
Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020



Registered Office: 100 North Sathorn Road, Silom Bangkok, 10500, Thailand

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Contents

	Page
1. Scope of Basel III Framework.....	4
2. Scope of Application.....	5
3. Capital management.....	5
3.1 Capital Structure.....	5
3.2 Capital Source.....	8
3.3 Capital Adequacy.....	11
3.4 Minimum Capital Requirement by Type of Risk.....	12
4. Market Risk.....	16
5. Acronyms.....	18

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Table of Contents

	Page
Table 1 Capital Structure	6
Table 2 Reconciliation of Capital to Financial Statement	8
Table 3 Capital Adequacy	12
Table 4 Minimum Capital Requirement by Type of Risk	12
Table 5 Minimum Capital Requirement for Credit Risk Classified by Asset Classes under AIRB	13
Table 6 Minimum Capital Requirement for Credit Risk Classified by Asset Classes under SA	14
Table 7 Minimum Capital Requirement for Equity Exposure under AIRB	15
Table 8 Minimum Capital Requirement for each Type of Market Risk under the SA Approach	17

1. Scope of Basel III Framework

Pillar 1: Minimum Capital Requirement

The BOT has approved Standard Chartered Bank (Thai) PCL (“the Bank”) to adopt the AIRB approach which is more advanced Risk Management Framework for the measurement of credit risk capital and under the notification, the Bank has been using AIRB approach for the credit risk capital calculation as regulatory capital since December 2009.

The Bank is also required to calculate a capital charge to cover market risk and operational risk for which the Bank applies the Standardised Approach.

Pillar 2: Supervisory Review Process

Pillar 2 requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available. This risk and capital assessment is commonly referred to as an Internal Capital Adequacy Assessment Process (“ICAAP”) which covers much broader risk types than Pillar 1, which cover only credit risk, market risk, and operational risk.

The Bank has developed an ICAAP policy and framework which closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support The Bank’s current and projected demand for capital under expected and stressed conditions.

Under Pillar 2, the BOT would undertake a review of the Banks’ ICAAP. This is referred to as the Supervisory Review and Evaluation Process (“SREP”).

Pillar 3: Market Discipline

Pillar 3 aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices. According to the BOT notification, The Bank is required to disclose the data and information relative to risk profile, risk management and capital funds.

The Bank has implemented a Pillar 3 policy and procedure framework to address the requirements laid down for Pillar 3 disclosure. The information provided has been reviewed and validated by senior management and the Executive Risk Committee. In accordance with the Bank policy, the Pillar 3 disclosure will be published on the Standard Chartered Bank (Thai) PCL - website www.sc.com/th.

The BOT has also set the frequency of disclosure on semi-annual basis and annual basis. Quantitative data of Capital Structure & Adequacy and Market risk will be disclosed on a semi-annual basis. Whereas, the full Pillar 3 disclosures will be made annually on both qualitative and quantitative data

2. Scope of Application

In compliance with the requirement under Basel III Pillar 3 and the BOT's disclosure requirements, the Bank has developed a set of disclosures for its position as at 30 June 2020 covering the following areas:

Qualitative and quantitative data for Capital and the minimum capital requirement for Credit risk, Market risk, Operational risk, and Equity in Banking Book exposure under AIRB.

3. Capital Management

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

The Bank's capital planning is dynamic and regularly refreshed to reflect the business forecasts as they evolve during the course of each year. The strategy setting and planning is presented to the Board on an annual basis with regular updates on the financial outlook and performance to ensure capital adequacy is aligned with the business plan. The capital plan takes the following into account:

- Current regulatory capital requirements and the Bank's assessment of on-going regulatory expectation.
- Demand for capital due to business growth forecasts, loan impairment outlook and market shocks or stresses.
- Forecast demand for capital to support credit ratings and as a signaling tool to the market
- Available supply of capital and capital raising options.

The Asset and Liabilities Management Committee ("ALCO") as appointed by Executive Committee ("EXCO") is responsible for the management of capital and liquidity and the establishment of and compliance with policies relating to balance sheet management, including management of the Bank's liquidity and capital adequacy.

3.1 Capital Structure

The Bank maintains capital to meet the minimum regulatory capital requirements set by the BOT. In addition, the Bank assess its capital adequacy to support current and future business activities.

The following table is a breakdown of total regulatory capital of the Bank as at 30 June 2020, comparing with the position of the Bank as at 31 December 2019.

