

Standard Chartered Bank (Thai)
Public Company Limited
Report and financial statements
31 December 2020



Building a better
working world

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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 2020, 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 2020, its financial performance and cash flows for the year then ended in accordance with the Bank of Thailand's regulations and Thai Financial Reporting Standards.

Basis for Opinion

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

Other Matter

The financial statement of Standard Chartered Bank (Thai) Public Company Limited for the year ended 31 December 2019, presented as comparative information, were audited by other auditor, who under her report dated 24 February 2020, expressed an unqualified opinion on those financial statements.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Bank, but does not include the financial statements and my auditor's report thereon. The annual report of the Bank is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Bank, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 25 February 2021

Standard Chartered Bank (Thai) Public Company Limited

Statements of financial position

As at 31 December 2020 and 2019

		(Unit: Thousand Baht)	
	Note	2020	2019
Assets			
Cash		95,456	140,741
Interbank and money market items - net	9	64,577,667	38,617,369
Financial assets measured at fair value through profit or loss	10	31,089,707	-
Derivatives assets	11	20,088,634	16,083,185
Investments - net	12	12,481,202	48,044,847
Loans to customers and interest receivables - net	13	28,799,571	27,737,527
Premises, equipment and right-of-use assets - net	14	220,119	239,212
Intangible assets - net	15	240,026	176,077
Other assets	17		
Collateral receivables under the Credit Support Annex agreements			
and the private sector repurchase transactions		8,421,001	8,861,266
Others		1,153,384	2,213,824
Total assets		167,166,767	142,114,048

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

Standard Chartered Bank (Thai) Public Company Limited

Statements of financial position (continued)

As at 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	2020	2019
Liabilities and shareholders' equity			
Liabilities			
Deposits	18	84,329,325	61,907,707
Interbank and money market items	19	21,443,469	26,249,015
Liabilities payable on demand		850,721	1,185,486
Financial liabilities measured at fair value through profit or loss		2,118,477	-
Derivatives liabilities	11	21,819,254	18,822,882
Provisions for liabilities	20	429,425	319,067
Deferred tax liabilities	16	393,705	108,631
Other liabilities	21		
Collateral payables under the Credit Support Annex agreements and the private sector repurchase transactions		6,420,597	3,621,445
Payables on purchases of investments		597,308	53,977
Others		2,157,622	2,491,093
Total liabilities		140,559,903	114,759,303
Shareholders' equity			
Share capital			
Registered share capital	22	14,842,627	14,842,627
Issued and paid-up share capital	22	14,837,045	14,837,045
Premium on share capital	23	9,055,819	9,055,819
Other components of equity	24	86,720	179,258
Retained earnings			
Appropriated			
Statutory reserve	25	1,484,263	1,446,999
Unappropriated			
		1,143,017	1,835,624
Total shareholders' equity		26,606,864	27,354,745
Total liabilities and shareholders' equity		167,166,767	142,114,048

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

(Mr. Plakorn Wanglee)

Executive Director and President
and Chief Executive Officer

(Mr. Ashish Jain)

Executive Director
and Chief Financial Officer

Standard Chartered Bank (Thai) Public Company Limited

Statements of comprehensive income

For the years ended 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	2020	2019
Profit or loss:			
Interest income	29.3, 33	2,179,766	3,354,852
Interest expenses	34	575,833	1,328,499
Net interest income		1,603,933	2,026,353
Fees and service income		977,963	1,106,638
Fees and service expenses		269,928	174,482
Net fees and service income	35	708,035	932,156
Net gains on financial instruments measured at fair value			
through profit or loss	29.3, 36	1,459,323	-
Net gains on trading and foreign exchange transactions	29.3, 36	-	1,468,092
Net gains on investments	37	470,646	177,702
Other operating income	38	782,370	159,214
Total operating income		5,024,307	4,763,517
Operating expenses			
Employee expenses	39	1,318,288	1,417,835
Directors' remuneration		7,800	7,800
Premises and equipment expenses		157,457	146,700
Taxes and duties		56,500	87,830
Other operating expenses	29.3, 29.5, 40	1,320,947	1,342,066
Total operating expenses		2,860,992	3,002,231
Expected credit loss	41	512,997	-
Bad debts, doubtful accounts and impairment losses (Reversal)	41	-	(451,841)
Profits before income tax expenses		1,650,318	2,213,127
Income tax expenses	16.2	491,175	434,452
Net profits		1,159,143	1,778,675

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 2020 and 2019

(Unit: Thousand Baht)

	Note	2020	2019
Other comprehensive income (loss)	16.3		
Items to be recognised subsequently in profit or loss:			
Loss on valuation of investments in debt instruments			
measured at fair value through other comprehensive income		(101,884)	-
Gains on revaluation of available-for-sale investments		-	324,564
Gains (losses) on measurement of derivatives held for cash flows hedges		8,188	(8,941)
Income tax benefits (expenses)		19,100	(63,125)
Items to be recognised subsequently in profit or loss			
- net of income taxes		(74,596)	252,498
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		1,395	-
Losses on revaluation of own credit risk		(36,318)	-
Actuarial gains (losses)		14,411	(30,766)
Income tax benefits			
Items not to be recognised subsequently in profit or loss			
- net of income taxes		(15,941)	(24,613)
Other comprehensive income (loss) for the years		(90,537)	227,885
Total comprehensive income for the years		1,068,606	2,006,560
Earnings per share			
Basic earnings per share (Baht)	30	0.78	1.20

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

(Mr. Plakorn Wanglee)

Executive Director and President
and Chief Executive Officer

(Mr. Ashish Jain)

Executive Director
and Chief Financial Officer

Standard Chartered Bank (Thai) Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2020 and 2019

(Unit: Thousand Baht)

		Shareholder's equity							
Note		Issued and paid-up share capital	Premium on share capital	Other components of equity			Retained earnings		
				Fair value reserve	Cash flow hedge reserve	Own credit revaluation reserve	Total	Appropriated - Statutory reserve	Unappropriated Total
	Balance as at 1 January 2019	14,837,045	9,055,819	(73,843)	603	-	(73,240)	1,358,065	16,119,870 41,297,559
	Dividends paid	-	-	-	-	-	-	-	(15,964,661) (15,964,661)
	Reversal of deferred income taxes	-	-	-	-	-	-	-	15,287 15,287
	Net profits	-	-	-	-	-	-	-	1,778,675 1,778,675
	Other comprehensive income (loss) for the year	-	-	259,651	(7,153)	-	252,498	-	(24,613) 227,885
	Total other comprehensive income (loss) for the year	-	-	259,651	(7,153)	-	252,498	-	1,754,062 2,006,560
	Appropriated retained earnings to be statutory reserve	-	-	-	-	-	-	88,934	(88,934) -
	Balance as at 31 December 2019	<u>14,837,045</u>	<u>9,055,819</u>	<u>185,808</u>	<u>(6,550)</u>	<u>-</u>	<u>179,258</u>	<u>1,446,999</u>	<u>1,835,624</u> <u>27,354,745</u>
	Balance as at 1 January 2020	14,837,045	9,055,819	185,808	(6,550)	-	179,258	1,446,999	1,835,624 27,354,745
	Cumulative effect of the change in accounting policies	5	-	(4,822)	-	16,696	11,874	-	(151,775) (139,901)
	Balance as at 1 January 2020 - as restated	<u>14,837,045</u>	<u>9,055,819</u>	<u>180,986</u>	<u>(6,550)</u>	<u>16,696</u>	<u>191,132</u>	<u>1,446,999</u>	<u>1,683,849</u> <u>27,214,844</u>
	Dividends paid	26	-	-	-	-	-	-	(1,676,586) (1,676,586)
	Derecognition of investments in equity securities	-	-	(2,346)	-	-	(2,346)	-	2,346 -
	Net profits	-	-	-	-	-	-	-	1,159,143 1,159,143
	Other comprehensive income (loss) for the year	-	-	(79,562)	6,550	(29,054)	(102,066)	-	11,529 (90,537)
	Total other comprehensive income (loss) for th year	-	-	(79,562)	6,550	(29,054)	(102,066)	-	1,170,672 1,068,606
	Appropriated retained earnings to be statutory reserve	-	-	-	-	-	-	37,264	(37,264) -
	Balance as at 31 December 2020	<u>14,837,045</u>	<u>9,055,819</u>	<u>99,078</u>	<u>-</u>	<u>(12,358)</u>	<u>86,720</u>	<u>1,484,263</u>	<u>1,143,017</u> <u>26,606,864</u>

