Financial statements for the year ended 31 December 2018 and Independent Auditor's Report



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Independent Auditor's Report

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

Opinion

I have audited the financial statements of Standard Chartered Bank (Thai) Public Company Limited (the "Bank") which comprise the statements of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report 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 will 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 identified above when it becomes available 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, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

Α.



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 TFRSs, 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 TSAs 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 TSAs, I exercise professional judgment 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.

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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.

(Aorapin Sinthawornkul)

Certified Public Accountant

Sinthavorakul,

Registration No. 9441

KPMG Phoomchai Audit Ltd.

Bangkok

27 February 2019

Statement of financial position

		31 Decen	nber
Assets	Note	2018	2017
Assets		(in thousand	l Baht)
Cash		79,687	120,605
Interbank and money market items, net	7, 27	47,377,603	51,935,669
Derivative assets	8, 27	12,466,585	15,274,870
Investments, net	9	52,213,111	36,686,851
Investments in subsidiary	10	-	48,170
Loans to customers and accrued interest receivable, net	11, 12, 27		
Loans to customers		35,250,714	49,272,492
Accrued interest receivable		114,365	166,813
Total loans to customers and accrued interest receivable		35,365,079	49,439,305
Less allowance for doubtful accounts	11.4, 13	(2,802,198)	(3,768,152)
Total loans to customers and accrued interest receivable, no	et	32,562,881	45,671,153
Customer's liability under acceptance		518,522	780,242
Premises and equipment, net		250,629	335,804
Deferred tax assets	15	312,724	296,850
Accounts receivable from sales of investments and			
debt securities in issue	16	990,080	294,901
Collateral from Credit Support Annex agreements and			
margin receivables from private repo transactions	27	4,513,621	3,433,081
Assets of disposal group classified as held for sale		7,262	25,624
Other assets, net	18, 27	554,883	417,156
Total assets		151,847,588	155,320,976
Liabilities and equity			
Liabilities			
Deposits	19, 27	61,350,816	56,259,386
Interbank and money market items	20, 27	28,655,303	32,197,484
Liabilities payable on demand	·	1,539,780	1,543,827
Liabilities to deliver security	•	444,589	1,425,832
Derivative liabilities	8, 27	11,349,618	13,516,763
Bank's liability under acceptances	,	518,522	780,242
Provisions	21	214,121	294,360
Accounts payable from purchase of investments	22	305,951	2,372,226
Collateral from Credit Support Annex agreements and		·	
margin payables from private repo transactions	27	3,351,266	3,074,674
Accrued expenses	27	1,588,001	2,112,676
Other liabilities	23, 27	1,232,062	1,153,979
Total liabilities		110,550,029	114,731,449
Equity	24		
Share capital	2-1	14,842,627	14,842,627
Authorised share capital		14,837,045	14,837,045
Issued and paid-up share capital	24	9,055,819	9,055,819
Premium on share capital	25	(73,240)	(11,825)
Other reserves	23	(,,,,,,,,)	<i>)</i>
Retained earnings			
Appropriated	25	1,358,065	1,212,491
Legal reserve	Z.J.	16,119,870	15,495,997
Unappropriated	The Marie Cong.	41,297,559	40,589,527
Total equity Total liabilities and equity		151,847,588	155,320,976
Total national sand equity	1/ (Melaist	Jan	

(Mr. Plakom Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริษาร

(นายอชิช แจน) (Mr. Ashish Jain) กรรมการแถะรองกรรมการผู้จัดการใหญ่

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Statements of profit or loss and other comprehensive income

	Year en	ded
Note		2017
	(in thousand	l Baht)
27 30	3 501 388	2,931,483
		1,278,658
<i>J</i> , _		1,652,825
-		988,090
		151,110
32		836,980
-		1,310,921
34	·	20,843
27	• •	485,843
-		4,307,412
27		
35	1,382,391	1,554,723
	7,697	7,800
	194,727	129,440
	110,391	94,159
	545,618	601,404
_	538,849	461,977
	2,779,673	2,849,503
13, 36	(734,152)	26,175
	3,397,321	1,431,734
37	485,839	320,376
_	2,911,482	1,111,358
17 _		1,216,744
	2,911,482	2,328,102
	(78.133)	225,559
	, , ,	5,918
37		(46,295)
_		185,182
_		
		20,554
37		(4,111)
_	24,174	16,443
-	(37,241)	201,625
=	2,874,241	2,529,727
. 38 	1.96	1.57
	Wil Tam	
	vi w/com	•
(
	นายอชิช แจน)	
(N	นาขอชิช แชน) fr. Ashish Jain) รองกรรมการผู้จัดการใหญ่	ſ
	27 27 35 13, 36 37 	31 Decer 2018 (in thousand 27, 30 3,591,388 31 1,351,751 2,239,637 1,404,952 177,748 32 1,227,204 27, 33 1,302,883 34 (273) 27 673,391 5,442,842 27 35 1,382,391 7,697 194,727 110,391 545,618 538,849 2,779,673 13, 36 (734,152) 37 485,839 2,911,482 17 - 2,911,482 17 - 2,911,482 37 (61,415) 30,218 37 (60,044) 24,174 (37,241) 2,874,241 2,874,241 2,874,241 30,218 37 (24,174 337,241) 2,874,241 32,874,241 32,874,241 33,591,364 34,561,364 36,044 24,174 36,044 24,174 36,044 24,174 36,044 36,

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Standard Chartered Bank (Thai) Public Company Limited