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Table 1: Capital Structure

Unit: Million Baht

	30-Jun-20	31-Dec-19
Tier 1 Capital		
Issued and paid-up share capital	14,837	14,837
Premium on share capital	9,056	9,056
Statutory reserve	1,447	1,358
Retained earnings after appropriation	150	34
Other comprehensive income	66	179
Adjustment items from Common Equity Tier1 Capital	(53)	120
Deduction items from Common Equity Tier1 Capital*	(406)	(177)
Total Common Equity Tier 1 (CET1) Capital	25,097	25,407
Additional Tier 1 (AT1) Capital	-	-
Total Tier 1 Capital	25,097	25,407
Tier 2 Capital		
General Provision for performing loans under SA portfolio	48	64
Surplus of provision	92	258
Total Tier 2 Capital	140	322
Total Regulatory Capital	25,237	25,729

* Consist of intangible assets, deferred tax assets

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Key Prudential Metrics

30-Jun-20 31-Dec-19

Capital (Unit: Million Baht)

1 Common equity tier 1 (CET1) capital	25,097	25,407
1A Fully loaded ECL CET 1	25,097	25,407
2 Tier 1 capital	25,097	25,407
2A Fully loaded ECL Tier 1	25,097	25,407
3 Total capital	25,238	25,729
3A Fully loaded ECL total capital	25,238	25,729

Risk weighted assets (Unit: Million Baht)

4 Total risk weighted assets	91,514	77,265
------------------------------	--------	--------

Capital adequacy ratio (Unit: Percentage)

5 Common equity tier 1 (CET1) ratio	27.42	32.88
5A Fully loaded ECL CET1 ratio	27.42	32.88
6 Tier 1 ratio	27.42	32.88
6A Fully loaded ECL Tier 1 ratio	27.42	32.88
7 Total capital ratio	27.58	33.30
7A Fully loaded ECL total capital ratio	27.58	33.30

Additional capital adequacy ratio (Unit: Percentage)

8 Capital Conservation buffer	2.50	2.50
9 Countercyclical buffer	-	-
10 Higher loss absorbency	-	-
11 Total additional capital adequacy ratio (item 8 + item9 + item10)	2.50	2.50
12 CET1 after maintenance of minimum capital requirement	20.42	25.88

Liquidity coverage ratio (LCR)

13 Total high quality liquid asset (HQLA) (Unit: Million Baht)	84,387	57,415
14 Total net cash outflows (Unit: Million Baht)	43,475	24,236
15 LCR (Unit: Percentage)	199	237

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

The Bank apply the fully loaded of Expected Credit Loss since 1 January 2020 under TFRS 9. Under this approach, the capital adequacy ratios as of June 2020 were higher than the BOT's minimum capital ratios included capital buffer requirement at 7.0% for CET1, 8.5% for Tier1 and 11.0% for Total Capital Ratio.

3.2 Capital Source

The Bank's Tier 1 Capital consist of Common Equity Tier 1 which are issued and paid up share capital & premium, statutory reserve, net profit after appropriation and other comprehensive income items in the shareholders' equity & regulatory adjustment. There is no additional tier 1. The Bank's Tier 2 Capital comprise of the general provision for performing loans and surplus of provision.

Table 2: Reconciliation of Regulatory Capital to Financial Statement

Unit: Million Baht		
Capital related items as of 30 June 2020	Statements of Financial Position as in published financial statements	References
Assets		
Cash	70	
Interbank and money market items - net	63,375	
Financial assets measured at fair value through profit or loss	31,300	
Derivative assets	20,298	
Investments - net	18,967	
Loans to customers and accrued interest receivable - net	31,448	
Premises, equipment and right-of-use assets - net	241	
Intangible assets - net	230	F
Collateral receivables under the Credit Support Annex agreements and receivable on the private sector repurchase transactions	10,048	
Others	1,872	
Total assets	177,849	

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Unit: Million Baht

Capital related items as of 30 June 2020	Statements of Financial Position as in published financial statements	References
Liabilities and shareholders' equity		
Liabilities		
Deposits	83,248	
Interbank and money market items	24,030	
Liabilities payable on demand	878	
Financial liabilities measured at fair value through profit or loss	2,093	
Derivative liabilities	22,504	
Provision liabilities	419	
Deferred tax liabilities	291	
Collateral payable under the Credit Support Annex agreements and payables on the private sector repurchase transactions	7,587	
Payables on purchase of securities	7,079	
Others	2,778	
Total liabilities	150,907	
Shareholders' equity		
Share capital		
Registered share capital	14,843	
Issued and paid-up share capital	14,837	A
Premium on share capital	9,056	B
Other components of equity	87	E