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 2020 and 2019**

	(Unit: Thousand Baht)	
	2020	2019
Cash flows from operating activities		
Profits before income tax expenses	1,650,318	2,213,127
Adjustments to reconcile profits before income tax expenses to net cash provided by (used in) operating activities		
Depreciation and amortisation	125,428	89,249
Expected credit losses	512,997	-
Reversal of bad debts, doubtful accounts and impairment losses	-	(449,194)
Amortisation of net discount on investments in debt securities	(53,461)	(76,315)
Gains on disposals of investments	(470,646)	(177,702)
Losses on financial instruments measured at fair value through profit or loss	995,554	-
(Gains) losses on disposals and write-offs of equipment	4,578	(1,038)
Gains on disposals of assets held for sales	(77,289)	(127,973)
Increase in provision for long-term employee benefits	38,584	85,032
Decrease in provision for other liabilities	(3,309)	-
Net interest income	(1,603,933)	(2,026,353)
Cash received on interest income	2,110,048	3,384,229
Cash paid on interest expenses	(619,900)	(1,343,570)
Cash paid on income taxes	(142,890)	(188,678)
Profits from operation before changes in operating assets and liabilities	2,466,079	1,380,814

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 2020 and 2019

	(Unit: Thousand Baht)	
	2020	2019
(Increase) decrease in operating assets:		
Interbank and money market items	(25,807,544)	8,757,983
Net derivative assets	(992,030)	3,823,832
Financial assets measured at fair value through profit or loss	(1,420,927)	-
Trading investments	-	(5,275,094)
Loans to customers	(1,782,546)	5,061,563
Other assets	1,500,007	(4,319,570)
Increase (decrease) in operating liabilities:		
Deposits	22,421,618	556,891
Interbank and money market items	(1,693,784)	(2,406,288)
Liabilities payable on demand	(334,765)	(354,294)
Financial liabilities measured at fair value through profit or loss	(1,510,515)	-
Payments on provisions for liabilities	(13,105)	(10,865)
Other liabilities	3,019,340	239,607
Net cash provided by (used in) operating activities	(4,148,172)	7,454,579
Cash flows from investing activities		
Purchases of debt and equity securities		
measured at fair value through other comprehensive income	(45,459,573)	-
Proceeds from sales of debt and equity securities measured		
at fair value through other comprehensive income	51,312,228	-
Acquisition of premises and equipment		(304,230)
Purchase of available-for-sale investments	-	(23,482,413)
Proceeds from sales of available-for-sale investments	-	32,204,501
Proceeds from sales of general investments	-	2,864
Proceeds from disposals of equipment	-	1,046
Proceeds from disposals of assets held for sales	88,509	149,368
Net cash provided by investing activities	5,779,473	8,571,136

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 2020 and 2019**

(Unit: Thousand Baht)

	2020	2019
Cash flows from financing activities		
Dividends paid	(1,676,586)	(15,964,661)
Net cash used in financing activities	(1,676,586)	(15,964,661)
Net increase (decrease) in cash	(45,285)	61,054
Cash as at 1 January	140,741	79,687
Cash as at 31 December	95,456	140,741

Supplemental cash flows information

Non-cash transactions:

Right-of-use assets	13,697	-
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The accompanying notes are an integral part of the financial statements.

(Mr. Plakorn Wanglee)

Executive Director and President
and Chief Executive Officer

(Mr. Ashish Jain)

Executive Director and Chief Financial Officer

Standard Chartered Bank (Thai) Public Company Limited

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Standard Chartered Bank (Thai) Public Company Limited

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Standard Chartered Bank (Thai) Public Company Limited

Notes to the financial statements

For the years ended 31 December 2020 and 2019

1. General information

1.1 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. The immediate and ultimate parent companies of the Bank are Standard Chartered Bank and Standard Chartered PLC, respectively, which have been incorporated in the United Kingdom. The Bank is a commercial bank, which provides a wide range of banking services to corporate and institutional clients.

1.2 Coronavirus disease 2019 pandemic

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

2. Basis of preparation of financial statements

The financial statements for the year ended 31 December 2020 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.

The 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 adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Bank's financial statements. However, the new standard involves changes to key principles, which are summarised below:

(a) Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

Classification and measurement of financial assets and financial liabilities

Financial assets - debt instruments

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

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

Investment in equity instruments

The Bank classifies investments in domestic non-marketable equity securities as the financial assets designated to be measured at fair value through other comprehensive income.

Financial liabilities

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

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

- The designation eliminates or significantly reduces an accounting mismatch.
- A group of financial liabilities or 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 changes in the liability attributable to credit risk are presented separately in other comprehensive income as an own credit risk 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 the “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.

Impairment of financial assets

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

Transition

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

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

(b) TFRS 16 Leases

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

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

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

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

(c) Accounting guidance

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

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

On 22 April 2020, this Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy during the period from 1 January 2020 to 31 December 2021 or until the Bank of Thailand makes changes, with which the entities are to comply. The guidance applies to large debtors, small and medium-sized debtors, and retail debtors who have the ability to run a business or to pay debts in the future and who have been impacted directly or indirectly by such situations, considering the following guidelines.

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

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

- For the provision of assistance to loans that are not yet non-performing (Non-NPL), the Bank may classify them as loans with no significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of Bank of Thailand No. BoT.PRD.(01)C.380/2563 and the classification of the debtor remains at the same stage as before.
- For the provision of assistance to non-performing loans (NPL), the Bank may classify them as performing loans if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- Additional working capital loans provided to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- The guidelines specified in the appendix of the circular if the Bank of Thailand relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to Stage 2.
- Expected credit losses are determined based on the outstanding balance of the drawn down portion only.
- A newly calculated effective interest rate is applied to determine the present value of loans that have been restricted in accordance with guidelines to assist debtors specified in the circulars of the Bank of Thailand, if the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan. In addition, provided that the provision of assistance is in compliance with the circular of the Bank of Thailand No. BoT.PRD.(1)C.308/2563, the Bank recognises interest income on the basis of this new effective interest rate during the grace period, or in compliance with the circular of the Bank of Thailand's new guidelines if there are changes.

- Consideration is given to placing less weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience, in cases where a general approach is sent in determining expected credit losses.

However, the Bank did not apply this Accounting Guidance in its preparation of its financial statements for the year ended 31 December 2020.

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

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

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

However, the Bank did not apply this Accounting Guidance in its preparation of its financial statements for the year ended 31 December 2020.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. 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 Bank's management is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

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

Since 1 January 2020

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.

Before 1 January 2020

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

(b) Fees and service income

The Bank recognises fees and service income in profit or loss 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 as assets under the caption of "Interbank and money market items" as assets in the statements of financial position and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement at the amounts received are presented as liabilities under the caption of "Interbank and money market items" as liabilities in the statement of financial position and the underlying securities are treated as collateral.

4.7 Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the 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 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.

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.

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 Investments

Since 1 January 2020

The Bank classifies its investments as debt or equity instruments financial assets as follows:

Financial assets - debt instruments

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

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

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

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

It is classified as a financial asset measured at fair value through other comprehensive income only if both following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding 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 or disposal, the cumulative fair value change is recognised in other comprehensive income is recycled to profit or loss. The expected credit losses, and interest income calculated using the effective interest rate 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).

Financial assets - equity securities

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

Fair value

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

The fair value of government bonds, state enterprise securities and private 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.

Before 1 January 2020

The Bank classified and measured investments in equity and debt securities as follows:

Marketable debt and equity securities held for trading were classified as trading investments and were stated at fair value, with any resultant gains or losses recognised in profit or loss.

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

Non-marketable equity securities were stated at cost less any allowance for impairment losses.

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

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

Since 1 January 2020

The Bank recognises an allowance for expected credit losses for all financial debt instruments, which are classified at amortised cost or fair value through other comprehensive income, including loan commitments and financial guarantee contracts using the General Approach. The Bank classifies its financial assets into three stages based on the changes in credit risk since initial recognition as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Before 1 January 2020

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

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

Any allowances for doubtful accounts established during the year were recorded as bad debts, doubtful accounts and impairment loss. The Bank wrote off bad debts against the allowance for doubtful accounts for uncollectible amounts. Bad debts recovered were presented net of bad debts, doubtful account and impairment loss in profit or loss.