Statements of changes in equity

					Other reserves		-[
		Issued and paid-up	Premium on	Available-for-sale	Gains (losses) on	Total other	
	Note	share capital	shar¢ capital	investments	cash tìow hedges (in thouse	dges reserves (in thousand Baht)	•
Year ended 31 December 2017					;	1000	
Balance as at I January 2017		14,837,045	9,055,819	(191,784)	(5,223)	(197,007)	
Transactions with owners, recorded directly in equity							
Distribution to owners of the Bank							
Dividends	39	1	•	1	•		
Total distribution to owners of the Bank		1	t	•	1	•	
Comprehensive income for the year							
Profit for the year		•	4	1	1	•	
Other comprehensive income							
Available-for-sale investments				!			
Net change in fair value recognised in equity, net of tax		1	•	180,447	•	180,447	
Cash flow hedges							
Net change of effective portion of fair value of							
cash flow hedges, net of tax		1	ı	•	4,735	4,735	
Gain on remeasurement of defined benefit plans, net of tax		1			1		
Total other comprehensive income		1		180,447	4,735	185,182	
Total comprehensive income for the year		1	•	180,447	4,735	185,182	
Transfer to legal reserve			*		, 0077	. 64.63	
Balance as at 31 December 2017		14,837,045	9,055,819	(11,337)	(488)	(670,11)	ı
Year ended 31 December 2018			4	Dec 117	(488)	(11.825)	
Balance as at 1 January 2018		14,837,045	619°CC0'6	(15cht)	(100)	(applied)	
Transactions with owners, recorded directly in equity							
Distribution to owners of the Bank							
Dividends	39	-	•	-	1		1
Total distribution to owners of the Bank		1	•	1	•	r	
Comprehensive income for the year							
Profit for the year		•	t	1	•	•	
Other comprehensive income							
Available-for-sale investments						004 000	
Net change in fair value recognised in equity, net of tax		•	ı	(62,506)	1	(000,200)	
Cash flow hedges							
Net change of effective portion of fair value of						700	
cash flow hedges, net of tax		•	•	•	1,091	160,1	
Gain on remeasurement of defined benefit plans, net of tax		*				1	ŀ
Total other comprehensive income		*	Andrew Company of the	(62,506)	71.4.70	(01,410)	ŧ
Total comprehensive income for the year		it	さん からするいのできない	(62,506)	1,091	(61,415)	
. Transfer to legal reserve		3		Ų,			į
Balance as at 31 December 2018		14,837,045	9,055,819	(73,843)	cho ((U44,C.)	3
	* '	Tong N	Ž,		11.5.11	31	
	Jan.	Comments were)	こんこうかく	\	
			1				

4,735 16,443 201,625 2,529,727

16,443

(385,763)

(385,763)

(385,763)

(385,763)

38,445,563

13,653,620

1,096,086

Total equity

Unappropriated

Legal reserve

Retained earnings

Other reserves

2,328,102

2,328,102

180,447

40,589,527

(116,405)

15,495,997

1,212,491

2,344,545

(62,506)

(2,166,209)

2,911,482

2,911,482

(2,166,209)

(2,166,209)

(2,166,209)

40,589,527

15,495,997

1,212,491

24,174 (37,241) 2,874,241

24,174

41,297,559

(145,574)

145,574

2,935,656

1,091

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

(นาขอชิช แจน) (Ad. Ashish Tah) การมการและรองกรรมการผู้จัดการใหญ่

(นาย ศักการ หวังหลี) (Att. Plakom Wenglee) กรรมการผู้จัดการใหญ่และประชามเจ้าหน้าที่บริหา

	Year e 31 Dec	
	2018	2017
	(in thousa	
Cash flows from operating activities	·	ŕ
Profit from operations before income tax expense	3,397,321	2,970,683
Adjustments to reconcile profit from operations before income tax expense		
to net cash provided by (used in) operating activities		
Depreciation and amortisation	72,438	84,059
Impairment loss of loans (reversal of)	(728,975)	820,812
Reversal of impairment loss of investments	•	(3,943)
Amortisation of (discount) premium of debt instruments	12,816	(564,509)
Amortisation of premium of debt issued and borrowings	4,895	21,898
Gains on disposal of investments	(128)	(16,900)
Loss on disposal of investment in subsidiary	401	
(Gains) losses on disposal and write off of premises and equipment	(604,171)	1,837
Losses on write off of intangible assets	-	95,742
Gains on disposal of asset held for sales	(42,321)	(476,311)
Impairment loss of asset held for sales (reversal of)	(5,634)	5,634
Provisions made	2,182	44,724
Reversal of impairment of fixed assets	(139,849)	-
Net interest income	(2,239,637)	(3,848,999)
Interest received	3,643,836	5,513,172
Interest paid	(1,341,882)	(1,594,530)
Income tax paid	(391,635)	(239,603)
Profit from operations before changes in operating assets and liabilities	1,639,657	2,813,766
Decrease (increase) in operating assets		
Interbank and money market items	4,558,066	4,762,177
Derivative assets and liabilities, net	656,151	(1,217,502)
Trading investments	(11,619,052)	(7,956,292)
Loans to customers	13,784,798	25,332,130
Other assets	(1,213,433)	(929,202)
Increase (decrease) in operating liabilities		
Deposits	5,091,430	(29,544,165)
Interbank and money market items	(3,542,181)	4,149,687
Liabilities payable on demand	(4,047)	(19,468)
Short-term debt issued and borrowings	(4,895)	(2,019,502)
Provisions used Other liabilities	(52,203)	(190,050)
	(277,324)	(3,539,988)
Net cash from (used in) operating activities	9,016,967	(8,358,409)
Cash flows from investing activities		
Purchase of premises and equipment	(4,043)	(10,909)
Proceeds from disposals of premises and equipment	752,653	5,654
Proceeds from disposals of assets held for sales Proceeds from disposals of investment in subsidiary	66,318	481,806
Purchase of available-for-sale investments	47,769 (29,043,185)	(12,307,662)
Proceeds from available-for-sale investments	21,288,812	20,378,835
Purchase of general investment	21,200,012	(364)
Net cash from (used in) investing activities	(6,891,676)	8,547,360
Cash flows from financing activities		
Dividends paid	(2,166,209)	(385,763)
Net cash used in financing activities	(2,166,209)	(385,763)
Net decrease in cash	(40,918)	
Cash at beginning of the year		(196,812)
Cash included in asset held for sales at beginning of the year	120,605	271,469 45,948
Cash at end of the year	79,687	45,948 120,605
·	1/3001	120,003
Non-cash transactions Gains (losses) on remeasuring available-for-sale investment, net of deferred tax and the control of the	77A FAC	****
Gains on cash flow hedges of derivatives revaluation, net of deferred tax	(62,506)	180,447
	1,091	4,735
Gains on remeasurement of defined benefit plans, net of defended tax	24,174	16,443
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The accompanying notes are an integral part of these financial statements.