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Unit: Million Baht

Capital related items as of 30 June 2020	Statements of Financial Position as in published financial statements	References
Retained earnings		
Appropriated		
Statutory reserve	1,447	C
Unappropriated		
Unappropriated retained earnings	1,614	
Net profit after appropriation	(99)	D
Total Unappropriated	1,515	
Total shareholders' equity	26,942	
Total liabilities and shareholders' equity	177,849	

Unit: Million Baht

Items	Component of regulatory capital	References base on Statement of Financial Position
Common Equity Tier 1 Capital (CET1)		
Issued and paid-up share capital	14,837	A
Premium on share capital	9,056	B
Statutory reserve	1,447	C
Retained earnings after appropriation	150	D
Other comprehensive income		
Fair value change in investment in debt securities	66	E
Total CET1 capital before regulatory adjustments and deduction	25,556	

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Unit: Million Baht

Capital related items as of 30 June 2020	Statements of Financial Position as in published financial statements	References
Adjustment items from Common Equity Tier1 Capital		
Debit Valuation Adjustment	(53)	
Deduction items from Common Equity Tier1 Capital		
Fair Value Option adjustment from TFRS9	(176)	
Intangible assets	(230)	F
Total Common Equity Tier 1 (CET1)	25,097	
Additional Tier 1 (AT1)	-	
Total Tier 1 capital	25,097	
Tier 2 Capital		
General Provision for performing loans under SA portfolio	48	
Surplus of provision	92	
Total Tier 2 capital	140	
Total Regulatory capital	25,237	

3.3 Capital Adequacy

Under the BOT guidelines, the Bank is required to maintain a minimum ratio of total capital to risk weighted assets of 11.00%, with the minimum ratio of Common Equity Tier 1 and tier 1 capital to risk weighted assets at 7.00% and 8.50%, respectively.

Total Capital Adequacy Ratios of the Bank as at 30 June 2020 was 27.58%. CET1 Ratios was 27.42% and Tier 1 Capital Ratios was 27.42% which exceeded minimum requirements of the BOT.

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Table 3: Capital Adequacy

Unit: Percent

	BOT Minimum Requirement and conservation buffer	30-Jun-20	31-Dec-19
Total capital funds to risk weighted assets	11.00	27.58	33.30
Common Equity Tier 1 capital funds to risk weighted assets	7.00	27.42	32.88
Tier 1 capital funds to risk weighted assets	8.50	27.42	32.88

3.4 Minimum Capital Requirement by Type of Risk

The Bank maintain minimum capital in line with the BOT's requirement. Table 4 shows the breakdown of minimum Capital requirement for Credit Risk, Market Risk and Operational Risk of the Bank as at 30 June 2020.

Table 4: Minimum Capital Requirement by Type of Risk

Unit: Million Baht

	30-Jun-20	31-Dec-19
Credit Risk	6,686	5,399
Market Risk	2,241	1,923
Operational Risk	1,140	1,177
Total Minimum Capital Requirements	10,067	8,499

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

AIRB Adoption

The Bank use AIRB approach to calculate credit risk for material portfolios whilst SA approach is applied to portfolios that are classified as permanently exempt from the AIRB approach as well as those portfolios that are currently under transition to the AIRB approach.

The following tables show Minimum Capital Requirement for Credit Risk Classified by Asset Classes under AIRB (table 5), Minimum Capital Requirement for Credit Risk Classified by Asset Classes under SA (table 6) and Minimum Capital Requirement for Equity Exposure under AIRB (table 7).

Table 5: Minimum Capital Requirement for Credit Risk Classified by Asset Classes under AIRB

Unit: Million Baht		
Asset Class	30-Jun-20	31-Dec-19
Non-Default exposures		
Claims on sovereigns, financial institutions and Corporates	5,797	4,653
Claims on retail portfolios		
-Claims on residential mortgage	-	-
-Qualifying revolving retail exposures	-	-
-Other retail exposures	-	-
Equity exposures	1	2
Other assets	81	78
Default exposures	-	-
First-to-default credit derivatives and Securitization	-	-
Total minimum capital requirement for credit risk – AIRB	5,879	4,733

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Minimum capital requirement for credit risk under AIRB for the Bank increased by THB 1,146 million, mainly due to increasing in non-default exposures of claim on sovereigns, financial institutions and corporates.