4.11 Financial assets with modifications of terms/Debt restructuring

Since 1 January 2020

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, less any impairment loss on the financial asset.
- If the modification of terms results in derecognition of the financial asset, the fair value of the new financial asset is the latest cash flows of the original financial asset on the date of derecognition. The difference between the carrying amount of the asset and the sum of the consideration received from the financial asset is recognised in profit or loss.

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

Before 1 January 2020

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

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

Losses on troubled debt restructuring were recognised in profit or loss but gains would not be recognised.

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

Since 1 January 2020

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.

Before 1 January 2020

Leases of premises and equipment, which do not transfer substantially all the risks and rewards of ownership were classified as operating leases. Operating lease payments were recognised as an expense in profit or loss 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 useful lives of intangible assets and tested for impairment whenever there is an indication that the intangible asset may be impaired. The Bank will review amortisation period and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

The intangible assets are amortised over the estimated useful lives of approximately 3 - 5 years.

No amortisation is provided 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 BoT as at the reporting date.

Foreign currency differences are recognised in profit or loss.

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

4.22 Derecognition of financial assets and liabilities

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

4.23 Offsetting of financial assets and financial liabilities

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

4.24 Financial instruments

Since 1 January 2020

Recognition of financial instruments

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

Classification and measurement

Financial 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 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).

- 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.

- 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 and 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.

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.

Derecognition of financial instruments

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

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

Write-off

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

4.25 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.

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. Cumulative effect of the change in accounting policies due to the adoption of new financial reporting standards

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

5.1 Financial instruments

The impacts due to the first-time adoption of a set of TFRSs related to financial instruments were presented as follows:

	(Unit: Million Baht)
	1 January 2020
Impact to retained earnings as at 1 January 2020	
Impact as result of reclassification and measurement	(202)
Losses on impairment of investments in non-listed equity securities	6
Relevant deferred tax assets	44
The impact to retained earnings as at 1 January 2020	<u>(152)</u>
Impact to other components of equity as at 1 January 2020	
Impact as a result of classification and measurement of investments in equity securities designated to be measured at fair value through other comprehensive income	(4)
Impact as a result of revaluation of own credit risk	20
Related deferred tax liabilities	(4)
The impact to other components of equity as at 1 January 2020	<u>12</u>

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

(Unit: Million Baht)

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

5.2 Leases

Upon an initial application of TFRS 16, the Bank recognised lease liabilities that were previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at 1 January 2020 of 3.10% to 3.52% per annum.

(Unit: Million Baht)

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

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

(Unit: Million Baht)

Premises	1
Motor vehicles	2
Total right-of-use assets as at 1 January 2020	3

5.3 Adjustments and classification in accordance with new financial reporting standards

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

(Unit: Million Baht)

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

(Unit: Million Baht)

	The impacts of				Classification and measurement in accordance with TFRS 9			
	31 December 2019	TFRS 16	TFRSs related to financial instruments	1 January 2020	Financial instruments measured at fair value through profit or loss	Investments in debt securities measured at fair value through other comprehensive income	Investments in equity securities designated to be measured at fair value through other comprehensive income	Financial instruments measured at amortised cost
Financial liabilities								
Deposits	61,908	-	-	61,908	-	-	-	61,908
Interbank and money market items	26,249	-	(3,112)	23,137	-	-	-	23,137
Financial liabilities measured at fair value through profit or loss	-	-	3,294	3,294	3,294	-	-	-
Derivatives liabilities	18,823	-	-	18,823	18,823	-	-	-
Provisions for other liabilities ⁽¹⁾	20	-	9	29	-	-	-	29
Deferred tax liabilities	109	-	(22)	87	-	-	-	-
Lease liabilities ⁽²⁾	-	3	-	3	-	-	-	3
Shareholders' equity								
Other components of equity	179	-	12	191	-	-	-	-
Retained earnings	3,283	-	(152)	3,131	-	-	-	-

⁽¹⁾ It was included as a part of "Provisions for liabilities" in statements of financial position.

⁽²⁾ It was included as a part of "Other liabilities" in statements of financial position.

6. Risk Management of the Bank

6.1 Credit Risk

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

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

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

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

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

The maximum exposure to credit risk

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

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

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

As at 31 December 2020 and 2019, the maximum exposures to credit risk were as follows:

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Interbank and money market items (asset)	64,578	38,617
Investments	12,481	17,922
Loans to customers and interest receivables	28,800	27,738
Interest receivables on non-loans	244	353
Total financial assets	106,103	84,630
Loan commitments	9,977	9,290
Financial guarantees	21,931	21,267
Total	31,908	30,557
Total credit risk exposures	138,011	115,187

Interbank and money market items

As at 31 December 2020 and 2019, the Bank had interbank and money market items amounting to Baht 64,578 million and Baht 38,617 million, respectively, with counter-parties having their credit ratings between AAA and B-, as rated by Moody's, S&P and Fitch.

Collateral and any arrangements to increase creditability

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

(Unit: Million Baht)

	Exposure to credit risk with collateral as at 31 December		Type of collateral
	2020	2019	
Interbank and money market items	29,632	17,156	Debt securities and others
Loans to customers and interest receivables	6,396	6,268	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.

31 December 2020

	Financial assets				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Excess allowance	Total
Interbank and money market items (Assets)					
Investment grade	57,664	-	-	-	57,664
Non-investment grade	6,918	-	-	-	6,918
Overdue for 1 day onwards	-	-	-	-	-
Total	64,582	-	-	-	64,582
<u>Less</u> Allowance for expected credit losses	(4)	-	-	-	(4)
Net book value	64,578	-	-	-	64,578
Investments in debt securities measured at fair value through other comprehensive income					
Investment grade	12,471	-	-	-	12,471
Non-investment grade	13	-	-	-	13
Overdue for 1 day onwards	-	-	-	-	-
Total	12,484	-	-	-	12,484
<u>Less</u> Allowance for expected credit losses	(3)	-	-	-	(3)
Net book value	12,481	-	-	-	12,481

(Unit: Million Baht)

31 December 2020

	Financial assets				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	where there has been a significant increase in risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Excess allowance	Total
Loans to customers and interest					
receivables					
Not overdue	25,461	2,094	77	-	27,632
Overdue 1-30 days	88	396	-	-	484
Overdue 31-90 days	-	26	-	-	26
More than 90 days	-	1,587	-	-	1,587
Total	25,549	4,103	77	-	29,729
<u>Less</u> Allowance for expected credit losses	(34)	(481)	(14)	(400)	(929)
Net book value	25,515	3,622	63	(400)	28,800
Loan commitments					
Not overdue	8,650	1,327	-	-	9,977
Total	8,650	1,327	-	-	9,977
<u>Less</u> Allowance for expected credit losses	(8)	(6)	-	-	(14)
Net book value	8,642	1,321	-	-	9,963
Financial guarantee					
contracts					
Not overdue	18,286	3,645	-	-	21,931
Total	18,286	3,645	-	-	21,931
<u>Less</u> Allowance for expected credit losses	(4)	(95)	-	-	(99)
Net book value	18,282	3,550	-	-	21,832

6.2 Market Risk

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

Trading book

The Bank provides clients access to financial markets, facilitation of which entails the Bank taking moderate market risk positions. All trading teams support client activity; there are no proprietary teams. Hence, income earned from market-risk related activities is primarily driven by the volume of client activity rather than risk-taking. From 1 January 2016, a CVA desk has been actively hedging the credit and market exposure arising from CVA (Credit Valuation Adjustment) and FVA (Funding Valuation Adjustment).