(นาชารอากร หวังหลี) (Mr. Plakom Wangles) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริษาร

(นายอชิช แจน) (Mr. Ashish Jain) กรรมฎารและรองกรรมการผู้จัดการใหญ่

Notes to the financial statements

For the year ended 31 December 2018

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Notes to the financial statements For the year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 27 February 2019.

1 General information

Standard Chartered Bank (Thai) Public Company Limited (the "Bank"), is incorporated in Thailand and has its Head Office located at 100 North Sathorn Road, Silom, Bangrak, Bangkok.

The immediate and ultimate parent companies of the Bank are Standard Chartered Bank and Standard Chartered PLC, respectively, which are incorporated in the United Kingdom.

The Bank is a commercial bank, which provides a wide range of banking services to corporate and institutional clients. Details of the Bank's subsidiary as at 31 December 2017 are given in notes 10 and 27. On 22 December 2016, the Bank entered into a binding agreement to dispose of its Retail Banking Business and the transaction was completed on 1 October 2017.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standard (TFRSs); guidelines promulgated by the Federation of Accounting Professions ("FAP"); and presented as prescribed by the Bank of Thailand (BoT) Notification No. Sor Nor Sor 21/2558, directive dated 4 December 2015, regarding "The preparation and announcement of the financial statements of commercial banks and holding companies which are a parent company of a group of companies offering financial services".

The FAP has issued new and revised TFRSs effective for annual periods beginning on or after 1 January 2018. The initial application of these new and revised TFRSs has resulted in changes in certain of the Bank's accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRSs, the FAP has issued a number of new and revised TFRSs which are not yet effective for current periods. The Bank has not early adopted these standards in preparing these financial statements. Those new and revised TFRSs that are relevant to the Bank's operations are disclosed in note 41.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items:

Items

Derivatives

Trading and available-for-sale financial assets

Measurement bases

Fair value

air val Fair value

(Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

(Mr. Ashish Jain) กรมการและรองกรรมการผู้จัดการใหญ่

Standard Chartered Bank (Thai) Public Company Limited Notes to the financial statements

For the year ended 31 December 2018

(c) Functional and presentation currency

The financial statements are prepared and presented in Thai Baht, which is the Bank's functional currency. All financial information is presented in Thai Baht and has been rounded to the nearest thousand, and in the notes to financial statements to the nearest million, unless otherwise stated.

(d) Use of judgments and estimates

The preparation of financial statements in conformities with TFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in the following notes:

Note 5 Fair value of financial assets and liabilities

Note 8 Derivatives

Note 13 Allowance for doubtful accounts

Measurement of fair values

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Bank has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 5 Fair value of financial assets and liabilities

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นายพลากร หวั่งหลี (Mr. Plakorn Wanglee)

(Mr. Plakorn Wanglee) ารรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร Colin Wan

(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการใหญ่

Notes to the financial statements

For the year ended 31 December 2018

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

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

The Bank enters into forward foreign exchange contracts for both trading and hedging purposes. Trading and hedging contracts are stated at fair value. Outstanding forward foreign exchange contracts at the reporting date are stated at fair value by comparing contract rates to forward market rates with similar maturities. At each reporting date, changes in fair value on outstanding forward foreign exchange contracts calculated as described above are recognised in profit or loss except for effective cash flow hedges (note 3 (j)).

(b) Cash

Cash comprises cash on hand and cash in transit.

(c) Investments

Investments in subsidiary

นายพลากร หวังหลื (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

(Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

Investments in subsidiary in the financial statements are accounted for using the cost method.

Investments in debt and equity securities

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

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

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

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

Initial recognition

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

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Bank disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(e) Loans to customers

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

(f) Allowance for doubtful accounts

The Bank's allowance for doubtful accounts is established to recognise impairment losses either on specific loan assets or within a portfolio of loans to customers.

Specific provisions are made where the repayment of identified loans to customer is in doubt and reflects expected losses. The amount of specific provision is the excess of the carrying value over the present value of estimated future cash flows, discounted at the loan's effective interest rate. A portfolio provision is established to cover the inherent risk of losses that, although not specifically identified, are known from experience to have been incurred and are present in any loan portfolio. The amount of the portfolio provision is computed primarily based on historical experience and adjusted for current trends, economic conditions and management consideration.

To the extent that the above policy does not meet the minimum provisioning guidelines established by the BoT, the Bank raises additional provisions to meet such requirements.

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

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

(g) Troubled debt restructuring

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

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Notes to the financial statements

For the year ended 31 December 2018

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

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

Premises and equipment (h)

Recognition and measurement

Owned assets

Premises and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

Any gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised in profit or loss.