Table 6: Minimum Capital Requirement for Credit Risk Classified by Asset Classes under SA

Unit: Million Baht		
Asset Class	30-Jun-20	31-Dec-19
Non-Default exposures		
Claims on sovereigns and central banks, MDBs and PSEs treated as claims on sovereigns	-	-
Claims on financial institutions, PSEs treated as claims on financial institutions, and securities firms	-	-
Claims on corporates, PSEs treated as claims on corporate	807	666
Claims on retail portfolios	-	-
Claims on residential mortgage	-	-
Other assets	-	-
Default exposures	-	-
First-to-default credit derivatives and Securitization	-	-
Total minimum capital requirement for credit risk – SA	807	666

Note: PSEs (non-central government public sector entities) is provincial administrations, government entities, and state enterprises

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Total minimum capital requirement for credit risk under SA approach for the Bank increased by THB 141 million, mainly due to increase in claims on corporates for IPRE account.

Table 7: Minimum Capital Requirement for Equity Exposure under AIRB

Item	Unit: Million Baht	
	30-Jun-20	31-Dec-19
Equity exposure exempted from credit risk calculation by IRB	1	2
Equity exposure subject to the IRB approach		
1. Equity holdings subject to the Market-based approach		
1.1 Simple Risk Weight Approach	-	-
1.2 Internal Model Approach (for equity exposure in non-trading book (banking book))	-	-
2. Equity holdings subject to a PD/LGD approach	-	-
Total minimum capital requirement for equity exposure – AIRB	1	2

4. Market Risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market prices or rates. The Bank's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Bank's taking moderate market risk positions. Market risk also arises in the non-trading book ("banking book") from the requirement to hold a large liquidity assets buffer of higher quality liquid debt securities. The objective of the Bank's market risk policies and processes is to achieve the optimal balance of risk and return while meeting customers' requirements.

The Bank transacts in the Foreign exchange, money market and bond markets giving rise to market risk exposures. Other financial instruments undertaken include debt and other securities and certain financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest rates, exchange rates, or indices. They include futures, forwards, swaps, and options transactions in the foreign exchange and interest rate markets. Derivative contracts entered into by the Bank are primarily over-the-counter derivatives.

The Bank has established market risk management framework that covers limit setting, monitoring and reporting and control procedures, which are reviewed regularly by the relevant committees – ALCO, Executive Risk Committees and the Board. Market risk limits are proposed by the business within the terms of agreed policy. Risk officers and relevant committees review and approve the limits within delegated authorities, and monitor exposures against these limits. Risks are monitored against limits on a daily basis.

The primary categories of market risk for the Bank are:

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options; and
- 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, when taken; the Bank is fully hedged through a back-to-back position.

The BOT specifies minimum capital requirements against market risk in the trading book. Interest rate risk in the non-trading book ("banking book") is covered separately under the Pillar 2 framework. The minimum regulatory market risk capital requirements for the trading book are presented below.

Standard Chartered Bank (Thai) PCL
Pillar 3 Disclosures
30 June 2020

Table 8: Minimum Capital Requirement for each Type of Market Risk under the SA Approach

Unit: Million Baht

Type of Risk	30-Jun-20	31-Dec-19
Interest Rate Risk	1,916	1,775
Equity Position Risk	-	-
Foreign Exchange Rate Risk	324	148
Commodity Risk	-	-
Total Minimum Capital Requirements	2,240	1,923

The Bank is required to have THB 2,240 million total capital against Market Risk. Compared to December 2019, the increase of THB 317 million is due to Interest Rate Risk THB 141 million and Foreign Exchange Rate Risk THB 176 million.

5. Acronyms

AIRB	Advanced Internal Ratings Based
ALCO	Asset and Liabilities Management Committee
BOT	The Bank of Thailand
EXCO	Executive Committee
ICAAP	Internal Capital Adequacy Assessment Process
IPRE	Income-Producing Real Estate
IRB	Internal Ratings Based
LGD	Loss Given Default
MDBs	Multilateral Development Banks
PD	Probability of Default
PSEs	Non-central government Public Sector Entities
SA	Standardized Approach
SCBT	Standard Chartered Bank (Thai) PCL
SREP	Supervisory Review and Evaluation Process