Non-trading book

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

The primary categories of market risk for the Bank are:

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

Market risk governance

The Bank has established standards, principles, policies and techniques for managing market risk. The Board of Directors 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:

(Unit: Million Baht)

31 December 2020

	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Non-accrual	Total	Average yield rate (% per annum)
Financial assets									
Cash	-	-	-	-	-	95	-	95	-
Interbank and money market items - net	994	60,463	61	-	-	3,060	-	64,578	0.79
Financial assets measured at fair value through profit or loss	-	31,090	-	-	-	-	-	31,090	2.34
Investments - net	-	-	1,535	8,465	2,468	13	-	12,481	1.02
Loans to customers and interest receivables	1,262	19,257	4,994	4,145	-	71	-	29,729	2.38
Receivables on sales of investments and issuance of debentures	-	-	-	-	-	620	-	620	-
Collateral receivables under Credit Support Annex agreements and private repurchase transactions	8,421	-	-	-	-	-	-	8,421	0.52
Others	-	-	-	-	-	244	-	244	-
Total financial assets	10,677	110,810	6,590	12,610	2,468	4,103	-	147,258	
Financial liabilities									
Deposits	64,534	16,074	-	-	-	3,721	-	84,329	0.41
Interbank and money market items	1,139	5,756	-	-	-	14,548	-	21,443	0.48
Liabilities payable on demand	-	-	-	-	-	851	-	851	0.12
Financial liabilities measured at fair value through profit or loss	536	327	-	1,255	-	-	-	2,118	-
Payable on purchase of investments	-	-	-	-	-	597	-	597	-
Collateral payables under Credit Support Annex agreements and private repurchase transactions	6,421	-	-	-	-	-	-	6,421	0.52
Others	-	-	-	-	-	43	-	43	-
Total financial liabilities	72,630	22,157	-	1,255	-	19,760	-	115,802	

(Unit: Million Baht)

31 December 2019

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

Interest rate sensitivity analysis

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

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

(b) Foreign exchange rate risk

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

As at 31 December 2020 and 2019, the Bank's net foreign currency position was as follows:

	(Unit: Million US Dollar)	
	31 December 2020	31 December 2019
Net foreign currency exposure		
US Dollar	19	(21)
Euro*	-	2
Others*	20	(1)

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

Foreign exchange rate sensitivity analysis

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

6.3 Liquidity Risk

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

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

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

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

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

Liquidity risk governance

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

Stress Testing

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

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

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

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

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 2/2018 dated 25 January 2018, Re: "Liquidity coverage ratio disclosure standards", the Bank intends to disclose Liquidity coverage ratio as of 31 December 2020 within 4 months after the period end date, as indicated in the notification, through the Bank's website <https://www.sc.com/th>.

As at 31 December 2020 and 2019, the loans to deposits ratios of the Bank were 34% and 45%, respectively, and the liquidity coverage ratios of the Bank were 192% and 260%, respectively, against the regulatory requirement of 100%.

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

(Unit: Million Baht)

	31 December 2020						Total
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	No Maturity	
Financial assets							
Cash	95	-	-	-	-	-	95
Interbank and money market items - net	31,820	32,696	62	-	-	-	64,578
Financial assets measured at fair value through profit or loss	-	402	3,087	326	27,275	-	31,090
Investments - net	-	-	1,535	8,465	2,468	13	12,481
Loans to customers and interest receivables	1,442	17,043	163	10,641	440	-	29,729
Receivables on sales of investments and issuance of debentures	620	-	-	-	-	-	620
Collateral receivables under Credit Support Annex agreements and private repurchase transactions	8,421	-	-	-	-	-	8,421
Others	244	-	-	-	-	-	244
Total financial assets	42,642	50,141	4,847	19,432	30,183	13	147,258
Financial liabilities							
Deposits	68,255	16,074	-	-	-	-	84,329
Interbank and money market items	16,487	4,956	-	-	-	-	21,443
Liabilities payable on demand	-	350	-	1,768	-	-	2,118
Financial liabilities measured at fair value through profit or loss	851	-	-	-	-	-	851
Payables on purchase of investments	597	-	-	-	-	-	597
Collateral payables under Credit Support Annex agreements and private repurchase transactions	6,421	-	-	-	-	-	6,421
Others	43	-	-	-	-	-	43
Total financial liabilities	92,654	21,380	-	1,768	-	-	115,802

(Unit: Million Baht)

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

Derivatives

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

(Unit: Million Baht)			
31 December 2020			
	Within 1 year	Over 1 year	Total
Foreign exchange			
Forward exchange contracts	346,643	12,557	359,200
Cross currency swap contracts	24,461	151,527	175,988
Currency option contracts	2,625	-	2,625
Interest rate			
Interest rate swap contracts	91,147	273,293	364,440
Interest rate option contracts	4,818	1,180	5,998
Others			
Bond forward contracts	9,182	15,167	24,349
Total	478,876	453,724	932,600

(Unit: Million Baht)			
31 December 2019			
	Within 1 year	Over 1 year	Total
Foreign exchange			
Forward exchange contracts	344,571	9,533	354,104
Cross currency swap contracts	29,967	124,337	154,304
Currency option contracts	4,186	544	4,730
Interest rate			
Interest rate swap contracts	119,211	327,945	447,156
Interest rate option contracts	4,726	5,219	9,945
Others			
Bond forward contracts	4,350	12,096	16,446
Commodities contracts	186	-	186
Total	507,197	479,674	986,871

7. Classification of financial assets and liabilities

(Unit: Million Baht)

	31 December 2020				
	Financial instruments measured at fair value through profit and loss	Investments in debt securities measured at fair value through other comprehensive income	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets					
Cash	-	-	-	95	95
Interbank and money market items - net	-	-	-	64,578	64,578
Financial assets measured at fair value through profit and loss	31,090	-	-	-	31,090
Derivatives assets	20,089	-	-	-	20,089
Investments - net	-	12,468	13	-	12,481
Loans to customers and interest receivables - net	-	-	-	28,800	28,800
Receivables on sales of investments and issuance of debentures ⁽¹⁾	-	-	-	620	620
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions ⁽¹⁾	-	-	-	8,421	8,421
Accrued income and interest receivables ⁽¹⁾	-	-	-	244	244
Total financial assets	51,179	12,468	13	102,758	166,418
Financial liabilities					
Deposits	-	-	-	84,329	84,329
Interbank and money market items	-	-	-	21,443	21,443
Liabilities payable on demand	-	-	-	851	851
Financial liabilities measured at fair value through profit or loss	2,118	-	-	-	2,118
Derivatives liabilities	21,819	-	-	-	21,819
Collateral payables under the Credit Support Annex agreements and the private repurchase transactions ⁽²⁾	-	-	-	6,421	6,421
Payables on purchase of investments ⁽²⁾	-	-	-	597	597
Interest payables ⁽²⁾	-	-	-	43	43
Total financial liabilities	23,937	-	-	113,684	137,621

⁽¹⁾ These items were included as a part of "Other assets" in statements of financial position.

⁽²⁾ These items were included as a part of "Other liabilities" in statements of financial position.

8. Capital funds

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

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

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
<u>Tier 1 capital</u>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital and premium		
on share capital	23,893	23,893
Statutory reserve	1,447	1,358
Net profit after appropriation	150	34
Other components of equity	97	186
Adjustment items from Common Equity Tier 1	(31)	113
Less: Deduction items from Common Equity Tier 1	(762)	(186)
Total Tier 1 Capital	24,794	25,398
<u>Tier 2 capital</u>		
Provision for asset classified as normal	37	64
Surplus of provision	257	258
Total Tier 2 Capital	294	322
Total Capital Funds	25,088	25,720

(Unit: Percentage)				
Capital Adequacy Ratio	31 December 2020		31 December 2019	
	The BoT's minimum regulatory requirement	The Bank	The BoT's minimum regulatory requirement	The Bank
Total Capital Funds to Risk-weighted Assets	11.000	30.53	11.000	33.29
Tier-1 Capital Funds to Risk-weighted Assets	8.500	30.17	8.500	32.87
Common Equity Tier-1 to Risk-weighted Assets	7.000	30.17	7.000	32.87
Tier-2 Capital Funds to Risk-weighted Assets	-	0.36	-	0.42
Capital Funds after deducting additional capital to support Single Lending Limit (Baht million)	-	24,596	-	25,729
Capital after deducting capital add-on arising from Single Lending Limit to total risk-weighted assets ratio	-	29.93	-	33.29

According to the BoT's Notification Sor Nor Sor 4/2556, Sor Nor Sor 5/2556, Sor Nor Sor 14/2562 and Sor Nor Sor 15/2562 commercial banks are required to disclose certain additional capital information for their position. The Bank will disclose such information as at 31 December 2020 in its website (www.sc.com/th) by the end of April 2021. The Bank already disclosed such information as at 31 December 2019 on 24 April 2020.

According to the BoT's Notification Sor Nor Sor 2/2561, commercial banks are required to disclose certain information for Liquidity Coverage Ratio (LCR). The Bank will disclose such information as at 31 December 2020 via its website (www.sc.com/th) by the end of April 2021. The Bank already disclosed such information as at 31 December 2019 on 15 April 2020.