Subsequent costs

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

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Buildings

20 years

Equipment

3 - 5 years

No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(i)**Impairment**

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

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

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

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Financial instruments

Derivatives

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

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Unlisted air

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Notes to the financial statements For the year ended 31 December 2018

Hedging

Fair value hedge

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

Cash flow hedge

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

Discontinuing hedge accounting

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

(k) Borrowing transactions with embedded derivatives

In accordance with the BoT notification regarding the permission for commercial banks to undertake borrowing transactions with embedded derivatives dated 31 May 2011, the Bank records embedded derivatives separately from the host contracts when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in the fair value recognised in profit or loss.

(l) Employee benefits

The Bank operates post-employment benefit plans, including defined contribution plans and defined benefit plans.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity (provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

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

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

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

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

Termination benefits

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

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

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.

Share-based compensation

The Standard Chartered Group operates a number of share-based payment schemes for its directors and employees, for which the fair value of the services received in exchange for the grant of the options is recognised as an expense.

Cash-settled awards are revalued at each reporting date and a liability recognised in the statements of financial position for all unpaid amounts, with any changes in fair value charged or credited to employee expense in profit or loss.

Provisions (m)

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for contingent liabilities is recognised when the transactions relate to credit facilities (e.g. letter of credit and guarantee) that are classified as substandard, doubtful and doubtful of loss. The provision has been determined by using the same rate as the allowance for doubtful accounts on each of those loans to customers and after management's estimate of the likelihood of these contingent liabilities being realised.

Restructuring costs

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. (ille)W/Cin

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Notes to the financial statements For the year ended 31 December 2018

(n) Income

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.

Fees and commission income is recognised when the services are rendered.

(o) Expenses

Interest expenses and non-interest expenses are recognised on an accrual basis.

(p) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

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

(q) Disposal group classified as held for sale

Disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such disposal group is measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and premise and equipment are no longer amortised or depreciated.

(r) Discontinued operations

A discontinued operation is a component of the Bank's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classified as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(r) Earnings per share

The Bank presents basic earnings per share (EPS) which is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any).

(s) Segment information

Segment results that are reported to the management of the Bank includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated transactions are not included in reporting segment operating results shown as others.

(t) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Bank has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

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Notes to the financial statements For the year ended 31 December 2018

4 Financial risk management

4.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank has credit risk management policies and procedures which aim to mitigate the risk of financial losses from default by dealing with the creditworthiness of counterparties and/or where appropriate obtaining sufficient collateral or other security.

In respect of financial assets in the statements of financial position, the carrying value of the assets, less the allowance for doubtful accounts, reflect the Bank's maximum exposure to credit losses.

The Bank's exposure to credit loss for contingent liabilities to extend credit, standby letters of credit, and financial guarantees, are represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for financial instruments in the statement of financial position. For derivative contracts, the Bank controls the credit risk of its financial instruments through credit approvals, limits, and monitoring procedures. All credit risks are assessed in line with the Credit Policy which has been approved by the Board of Directors. Credit risk also arises from the possibility that the counterparty to financial instruments in the contingent liabilities will not adhere to the terms of the contract with the Bank when settlement becomes due.

4.2 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 terms support client activity; there are no proprietary teams. Hence, income earned from market-risk related activities is primarily drive by the volume of client activity rather than risk-taking. From 1 January 2016, a CVA desk has been actively hedging the credit and market exposure arising from CVA (Credit Valuation Adjustment) and FVA (Funding Valuation Adjustment). Nonetheless, the Bank did not adopt FVA in the financial statement.
- 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 changed in the credit spread of its derivatives' counterparties through credit value adjustment (CVA) accounting.

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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 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 two VaR methodologies:

- Historical simulation: 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.

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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 markets 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 Asset and Liability Committee (ALCO). TM deals in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and risk limits.

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

(a) Interest rate risk

The Bank receives both fixed and floating rate interest on their interest bearing assets which can be analysed as follows:

		2	018	
	Floating	Fixed	Non-interest	
	interest rate	interest rate	bearing	Total
		in mill	lion Baht)	
Financial assets				
Cash	-	-	80	80
Interbank and money market items, net	716	45,509	1,153	47,378
Investments, net	2,606	49,589	18	52,213
Loans to customers and accrued interest				
receivable	7,205	25,800	2,360	35,365
Customer's liability under acceptance	-	-	519	519
Accounts receivable from sales of			-	
investments and debt securities in issue	-	-	990	990
Collateral from Credit Support Annex				
agreements and margin receivables from				
private repo transactions	4,514	-	-	4,514
Other assets	<u>-</u>		403	403
Total financial assets	15,041	120,898	5,523	141,462

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· ·		20	18	
	Floating	Fixed	Non-interest	
	interest rate	interest rate	bearing	Total
	micrest rate		on Baht)	2 0 0 0 0
		(in mitti	on Buni)	
Financial liabilities	46.505	11.440	2 224	61,351
Deposits	46,585	11,442	3,324	
Interbank and money market items	8,589	13,035	7,031	28,655
Liabilities payable on demand	-	-	1,540	1,540
Liabilities to deliver security	_	-	445	445
Bank's liability under acceptances	-	-	519	519
Accounts payable from purchase of				
investments	_	-	306	306
Collateral from Credit Support Annex				
agreements and margin payables from				
private repo transactions	3,351	_	-	3,351
Other liabilities	5,501	-	102	102
	58,525	24,477	13,267	96,269
Total financial liabilities	30,343	27,771	10,3407	
Off-financial reporting items, net	6,868	(6,868)	-	••
Ott-Illianciai reporting wears, were		······································		
			:017	
	Floating	Fixed	Non-interest	
	interest rate	interest rate	bearing	Total
		(in mil	lion Baht)	
Financial assets				
Cash	-	-	121	121
Interbank and money market items, net	1,494	49,040	1,402	51,936
Investments, net	1	36,668	18	36,687
Loans to customers and accrued interest		•		
receivable	7,409	39,299	2,731	49,439
Customer's liability under acceptance	-,	-	780	780
Accounts receivable from sales of				
investments and debt securities in issue	-	, <u> </u>	295	295
			-	
Collateral from Credit Support Annex				
agreements and margin receivables from	3,433	_	-	3,433
private repo transactions	3,433	_	168	168
Other assets	12 227	125,007	5,515	142,859
Total financial assets	12,337	123,007	3,313	
Fitz and the Little on				
Financial liabilities	39,994	10,014	6,251	56,259
Deposits		17,077	7,465	32,197
Interbank and money market items	7,655	11,011	1,544	1,544
Liabilities payable on demand	-	-	1,426	1,426
Liabilities to deliver security	-	-	780	780
Bank's liability under acceptances	-	-	700	700
Accounts payable from purchase of			0.270	2 272
investments	-	-	2,372	2,372
Collateral from Credit Support Annex				
agreements and margin payables from				2.075
private repo transactions	3,075	-	-	3,075
Other liabilities	_	-	92	92
Total financial liabilities	50,724	27,091	19,930	97,745
Off-financial reporting items, net	1,180			
		7 30		

