using non-observable information.

(e) Loans to customers

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

(f) Deposits

Fair value of payable on demand deposits, floating rate deposits or fixed rate deposits with not more than 1 year from the reporting date remaining to maturity is measured at carrying value as at reporting date. For the promissory notes and fixed rate deposits with more than 1 year from the reporting date remaining to maturity are measured determined by discounting future cash flow. The discount rate used is determined based on current interest rate.

(g) Liability payable on demand

The fair value is assumed to approximate its book value in the statement of financial position due to its short- term nature.

(h) Financial liabilities designated at fair value through profit or loss

The fair value is referred to market price. In case that fair value cannot be quoted in market price, the fair value is determined by using valuation techniques. The information used in the valuation techniques is observable in the market, which is based on reliable sources, such as interest rates and exchange rates etc. Moreover, in using valuation techniques, the Bank has adjusted the Bank's credit risk.

As at 31 December 2022 and 31 December 2021, 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)

	31 December 2022				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>					
Derivatives assets	25,405	49	25,356	-	25,405
Financial assets measured at fair value through profit or loss:					
Financial assets held for trading	27,036	-	27,036	-	27,036
Investments in debt securities measured at fair value through other comprehensive income	19,964	14,391	5,573	-	19,964
Investment in equity securities designated to be measured at fair value through other comprehensive income	16	-	-	16	16
<b>Financial liabilities measured at fair value</b>					
Derivatives liabilities	22,864	11	22,853	-	22,864
Financial liabilities measured at fair value through profit or loss	4,113	-	4,113	-	4,113
<b>Financial assets for which fair value were disclosed</b>					
Cash	27	27	-	-	27
Interbank and money market items - net	35,554	-	35,554	-	35,554
Investments in debt securities measured at amortised cost	17,154	-	17,154	-	17,154
Loans to customers and interest receivables - net	30,065	-	7,528	22,537	30,065
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions	5,859	-	5,859	-	5,859
Receivables on sales of investments	1,951	-	1,951	-	1,951
Accrued income and interest receivables	330	-	330	-	330
<b>Financial liabilities for which fair value were disclosed</b>					
Deposits	73,657	-	73,657	-	73,657
Interbank and money market items	27,553	-	27,553	-	27,553
Liabilities payable on demand	871	-	871	-	871
Lease liabilities	185	-	185	-	185
Collateral payables under the Credit Support Annex agreements and the private repurchase transactions	6,574	-	6,574	-	6,574
Payables on purchase of investments	681	-	681	-	681
Interest payables	66	-	66	-	66

(Unit: Million Baht)

	31 December 2021				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Derivatives assets	17,103	33	17,070	-	17,103
Financial assets measured at fair value through profit or loss:					
Financial assets held for trading	37,684	-	37,684	-	37,684
Loan to customers and interest receivables	658	-	658	-	658
Investments in debt securities measured at fair value through other comprehensive income	19,862	9,617	10,245	-	19,862
Investment in equity securities designated to be measured at fair value through other comprehensive income	15	-	-	15	15
<b>Financial liabilities measured at fair value</b>					
Derivatives liabilities	17,774	41	17,733	-	17,774
Financial liabilities measured at fair value through profit or loss	3,001	-	3,001	-	3,001
<b>Financial assets for which fair value were disclosed</b>					
Cash	61	61	-	-	61
Interbank and money market items - net	39,741	-	39,741	-	39,741
Investments in debt securities measured at amortised cost	3,789	-	3,776	-	3,776
Loans to customers and interest receivables - net	39,948	-	16,353	23,595	39,948
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions	6,317	-	6,317	-	6,317
Receivables on sales of investments	1,259	-	1,259	-	1,259
Accrued income and interest receivables	339	-	339	-	339
<b>Financial liabilities for which fair value were disclosed</b>					
Deposits	71,809	-	71,809	-	71,809
Interbank and money market items	35,693	-	35,693	-	35,693
Liabilities payable on demand	847	-	847	-	847
Collateral payables under the Credit Support Annex agreements and the private repurchase transactions	6,718	-	6,718	-	6,718
Payables on purchase of investments	3,692	-	3,692	-	3,692
Interest payables	8	-	8	-	8

#### 43. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 1 March 2023.