9. Interbank and money market items

(Unit: Million Baht)

	31 December 2020			31 December 2019		
	On demand	Term	Total	On demand	Term	Total
Domestic						
Bank of Thailand	13,397	6,814	20,211	5,420	4,782	10,202
Commercial banks	9,726	13,355	23,081	7,005	8,780	15,785
Other financial institutions	740	-	740	100	-	100
Total	23,863	20,169	44,032	12,525	13,562	26,087
Add: Interest receivables	1	4	5	2	9	11
Less: Allowance for doubtful accounts	-	-	-	(22)	(20)	(42)
Allowance for expected credit losses	-	-	-	-	-	-
Total domestic items	23,864	20,173	44,037	12,505	13,551	26,056
Foreign						
US Dollar	1,463	4,036	5,499	38	6,564	6,602
Yen	1,352	5,815	7,167	1,211	3,863	5,074
Euro	475	2,678	3,153	255	298	553
Yuan	82	-	82	274	-	274
Other currencies	4,584	-	4,584	120	-	120
Total	7,956	12,529	20,485	1,898	10,725	12,623
Add: Interest receivables	1	59	60	-	4	4
Less: Allowance for doubtful accounts	-	-	-	-	(66)	(66)
Allowance for expected credit losses	(1)	(3)	(4)	-	-	-
Total foreign items	7,956	12,585	20,541	1,898	10,663	12,561
Total domestic and foreign items	31,820	32,758	64,578	14,403	24,214	38,617

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

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Financial assets held for trading		
Government and state enterprises securities	25,738	-
Domestic private sector debt securities	4,361	-
Foreign private sector debt securities	385	-
Total financial assets held for trading	30,484	-
Loans to customers and interest receivables	606	-
Total financial assets measured at fair value through profit or loss	31,090	-

11. Derivatives assets/liabilities

11.1 Derivatives held for trading

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

	31 December 2020			31 December 2019		
Type of risks	Fair values		Notional amounts	Fair values		Notional amounts
	Assets	Liabilities		Assets	Liabilities	
Foreign currency	11,380	9,864	537,813	9,359	8,851	513,138
Interest rate	8,530	8,626	369,438	6,686	6,377	456,101
Others						
- Bond forward	179	3,304	24,349	28	3,564	16,446
- Commodities	-	-	-	10	10	186
Total others	179	3,304	24,349	38	3,574	16,632
Total	20,089	21,794	931,600	16,083	18,802	985,871

11.2 Derivatives held for hedging

As at 31 December 2020 and 2019, hedging instruments, classified by types of hedge accounting and risk, were as follows:

Fair value hedge

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

(Unit: Million Baht)

31 December 2020							
Type of risk	Notional amounts	Carrying values		Hedging instruments	Change in fair	Hedge	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities		value used for	ineffectiveness	
					calculating hedge	recognised in	
					ineffectiveness	profit or loss	
Interest rate risk							
Interest rate swap - hedge of THB fixed-rate investments in debt securities	1,000	-	25	Derivative liabilities	(22)	5	Net gains on trading and foreign exchange transactions

(Unit: Million Baht)

31 December 2019							
Type of risk	Notional amounts	Carrying values		Hedging instruments	Change in fair	Hedge	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities		value used for	ineffectiveness	
					calculating hedge	recognised in	
					ineffectiveness	profit or loss	
Interest rate risk							
Interest rate swap -							
hedge of THB fixed-							Net gains on trading
rate investments in							and foreign exchange
debt securities	1,000	-	21	Derivative liabilities	35	(11)	transactions

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

(Unit: Million Baht)

31 December 2020							
Type of risk	Carrying amounts		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amounts of the hedged items		Hedged items	Change in fair value used for calculating hedge ineffectiveness	Accumulated amounts of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Interest rate risk							
THB fixed-rate investments in debt securities							
	1,022	-	22	-	Investments	17	-

(Unit: Million Baht)

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

The interest rate swaps from fixed rates for floating rates on funding to match floating rates received on assets, or on assets to match the floating rates paid on funding. For qualifying fair value hedges, the fair value changes of derivatives can be offset with the fair value change of the hedged items, and were recognised in profit or loss. For the year ended 31 December 2020, the Bank recognised loss on fair value hedges amounted to Baht 5 million (For the year ended 31 December 2019: recognised loss on fair value hedge amounted to Baht 11 million) in profit or loss.

12. Investments

12.1 Classified by types of investment

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
	Fair value	Fair value/cost
Investments in debt securities measured at fair value through other comprehensive income		
Government and state enterprises securities	12,471	-
Less: Allowance for expected credit losses	(3)	-
Investments in debt securities measured at fair value through other comprehensive income - net	12,468	-
Investments in equity securities designated to be measured at fair value through other comprehensive income		
Non-marketable domestic equity securities	13	-
Total Investments in equity securities designated to be measured at fair value through other comprehensive income	13	-
Trading investments		
Government and state enterprises securities	-	27,019
Private sector debt securities	-	3,104
Total trading investments	-	30,123
Available-for-sale investments		
Government and state enterprises securities	-	17,904
Total available-for-sale investments	-	17,904
General investments		
Non-marketable domestic equity securities	-	24
Less: Allowance for impairment	-	(6)
General investments - net	-	18
Investments - net	12,481	48,045

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

	(Unit: Million Baht)	
	Fair Value as at 31 December 2020	Dividend income during the year ended 31 December 2020
Non-marketable domestic equity securities	13	6
Total	13	6

During the year ended 31 December 2020, the Bank disposed equity investments designated to be measured at fair value through other comprehensive income of Baht 0.3 million.

13. Loans to customers and interest receivables

13.1 Classified by loan types

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Overdrafts	17	19
Loans	28,546	25,915
Bills	1,095	2,238
Less: Deferred revenue	(39)	(96)
Loans to customers net of deferred revenue	29,619	28,076
Add: Interest receivables	110	85
Loans to customers net of deferred revenue and interest receivables	29,729	28,161
Less: Allowance for doubtful accounts		
- BoT's minimum requirement	-	(245)
- Excess allowance	(400)	(178)
Allowance for expected credit losses	(529)	-
Total allowance for expected credit losses/allowance for doubtful accounts	(929)	(423)
Loans to customers and interest receivables - net	28,800	27,738

13.2 Classified by currencies and debtors' residency

(Unit: Million Baht)

	31 December 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	26,274	-	26,274	20,793	-	20,793
US Dollar	2,555	790	3,345	5,116	2,167	7,283
Loans to customers net of deferred revenue	28,829	790	29,619	25,909	2,167	28,076

13.3 Classified by loan classification

(Unit: Million Baht)

	31 December 2020	
	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)	25,549	34
Financial assets where there has been a significant increase in credit risk (Under-Performing)	4,103	481
Financial assets that are credit-impaired (Non-Performing)	77	14
Excess allowance	-	400
Total	29,729	929

(Unit: Million Baht)

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

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

13.4 Allowance for expected credit losses/Allowance for doubtful accounts

(Unit: Million Baht)

	31 December 2020				
	Financial assets where there has been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
Interbank and money market items					
(assets)					
Beginning balance	-	-	-	108	108
Changes due to the first-time adoption of TFRS 9	-	-	-	(108)	(108)
Beginning balance - as restated	-	-	-	-	-
New financial assets purchased or acquired	4	-	-	-	4
Ending balance	4	-	-	-	4

(Unit: Million Baht)

	31 December 2020				
	Financial assets where there has been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for impairment	Total
Investments in debt securities measured					
at fair value through other					
comprehensive income					
Beginning balance	-	-	-	-	-
Changes due to the first-time adoption of TFRS 9	4	-	-	-	4
Beginning balance - as restated	4	-	-	-	4
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	(3)	-	-	-	(3)
Ending balance	3	-	-	-	3

(Unit: Million Baht)

31 December 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Excess allowance	BoT's minimum requirement	Total
Loans to customers and accrued interest receivables						
Beginning balance	-	-	-	178	245	423
Changes due to the first-time adoption of TFRS 9	9	9	-	322	(245)	95
Beginning balance - as restated	9	9	-	500	-	518
Changes due to changes in staging	5	(5)	-	-	-	-
Changes due to remeasurement of allowance for expected credit losses	(5)	328	-	-	-	323
New financial assets purchased or acquired	32	153	14	-	-	199
Recovery	(7)	(4)	-	-	-	(11)
Amortisation of excess allowance	-	-	-	(100)	-	(100)
Ending balance	34	481	14	400	-	929

Due to the first-time adoption of TFRS 9, on 1 January 2020 the Bank had an excess allowance of Baht 500 million, which was the difference between the allowance for doubtful accounts determined based on prior year's accounting policy and the allowance for expected credit losses determined under TFRS 9. The Bank already notified to the Bank of Thailand in its letter dated 22 November 2019 that the Bank determined the plan to gradually reduce such excess allowance on a straight-line basis over the 5-year period, which is in accordance with the alternatives as determined by the Bank of Thailand. During the year ended 31 December 2020, the Bank already reduced the excess allowance by Baht 100 million. Therefore, as at 31 December 2020, the outstanding balance of the excess allowance was Baht 400 million.