2018

นายพลากร หรั่งหลี (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา

(Mr. Ashish Jain) กรัพการและรองกรรมการผู้รัสดารโหญ่

The Bank's average interest bearing financial assets and financial liabilities, together with the average interest rates are as follows:

		2018			2017			
	Average		Average	Average		Average		
	balance	Interest	interest rate	balance	Interest	interest rate		
	(in millio	n Baht)	(% per annum)	(in millic	n Baht)	(% per annum)		
Financial assets								
Interbank and money market items	72,688	1,416	1.95	61,363	1,051	1.71		
Investments	38,443	922	2.40	32,938	669	2.03		
Loans to customers	41,703	1,253	3.00	69,835	3,672_	5.26		
Total	152,834	3,591	2.35	164,136	5,392	3,29		
Financial liabilities								
Deposits	66,286	979	1.48	80,694	1,192	1.48		
Interbank and money market items	21,956	368	1.68	24,013	324	1.35		
Debt issued and borrowings	606	5	0.83	2,779	28_	1.00		
Total	88,848	1,352	1.52	107,486	1,544	1.44		

นายพลากร หรั่งหลื (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา

นายอธิช แค่น

(Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 31 December 2018 and 2017 are as follows:

Immediate repricing
1
28,477
4.492
•
7137
4,514
37,483
48,631
13,253
ı
1
1
1
,
3,351
65,235
14. 14.

นายพลากร หวังหลี (Mr. Plakorn Wanglee) กรรมการผู้จัดการในญิ่มสะประธานเจ้าหน้าที่บริหา

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			Total		121	51,936	36,687		49,439	780		295	;	3,433	168	142,859		56.259	32,197	1.544	1,426	780	2.372		3,075	92	97.745	THE CONTRACTOR OF THE CONTRACT
		Non	accrual		•	1	,		2,564	ı		ŀ		ı	1	2,564		1	r	ī	I		ı		ı	•		, J
	Non-	intérest	bearing		121	1,402	18		167	780		295		•	168	2,951		6,251	7,465	1,544	1,426	780	2,372		ı	92	19,930	
7		Over	5 years	for the second	1	r	1		1	•		ı		•	•			•	1,453	•	•	1	•		ı	,	1,453	1,165
2017	Over	1 year	to 5 years 5 ye		1	327	18,199		3,897	•				1	t	22,423		•	5,698	1	•	1	•		1	•	5,698	(3,527)
	Over	6 months	to 1 year		ı	47	•		1,125	•		1		ı	t	1,172		129	327	•	,	•	•		1	1	456	8,167
		Within	6 months		ı	30,828	18,470		39,888	1		1		ı	-	89,186		9,267	2,427	1	ı	•	1		ı	1	11,694	(5,805)
		Immediate	repricing		•	19,332	1		1,798	r		ι		3,433	•	24,563		40,612	14,827	,	•	1	•		3,075	ı	-58,514	
(Min) Jan		(Mr. Ashish Jain)	บรรมการและรองกรรมการผู้จัดการใหญ่	Financial assets	Cash	Interbank and money market items, net	Investments, net	Loans to customers and accrued interest	receivable	Customer's liability under acceptance	Accounts receivable from sales of investments and	debt securities in issue	Collateral from Credit Support Annex agreements and	margin receivables from private repo transactions	Other assets	Total financial assets	Financial liabilities	Deposits	Interbank and money market items	Liabilities payable on demand	Liabilities to deliver security	Bank's liability under acceptances	Accounts payable from purchase of investments	Collateral from Credit Support Annex agreements and	margin payables from private repo transactions	Other liabilities	Total financial liabilities	Off-financial reporting items, net

นายพลากรหวังหลื (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานจ้าหน้าที่บริหา

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(b) Currency exchange rate risk

As at 31 December 2018 and 2017, net open position assets (liabilities) denominated in various currencies were as follows:

	2018	2017
	(in million	n USD)
Net foreign currency exposure		
US Dollar	(47)	(56)
Euro (*)	1	3
Others (*)	(5)	(3)

^(*) Balance denominated in Euro and other currencies are stated in USD equivalents.

4.3 Liquidity risk

Liquidity risk is the potential for loss because the Bank, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

The Bank seeks to manage our liquidity and funding prudently for all currencies. Exceptional market events could impact us adversely, thereby potentially affecting our ability to fulfil our obligations as they fall due.

The Bank has a robust risk type framework for managing the Bank's liquidity and funding risk. 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 Liquidity Crisis Management Plan (CLCMP) is reviewed and approved annually. The CLCMP includes a broad set of Early Warning Indicators (EWIs), 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.

นาธพลากร หวั่งหลื (Mr. Plakorn Wanglee)

ารรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา

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(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการใหญ่

Liquidity risk governance

The Board approves the Bank's risk appetite for liquidity and funding risk along with supporting metrics.

The Asset and Liability Committee (ALCO) is the responsible governing body to ensure that the liquidity and funding risks are managed effectively in compliance with Group liquidity policies and practice, as well as local 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 Board 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 2/2561 dated 25 January 2018, Re: "Liquidity coverage ratio disclosure standards", the Bank intends to disclose Liquidity coverage ratio as of 31 December 2018 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 2018, the loan to deposits ratio of the Bank is 58% (2017: 60%).

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นายพลากง หรังหลี (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริษา

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(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการใหญ่

Standard Chartered Bank (Thai) Public Company Limited For the year ended 31 December 2018 Notes to the financial statements

The remaining periods to maturity of significant financial assets and financial liabilities as at 31 December 2018 and 2017 based on contractual maturity is as follows:

Total	80	47,378	52,213	1	35,365	519	6	066		4,514	403	141,462		61,351	28,655	1,540	445	519	306		3,351	102	96,269	45,193
No maturity	•	•	18		•	•		1		t	1		٠.	į	1	ı	1	1	ī		t	1	1	18
Over 5 years		ı	21,903	1	2,254	•		ı		1	1	24,157		ŧ	1,200	•	ı	t	ŀ		ı	1	1,200	22,957
2018 Over 1 year to 5 years (in million Baht)	,	325	22,959		11,528	1		•		•	LILL CONTRACTOR CONTRA	34,812		•	6,071	1	ı	•	ŧ		•	1	6,071	28,741
Over 6 months to 1 year	1	41	3,792		2,741	r		•		1	-	6,574		•	•	t	,	,	2		1	Liebunostaturi	1	6,574
Within 6 months	1	11,203	3,541		14,712	514		1		ı	1	29,970		11,442	1,100	1	1	514	İ		ı	a market market	13,056	16,914
At call	80	35,809	ı		4,130	'n		066	F	4,514	403	45,931		49 909	20.284	1,540	445	5	306		3,351	102	175,942.	(30,011)
117887 unu (Mr. Ashish Jain) 0772007720207722007724007744	Financial assets Cach	Interbank and money market items, net	Investments, net	Loans to customers and accrued interest	receivables	Customer's liability under acceptance	Accounts receivable from sales of investments and	debt securities in issue	Collateral from Credit Support Annex agreements and	margin receivables from private repo transactions	assets	Total financial assets		Financiai naoumes Danoite	Octobria Interhank and money market items	Liabilities navable on demand	Liabilities to delivery security	Bank's liability under acceptances	Accounts payable from purchase of investments	Collateral from Credit Support Annex agreements and	margin payables from private repo transactions		liabilities	The same of the sa
TOTTOMS	Finan Cash	Interb	Invest	Loans	rece	Custo	Accor	debt	Collat	mar	Other assets	Total	į	rinai	Loposin	T.iabil	Liabil	Bank	Accor	Colla	mar	Other	Total	Net li

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(Mr. Plakorn Wanglee) ได้จากกระเกาส์คือใหญ่และประธานเจาหน้าที่บริหาร

นายหลากร หวังหล

Standard Chartered Bank (Thai) Public Company Limited Notes to the financial statements
For the year ended 31 December 2018

				2017			
		Within	Over 6 months	Over 1 year	Over	No	
	At call	6 months	to 1 year	to 5 years (in million Baht)	5 years	maturity	Total
Financial assets							
Cash	121	1	1		t	ı	121
Interbank and money market items, net	20,684	30,847	47	327	31	1	51,936
Investments, net	•	3,367	ю	19,937	13,362	18	36.687
Loans to customers and accrued interest				•	•		
receivables	11,101	15,041	1,206	17,558	4,533	ı	49,439
Customer's liability under acceptance	4	776	j	,	ŀ	1	780
Accounts receivable from sales of investments and							
debt securities in issue	295	•	•	,	1		295
Collateral from Credit Support Annex agreements and							
margin receivables from private repo transactions	3,433	1	j	,	t	,	3,433
Other assets	ı	,	•	168	1	•	168
Total financial assets	35,638	50,031	1,256	37,990	17,926	18	142,859
Financial liabilities							
Deposits	46,245	9,871	143	1	1	1	56,259
Interbank and money market items	22,292	1,000	ı	7,452	1,453	,	32,197
Liabilities payable on demand	1,544	ı	•	•	1	•	1,544
Liabilities to delivery security	1,426	t	1	•	ı	i	1,426
Bank's liability under acceptances	4	•	176	,	•	1	780
Accounts payable from purchase of investments	2,372	•	i	1	1	1	2,372
Collateral from Credit Support Annex agreements and							•
margin payables from private repo transactions	3,075	•	1	,	•	,	3,075
Other liabilities	92	E	1	ı	J	ı	92
Total financial liabilities	77,050	10,871	919	7,452	1,453	T. C.	97,745
Net liquidity gap	(41,412)	39,160	337	30,538	16,473	18	45,114
			A CONTRACTOR OF THE PARTY OF TH			501	

นกยพลากร หวังหลื (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา

นายสาย (Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการในญ่

Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 31 December 2018 and 2017 are as follows:

		2018	
	Within	Over	
	1 year	1 year	Total
		(in million Baht)	
Foreign currency related			
Forward exchange contracts	429,766	8,888	438,654
Cross currency swap contracts	33,949	133,997	167,946
Currency option contracts	9,783	122	9,905
Interest rate related			
Interest rate swap contracts	137,158	393,029	530,187
Interest rate option contracts	2,295	11,350	13,645
	,	·	
Others			
Bond forward contracts	4,168	13,553	17,721
Commodities	16,198_	243	16,441
Total	633,317	561,182	1,194,499
		2017	
	Within	Over	T . 1
	Within 1 year	Over 1 year	Total
		Over	Total
Foreign currency related	1 year	Over 1 year (in million Baht)	
Forward exchange contracts	1 year 329,486	Over 1 year (in million Baht) 7,606	337,092
Forward exchange contracts Cross currency swap contracts	1 year 329,486 50,347	Over 1 year (in million Baht)	337,092 192,540
Forward exchange contracts	1 year 329,486	Over 1 year (in million Baht) 7,606	337,092
Forward exchange contracts Cross currency swap contracts Currency option contracts	1 year 329,486 50,347	Over 1 year (in million Baht) 7,606	337,092 192,540
Forward exchange contracts Cross currency swap contracts Currency option contracts Interest rate related	1 year 329,486 50,347 14,272	Over 1 year (in million Baht) 7,606 142,193	337,092 192,540 14,272
Forward exchange contracts Cross currency swap contracts Currency option contracts Interest rate related Interest rate swap contracts	1 year 329,486 50,347	Over 1 year (in million Baht) 7,606 142,193	337,092 192,540 14,272 587,701
Forward exchange contracts Cross currency swap contracts Currency option contracts Interest rate related	1 year 329,486 50,347 14,272	Over 1 year (in million Baht) 7,606 142,193	337,092 192,540 14,272
Forward exchange contracts Cross currency swap contracts Currency option contracts Interest rate related Interest rate swap contracts	1 year 329,486 50,347 14,272	Over 1 year (in million Baht) 7,606 142,193	337,092 192,540 14,272 587,701
Forward exchange contracts Cross currency swap contracts Currency option contracts Interest rate related Interest rate swap contracts Interest rate option contracts	1 year 329,486 50,347 14,272	Over 1 year (in million Baht) 7,606 142,193	337,092 192,540 14,272 587,701
Forward exchange contracts Cross currency swap contracts Currency option contracts Interest rate related Interest rate swap contracts Interest rate option contracts Others	1 year 329,486 50,347 14,272	Over 1 year (in million Baht) 7,606 142,193 - 444,544 17,978	337,092 192,540 14,272 587,701 17,978
Forward exchange contracts Cross currency swap contracts Currency option contracts Interest rate related Interest rate swap contracts Interest rate option contracts Others Bond forward contracts	1 year 329,486 50,347 14,272 143,157	Over 1 year (in million Baht) 7,606 142,193 - 444,544 17,978	337,092 192,540 14,272 587,701 17,978

นายพลากร หวั่งหลื (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่ปริหา CANCIANIA (Inc.)

นายอชิช แจน (Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

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5 Fair value of financial assets and liabilities

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5.1 Financial assets and liabilities measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

			value				
	Level 1		Level 3	Total			
31 December 2018		(in million Baht)					
Financial assets							
Derivatives							
- Foreign currency related	13	5,572	_	5,585			
- Interest rate related	-	5,411	-	5,411			
- Bond forward contracts	-	154	-	154			
 Commodities contracts 	-	1,317	-	1,317			
Debt securities held for trading	-	26,149	-	26,149			
Debt securities available-for-sale	-	26,046	-	26,046			
Financial liabilities							
Derivatives							
- Foreign currency related	14	5,607	_	5,621			
- Interest rate related	_	4,080		4,080			
- Bond forward contracts	_	318	<u>-</u>	318			
- Commodities contracts		1,331	_	1,331			
- Commodities contracts	_	1,551	-	1,551			
		Fair value					
	Level 1	Level 2	Level 3	Total			
31 December 2017		(in milli	on Baht)				
Financial assets							
Derivatives							
 Foreign currency related 	1	6,790	-	6,791			
- Interest rate related	-	7,056	-	7,056			
 Bond forward contracts 	•	122	-	122			
- Commodities contracts	ili an ing ing pagamen	1,306	-	1,306			
Debt securities held for trading	The distribution of the second	18,318	=	18,318			
Debt securities available-for-sale		(%, 18,351)	-	18,351			
and the second			///	.7			
1.24		737	(Arbi)	Waw.			
San Control of the Co		1.97	ากของสิต และ	/ -			

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นายพลากร หวังหลี (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาะ นา**ยอริส แจ**น (Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

Standard Chartered Bank (Thai) Public Company Limited Notes to the financial statements

For the year ended 31 December 2018

	Fair value					
	Level 1	Level 2 (in mill:	Level 3 ion Baht)	Total		
31 December 2017						
Financial liabilities						
Derivatives						
- Foreign currency related	-	6,352	-	6,352		
- Interest rate related	-	5,425	-	5,425		
- Bond forward contracts	-	422	-	422		
- Commodities contracts	-	1,318	_	1,318		

The Bank determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative are based on inputs which are observable from independent and reliable market data sources. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of derivative financial assets reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty when appropriate.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the years ended 31 December 2018 and 2017.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a valuation team and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRSs, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

5.2 Financial assets and liabilities not measured at fair value

The carrying value of significant financial assets and liabilities not measured at fair value approximates the fair value.

The following methods and assumptions were used by the Bank in estimating the fair value of financial assets and liabilities as disclosed herein.

Interbank and money market items (assets and liabilities)

The fair value of interbank and money market items (assets and liabilities) which bear variable rates of interest approximates their carrying value at the reporting date. The fair value of fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

General investments

The fair value of non-marketable equity securities is determined based on unobservable market data.

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(Mr. Ashish Jain)

นายพลากร หวังหลื (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

กรรมการและรองกรรมการผู้จัดการใหญ่

Loans to customers

For floating-rate loans to customers that reprice frequently and have no significant change in credit risk, fair value approximates carrying value at the reporting date. The fair value of fixed rate loans to customers that reprice within 1 year of the reporting date approximates the carrying value at the reporting date. The fair value of other fixed interest loans to customers is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar credit quality.