(Unit: Million Baht)

31 December 2019

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

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

(Unit: Million Baht)

	Premises	Equipment	Assets in progress	Right-of-use assets		Total
				Premises	Vehicles	
<u>Cost</u>						
As at 1 January 2019	763	48	-	-	-	811
Acquisitions	-	25	52	-	-	77
Disposal and written off	(180)	(9)	-	-	-	(189)
As at 31 December 2019	583	64	52	-	-	699
Impact from the first-time adoption of TFRS 16	-	-	-	1	2	3
As at 1 January 2020	583	64	52	1	2	702
Acquisitions	-	9	5	8	6	28
Transfer in (out)	-	51	(51)	-	-	-
Transfer to assets held for sale	-	(2)	-	-	-	(2)
Disposal and written off	-	(12)	(2)	(1)	(2)	(17)
As at 31 December 2020	583	110	4	8	6	711
<u>Accumulated depreciation</u>						
As at 1 January 2019	534	26	-	-	-	560
Depreciation charged for the year	25	13	-	-	-	38
Disposal and written off	(131)	(7)	-	-	-	(138)
As at 31 December 2019	428	32	-	-	-	460
Depreciation charged for the year	19	18	-	5	4	46
Transfer to assets held for sale	-	(2)	-	-	-	(2)
Disposal and written off	-	(10)	-	(1)	(2)	(13)
As at 31 December 2020	447	38	-	4	2	491
<u>Net book value</u>						
As at 31 December 2019	155	32	52	-	-	239
As at 31 December 2020	136	72	4	4	4	220
Remaining useful lives						
as at 31 December 2020 (years)	7	0 - 10		0 - 3	0 - 3	
Depreciation included in profit or loss for the years ended						
31 December 2019						38
31 December 2020						46

As at 31 December 2020 and 2019, certain premises and equipment were fully depreciated but are still in use. The original costs, before deducting accumulated depreciation, of those assets amounted Baht 0.2 million and Baht 3.5 million, respectively.

15. Intangible assets

(Unit: Million Baht)

	Application softwares	Application softwares in progress	Total
<u>Cost</u>			
As at 1 January 2019	-	79	79
Acquisitions	146	2	148
Transfer in (out)	79	(79)	-
As at 31 December 2019	225	2	227
Acquisitions	145	-	145
Disposal and written off	(1)	(2)	(3)
As at 31 December 2020	369	-	369
<u>Accumulated amortisation</u>			
As at 1 January 2019	-	-	-
Amortisation for the year	51	-	51
As at 31 December 2019	51	-	51
Amortisation for the year	79	-	79
Disposal and written off	(1)	-	(1)
As at 31 December 2020	129	-	129
<u>Net book value</u>			
As at 31 December 2019	174	2	176
As at 31 December 2020	240	-	240
Remaining useful lives as at 31 December			
2020 (years)	0 - 5	-	
Amortisation included in profit or loss for the years ended			
31 December 2019			51
31 December 2020			79

As at 31 December 2020, 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 approximately Baht 18 million (31 December 2019: The Bank did not have any application softwares that were fully amortised).

16. Deferred tax assets/liabilities and income tax expenses

16.1 Deferred tax assets/liabilities

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

	Statements of financial position as at 31 December		(Unit: Million Baht) Changes in deferred income taxes for the years ended 31 December	
	2020	2019	2020	2019
Deferred tax assets:				
Unrealised losses on financial derivatives	10	14	(4)	2
Allowance for expected credit losses	102	1	101	33
Provision for long-term employee benefits	63	60	3	43
Provision for other liabilities	9	13	(4)	9
Accrued expenses	34	55	(21)	19
Tax losses carried forward	-	259	(259)	259
Other assets	-	67	(67)	-
Others	15	255	(240)	48
Total	233	724	(491)	413
Deferred tax liabilities:				
Revaluation on financial instruments	625	832	207	(834)
Others	2	-	(2)	-
Total	627	832	205	(834)
Deferred tax liabilities	(394)	(108)		
Changes in deferred income taxes			(286)	(421)

Movements in deferred tax assets (liabilities) during the years ended 31 December 2020 and 2019 were summarised as follows:

	(Unit: Million Baht) For the years ended 31 December	
	2020	2019
Beginning balances	(108)	313
Changes in deferred income taxes:		
Recognised in profit or loss	(350)	(379)
Recognised in other comprehensive income	24	(57)
Reversal due to dividend payment	-	15
Recognised in retained earning as of 1 January 2020 ⁽¹⁾	44	-
Recongised in other components of equity as of 1 January 2020 ⁽¹⁾	(4)	-
Total changes in deferred income taxes for the years	(286)	(421)
Ending balances	(394)	(108)

⁽¹⁾ The effects of changes in accounting policies due to the first-time adoption of TFRS 9 were described in Note 5.1 to the financial statements.

16.2 Income tax expenses

Income tax expenses for the years ended 31 December 2020 and 2019 were summarised as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Current income taxes:		
Current income tax charge for the years	(141)	-
Adjustments in respect of corporate income taxes of previous year	-	(55)
Deferred income taxes:		
Income tax relating to origination and reversal of temporary differences	(350)	(379)
Income tax expenses reported in profit or loss	<u>(491)</u>	<u>(434)</u>

Reconciliation between income tax expenses and the product of accounting profits for the years ended 31 December 2020 and 2019 multiplied by the applicable tax rate were as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Accounting profits before income tax expenses	1,650	2,213
Applicable tax rate	20%	20%
Adjustments in respect of corporate income taxes of previous year	-	(55)
Accounting profits before income tax expenses multiplied by applicable tax rate	(330)	(443)
Tax effects from:		
Net tax effect of tax-exempted revenue and non-tax deductible expenses	(51)	64
Others	(110)	-
Income tax expenses reported in profit or loss	<u>(491)</u>	<u>(434)</u>

16.3 Components of other comprehensive income (losses)

(Unit: Million Baht)

	31 December 2020			31 December 2019		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
Items to be recognised subsequently in profit or loss:						
Loss from revaluation of investments in debt securities measured at fair value through other comprehensive income	(102)	20	(82)	-	-	-
Gain from revaluation of available-for-sale investments	-	-	-	325	(65)	260
Gain (loss) on measurement of derivatives held for cash flows hedges	8	(1)	7	(9)	2	(7)
Total items to be recognised subsequently in profit or loss	(94)	19	(75)	316	(63)	253
Items not to be recognised subsequently in profit and loss:						
Gain on revaluation of investments in equity securities designated to be measured at fair value through other comprehensive income	2	-	2	-	-	-
Losses on revaluation of own credit risk	(36)	7	(29)	-	-	-
Actuarial gains (loss)	14	(2)	12	(31)	6	(25)
Total items not to be recognised subsequently in profit or loss	(20)	5	(15)	(31)	6	(25)
	(114)	24	(90)	285	(57)	228

17. Other assets

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Collateral receivables under the Credit Support Annex agreements and the private repurchase transactions	8,421	8,861
Receivables on sales of investments and issuance of debentures	620	1,614
Accrued income and interest receivables	244	352
Advanced income taxes paid	186	175
Other receivables	-	12
Assets of discontinued operation held for sale	27	36
Others	76	25
Total	9,574	11,075

18. Deposits

18.1 Classified by type of deposits

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Current accounts	9,682	9,929
Savings accounts	58,573	43,108
Fixed deposits	16,074	8,871
Total deposits	84,329	61,908

18.2 Classified by currency and residence of depositors

	(Unit: Million Baht)					
	31 December 2020			31 December 2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	50,710	693	51,403	50,490	682	51,172
US Dollar	30,340	2,517	32,857	8,842	1,638	10,480
Others	30	39	69	226	30	256
Total deposits	81,080	3,249	84,329	59,558	2,350	61,908

19. Interbank and money market items (liabilities)

(Unit: Million Baht)

	31 December 2020			31 December 2019		
	On demand	Term	Total	On demand	Term	Total
Domestic items						
Commercial banks	300	-	300	2,252	1,810	4,062
Specific financial institutions	500	-	500	1	-	1
Other financial institutions	8,123	-	8,123	7,468	3,093	10,561
Total domestic items	8,923	-	8,923	9,721	4,903	14,624
Foreign items						
US Dollar	1,328	4,956	6,284	2,019	1,205	3,224
Baht	6,200	-	6,200	8,387	-	8,387
Yen	36	-	36	14	-	14
Total foreign items	7,564	4,956	12,520	10,420	1,205	11,625
Total domestic and foreign items	16,487	4,956	21,443	20,141	6,108	26,249

20. Provisions for liabilities

(Unit: Million Baht)

	31 December 2020	31 December 2019
Provision for long-term employee benefits	317	299
Provision for other liabilities	113	20
Total provision for liabilities	430	319

20.1 Provision for long-term employee benefits

Changes in provisions for long-term employee benefits for the year ended 31 December 2020 and 2019 can be summarised as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Provisions for long-term employee benefits at beginning of the years	299	192
Recognised in profit or loss:		
Current service cost	34	29
Interest cost	4	5
Past service cost	-	44
Total benefits recognised in profit or loss	38	78
Recognised in other comprehensive income:		
Actuarial (gains) losses arising from		
Financial assumption changes	-	32
Experience adjustments	(14)	(1)
Total recognised in other comprehensive income or loss	(14)	31
Employee benefits paid during the years	(6)	(2)
Provisions for long-term employee benefits at end of the years	317	299

As at 31 December 2020 and 2019, the Bank expected to pay long-term employee benefits during the next year amounting to Baht 9 million and Baht 6 million, respectively.

As at 31 December 2020 and 2019, the weighted average duration of the Bank's long-term employee benefit obligation was 10 years.

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

	(Unit: Percentage per year)	
	31 December 2020	31 December 2019
Future salary incremental rates (depending on age)	4	4
Turnover rates (depending on age)	0.0 - 30.0	0.0 - 30.0
Average discount rate	1.5	1.5
Mortality development rate	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 2020 and 2019 were summarised below:

	(Unit: Million Baht)							
	31 December 2020							
	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	(15)	(11)	13	(8)	8	-	-

	(Unit: Million Baht)							
	31 December 2019							
	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)	(11)	13	(7)	7	-	-

20.2 Provision for other liabilities

(Unit: Million Baht)

For the year ended 31 December 2020				
	Loan commitments and financial guarantee contracts	Provision for contingent loss from litigation cases	Others	Total
Beginning balances	7	4	9	20
Changes due to the first-time adoption of TFRS 9	9	-	-	9
Beginning balances - as restated	16	4	9	29
Increase (decrease) in estimation during the year	97	(4)	(9)	84
Ending balances	113	-	-	113

(Unit: Million Baht)

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

As 31 December 2020, allowance for expected credit losses on loan commitments and financial guarantee contracts classified by classification were as follows:

(Unit: Million Baht)

	31 December 2020	
	Loan commitments and financial guarantee contracts	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	26,936	12
Financial assets where there has been a significant increase in credit risk (Under-Performing)	4,972	101
Financial assets that are credit-impaired (Non-Performing)	-	-
Total	31,908	113

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 2020				
	Financial assets where there has not been a significant increase in credit risk (12-month ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
Beginning balances	-	-	-	7	7
Changes due to the first-time adoption of TFRS 9	7	9	-	(7)	9
Beginning balances - as restated	7	9	-	-	16
Changes due to remeasurement of allowance for expected credit losses	5	87	-	-	92
Derecognition	(3)	(2)	-	-	(5)
Obligations to grant new credit limits and financial guarantees	3	7	-	-	10
Ending balance	12	101	-	-	113

21. Other liabilities

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Collateral payables under Credit Support Annex agreements and payables on private repurchase transactions	6,421	3,621
Payables on purchases of investments	597	54
Accrued expense	1,240	1,552
Withholding tax payables	103	80
VAT payable	19	6
Interest payables	43	87
Lease liabilities	8	-
Others	744	767
Total	9,175	6,167

22. Share capital

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

23. 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.

24. Other components of equity

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Other components of equity:		
Revaluation surplus on investments measured at fair value through other comprehensive income		
Debt securities	134	232
Total	134	232
Revaluation deficit on investments designated to be measured at fair value through other comprehensive income		
Equity securities	(10)	-
Total	(10)	-
Total fair value reserve	124	232
Cash flow hedge reserve	-	(8)
Own credit revaluation reserve	(15)	-
Total other components of equity	109	224
Less: income taxes	(22)	(45)
Other components of equity - net of income taxes	87	179

25. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Bank is required to 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.

26. Dividends

On 24 April 2020, 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 2019 at the rate of Baht 1.13 per share, or a total of Baht 1,677 million. The dividend payment was made on 21 May 2020.

27. Commitments and contingent liabilities

27.1 Contingent liabilities

	(Unit: Million Baht)	
	31 December 2020	31 December 2019
Guarantees of loans	1,143	3,470
Letters of credit	771	726
Bank's liability under acceptances	250	-
Other commitments		
- Undrawn committed lines of other credits	9,977	9,290
- Other guarantees	20,017	17,071
- Others *	804	2,528
Total other commitments	30,798	28,889
Total commitments	32,962	33,085

* As at 31 December 2020 and 2019, 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 303 million and Baht 1,818 million, respectively, and collateral under the Credit Support Annex agreements for derivative transactions amounting to Baht 501 million and Baht 710 million, respectively. The Bank has obligations to return the securities in the same amounts.

27.2 Litigation

In the course of normal business operation of the Bank, the Bank has been used under various civil lawsuits, including for tort cases. Under these lawsuits, claims against the Bank as at 31 December 2020 and 2019 totaled Baht 643 million and Baht 636 million, respectively, and the lawsuits are under court process. The Bank's management exercise their reasonable judgement to estimate the amount of claims to the Bank and already recorded provision for liabilities (if any) and believe that should the outcome of the lawsuits be finalised, there will not be a material impact to the Bank's financial position or operating performance.

28. Assets placed as collateral

	(Unit: Million Baht)	
	Carrying value as at 31 December	
	2020	2019
Government bonds		
Placed as collateral for Intraday Liquidity Facilities		
with the BoT	13,543	15,050
Placed as collateral for hedging of settlement risk	148	81

29. Related party transactions

29.1 Related parties

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

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

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Key management personnel	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	United Kingdom	Immediate parent company of the Bank
Standard Chartered Global Business Services Private Limited	India	Affiliated company of Standard Chartered Group
Standard Chartered Global Business Services SDN BHD	Malaysia	Affiliated company of Standard Chartered Group
Standard Chartered Global Business Services Private Limited	China	Affiliated company of Standard Chartered Group
Raffles Nominees Pte Ltd.	Singapore	Affiliated company of Standard Chartered Group

29.2 Pricing policies

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

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

29.3 Significant related parties transactions

Significant transactions for the year ended 31 December 2020 and 2019 with key management and related parties were as follows:

	(Unit: Million Baht)	
	For the year ended 31 December	
	2020	2019
Interest income	50	98
Net gains on financial instruments measured at fair value		
through profit or loss	3,304	118
Service fees under the service agreements ⁽¹⁾	(645)	(609)
Other operating expenses	(356)	(203)

⁽¹⁾ This amount was presented as a part of “Other operating expenses”.

29.4 Outstanding balance

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

	(Unit: Million Baht)			
	31 December 2020		31 December 2019	
	Ending balance	Average	Ending balance	Average
Loans to customers and interest receivables				
To key management, including their related parties	-	1	-	1,645

(Unit: Million Baht)

	31 December 2020		31 December 2019	
	Standard		Standard	
	Chartered		Chartered	
	Group	Others	Group	Others
Interbank and money market items				
(assets)	14,149	-	6,721	-
Derivatives assets	3,994	-	1,567	-
Collateral receivables under the Credit				
Support Annex agreements and the				
private repurchase transactions ⁽¹⁾	2,200	-	1,387	-
Others ⁽¹⁾	76	-	176	-
Deposits	-	145	-	252
Interbank and money market items				
(liabilities)	5,823	-	3,510	-
Derivatives liabilities	6,512	-	2,028	-
Collateral payables under the Credit				
Support Annex agreements and the				
private repurchase transactions ⁽²⁾	959	-	813	-
Accrued expenses ⁽²⁾	820	-	926	1
Others ⁽²⁾	266	-	342	-
Other letters of guarantee	4,080	-	2,193	-
Derivatives (stated in notional amounts)				
Foreign exchange	64,125	-	57,609	-
Interest rate	120,516	-	107,100	-
Commodities	-	-	168	-

⁽¹⁾ These accounts were presented as a part of "Other assets".⁽²⁾ These accounts were presented as a part of "Other liabilities"

29.5 Significant agreements with related parties

(a) Service agreements

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

(b) Outsourcing service agreements

In 2002, 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.

29.6 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 2020 and 2019 as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Short-term employee benefits	219	227
Post-employment benefits	10	9
Share-based payments	9	8
Termination benefits	9	-
Total	247	244

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.

29.7 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:

2011 Standard Chartered Share Plan (the '2011 Plan')

The 2011 Plan was approved by shareholders in May 2011 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.

30. Earnings per share

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

	For the years ended 31 December	
	2020	2019
Net profits (Million Baht)	1,159	1,779
Earnings per share (Baht/share)	0.78	1.20
Weighted average number of ordinary shares (Million shares)	1,484	1,484

31. Non-cancellable operating lease agreements

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

32. Segment information

32.1 Client segments

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

- “Corporate and Institutional Banking” (CIB) comprises of International Corporates, which are major multinational corporations and large business groups with sophisticated, cross-border needs requiring high levels of international service and Financial Institutions, consists of Banks, Investor clients, Insurance companies, Broker, Dealers, Public Sector such as Bank of Thailand, Sovereign Wealth Funds, Development Organisations and other types of financial institutions.

- (b) “Commercial Banking” (CB) comprises of Commercial Clients that are medium-sized businesses and Local Corporates that are typically clients with operations in three geographies or less. The Bank has classified “Commercial Banking” under “Corporate and Institutional Banking”, effective from 1 January 2019.

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

Operating segment information of the Bank was summarised as follow:

(Unit: Million Baht)

For the year ended 31 December 2020				
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Net interest income	1,279	-	325	1,604
Non-interest income	2,817	1	602	3,420
Operating income	4,096	1	927	5,024
Operating expenses	(2,648)	-	(213)	(2,861)
Expected credit losses	(512)	-	(1)	(513)
Profits before income tax expenses	936	1	713	1,650
Income tax expenses				(491)
Net profits				1,159

(Unit: Million Baht)

For the year ended 31 December 2019				
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Net interest income	1,456	7	563	2,026
Non-interest income	2,340	26	371	2,737
Operating income	3,796	33	934	4,763
Operating expenses	(2,841)	(1)	(160)	(3,002)
Reversal of bad debt, doubtful accounts and impairment loss	250	199	3	452
Profits before income tax expenses	1,205	231	777	2,213
Income tax expenses				(434)
Net profits				1,779

(Unit: Million Baht)

31 December 2020				
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Total assets	83,024	(310)	84,453	167,167
Total liabilities	123,354	7	17,199	140,560

(Unit: Million Baht)

31 December 2019				
	Corporate and Institutional Banking	Commercial Banking	Central and other items	Total operating segment
Total assets	85,156	(69)	57,027	142,114
Total liabilities	103,103	14	11,642	114,759

32.2 Geographic information

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

33. Interest income

(Unit: Million Baht)

	For the years ended 31 December	
	2020	2019
Interbank and money market items	422	928
Investments and trading transactions	766	852
Investments in debt securities	194	413
Loans to customers	798	1,162
Total interest income	2,180	3,355

34. Interest expenses

		(Unit: Million Baht)	
		For the years ended 31 December	
		2020	2019
Deposits		298	629
Interbank and money market items		108	316
Contributions to the Deposit Protection Agency and the Financial Institutions Development Fund		170	383
Total interest expenses		576	1,328

35. Fees and service income

		(Unit: Million Baht)	
		For the years ended 31 December	
		2020	2019
Fees and service income			
- Acceptances and guarantees		107	126
- Transaction fees		238	246
- Custody fee		346	412
- Others		287	322
Total fees and service income		978	1,106
Fees and service expenses			
- Commission		53	54
- Others		217	120
Total fees and service expenses		270	174
Net fees and service income		708	932

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

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Gains (losses) on foreign currencies and derivatives on foreign exchange	2,038	2,425
Gains (losses) on derivatives on interest rates	146	(723)
Gains (losses) on debt securities	6	(33)
Others	(736)	(190)
Total	1,454	1,479
Gains (losses) on hedging transactions	5	(11)
Total	1,459	1,468

37. Net gains on investments

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Gains on sales		
- Investments in debt securities measured at fair value through other comprehensive income	471	-
- Available-for-sale investments	-	175
- Investments in subsidiaries	-	3
Net gains on investments	471	178

38. Other operating income

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Income from lawsuit settlement	366	3
Reversal of impairment on other assets	315	-
Others	101	156
Total	782	159

39. Employee expenses

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
<u>Management</u>		
Wages and salaries	158	162
Post-employment benefits – define benefit plan	10	9
Share-based payments	9	8
Others	70	65
Total management	247	244
<u>Other employees</u>		
Wages and salaries	659	664
Post-employment benefits – define benefit plan	29	71
Share-based payments	23	29
Others	360	410
Total employees	1,071	1,174
Total employee expenses	1,318	1,418

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	
	2020	2019
Service fees under the service agreements - related parties	645	609
Technology expenditure	139	106
Others	537	627
Total other operating expenses	1,321	1,342

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

		(Unit: Million Baht)	
		For the years ended 31 December	
		2020	2019
Expected credit losses/Bad debts, doubtful accounts and impairment losses:			
Interbank and money market items		4	9
Investments in debt securities measured at fair value through other comprehensive income		(1)	-
Loans to customers, commitments and contingent liabilities		510	(461)
Total expected credit losses/bad debts, doubtful accounts and impairment losses (Reversal)		513	(452)

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 that do not have market value in an observable active market 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) Investments

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

(d) Loans to customers

Fair value of floating interest loans to 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.

(e) Deposits

Fair value of deposits and liabilities payable on demand is measured at their carrying value due to short maturity period. Floating interest deposit, fixed term money market transactions and promissory notes, fixed interest deposits and floating interest deposits, which are subject to interest rate change within a year after reporting date, are measured approximately at their carrying values as at the reporting date. Other fixed interest deposits are measured by discounting future cash flow. The discount rate used is determined based on current interest rate.

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

(Unit: Million Baht)

	31 December 2020				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivatives assets	20,089	3	20,086	-	20,089
Financial assets measured at fair value through profit or loss:					
Investment in debt securities	30,484	-	30,484	-	30,484
Loan to customers and interest receivables	606	-	606	-	606
Investments in debt securities measured at fair value through other comprehensive income	12,468	-	12,468	-	12,468
Investment in equity securities designated to be measured at fair value through other comprehensive income	13	-	-	13	13
Financial liabilities measured at fair value					
Derivatives liabilities	21,819	4	21,815	-	21,819
Financial liabilities measured at fair value through profit or loss	2,118	-	2,118	-	2,118
Financial assets for which fair value were disclosed					
Cash	95	-	95	-	95
Interbank and money market items - net	64,578	-	64,578	-	64,578
Loans to customers and interest receivables - net	28,800	-	28,800	-	28,800
Financial liabilities for which fair value were disclosed					
Deposits	84,329	-	84,329	-	84,329
Interbank and money market items	21,443	-	21,443	-	21,443
Liabilities payable on demand	851	-	851	-	851

(Unit: Million Baht)

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

43. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2020 were reclassified to conform to the current year's classification. Such reclassification had no impact to previously reported net profits or shareholders' equity. The reclassification was summarized below.

	(Unit: Million Baht)	
	For the year ended	
	31 December 2019	
	As reclassified	As previously reported
Fees and service income	932	860
Net gains on financial instruments measured at fair value through profit or loss	1,468	1,540
Premises and equipment expenses	147	142
Other operating expenses	1,342	1,347

44. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 25 February 2021.