Deposits

The fair value of deposits which are payable on demand by the depositor is equal to the carrying value of such deposits. The carrying amounts of floating-rate, fixed-term money market accounts, certificates of deposit and fixed rate deposits repricing within 1 year approximate their market value at the reporting date. The fair value for other fixed interest deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits to a schedule of aggregate expected monthly maturities on time deposits.

Liabilities payable on demand

The carrying value of liabilities payable on demand approximates fair value.

Other financial instruments

The fair value of the above financial assets and liabilities approximate the carrying value at which they are stated on the statement of financial position.

6 Maintenance of capital fund

The Bank, which is a financial institution, is subject to various capital and regulatory requirements of the Bank of Thailand. Under these capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must satisfy specific capital guidelines that involve, among others, quantitative measures of the Bank's assets, liabilities and certain off-financial statement position as calculated in accordance with regulatory practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the Bank of Thailand as to components, risk weightings, and other factors. These capital and regulatory requirements are subject to change, as considered necessary by the Bank of Thailand.

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 8 May 2015, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2018 and 2017, the Bank's total capital funds can be categorised as follows:

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มายพรากร หวั่งหลื

นายพลากร หวงหล (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร 33

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(Mr. Ashish Jain) กรรมการและรองกรรม**การน้ำลดวรใหญ**่

For the year ended 31 December 2018

	/24 เลากร หวั่งหลื		2018	2017
uror (Mr. Pk	(in million	Baht)		
	และประธานเจ้าหน้าจั	ใบริหา-		
Common Equity Tier 1 (CET1)				
Issued and paid-up share capital and share	e premium		23,893	23,893
Legal reserve	ร์เคลร์ก _{(โกก.}		1,212	1,096
Net profit after appropriation			13,213	13,202
Other reserves		\	(195)	(10)
Less capital deduction items on CET1			(313)	(297)
Total Tier 1 Capital Base 🚶 👙 🔪 🥂	37,810	37,884		
Tier 2 capital		/		
Provision for normal classified assets	Same and the second of the sec		37	52
Surplus of provision			311	397
Total Tier 2 Capital Base	1/2/1/	<u></u>	348	449
	" wow feet			
Total Capital Base	นายอริช แจน		38,158	38,333
	(Mr. Ashish Jain)			
Total Risk-Weighted Assets necessary	จะรองกรรม การผู้รัดก า	3 turij	87,336	104,419
	The BoT's	regulation		
	minimum re	quirement*		
	2018	2017	2018	2017
			(%)	
Capital Adequacy Ratio	10.375	9.75	43.69	36.71
Tier-1 Capital ratio	7.875	7.25	43.29	36.28
Tier-1 Common Equity ratio	6.375	5.75	43.29	36.28
Tier-2 Capital ratio	-	-	0.40	0.43
Capital after deducting capital add-on				
arising from Single Lending Limit				
(in million Baht)	-	-	38,158	38,333
Capital after deducting capital add-on				
arising from Single Lending Limit			10.00	265
to total risk-weighted assets ratio	-	-	43.69	36.71

^{*}Includes capital conservation buffer as required by the BOT commencing 1 January 2016.

According to Bank of Thailand notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013 required to disclose capital after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015.

The Bank has applied the calculation for minimum credit risk capital under the Advanced Internal Ratings-Based Approach (AIRB) for certain products, as approved by the Bank of Thailand and in accordance with the BoT Notification.

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 4/2556 dated 2 May 2013, Re: "Information Disclosure Regarding Capital Fund Maintenance for Commercial Banks", the Bank intends to disclose Capital Maintenance information as of 31 December 2018 within 4 months after the period end date, as indicated in the notification, through the Bank's website www.sc.com/th/.

Capital management

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 regulatory capital requirements and to maintain appropriate credit ratings.

7 Interbank and money market items, net (assets)

		2018			2017	
	At call	Term	Total	At call	Term	Total
			(in millio	n Baht)		
Domestic						
Bank of Thailand	3,812	6,961	10,773	4,691	14,999	19,690
Commercial banks	6,025	2,880	8,905	14,324	1,490	15,814
Other financial institutions	_	-	_	1,300	4,000	5,300
Total	9,837	9,841	19,678	20,315	20,489	40,804
Add accrued interest receivable	4	6	10	5	9	14
Less allowance for doubtful accounts		(19)	(19)	(13)	-	(13)
Total domestic, net	9,841	9,828	19,669	20,307	20,498	40,805
Foreign						
US Dollar	25,634	1,412	27,046	127	10,728	10,855
Japanese Yen	51		51	32	-	32
Euro	153	339	492	81	16	97
Chinese Yuan	28	-	28	33	-	33
Other currencies	67		67	103	-	103
Total	25,933	1,751	27,684	376	10,744	11,120
Add accrued interest receivable	101	4	105	1	39	40
Less allowance for doubtful accounts	(66)	(14)	(80)_		(29)	(29)
Total foreign, net	25,968	1,741	27,709	377	10,754	11,131
Total domestic and foreign, net	35,809	11,569	47,378	20,684	31,252	51,936

8 Derivatives

8.1 Derivatives held for trading

As at 31 December 2018 and 2017, the fair value and notional amount of derivatives classified by type of risks are as follows:

	2018			2017			
	Fair	value	Notional	Fair value		Notional	
Type of risks	Assets	Liabilities	amount	Assets	Liabilities	amount	
•	(in million Baht)						
Foreign currency related	5,577	5,621	615,986	6,784	6,352	543,250	
Interest rate related	5,411	4,070	541,532	7,056	5,402	603,229	
Others							
- Bond forward contracts	154	318	17,721	122	422	11,973	
- Commodities	1,317_	1,331	16,441	1,306	1,318	14,585	
	1,471	1,649	34,162	1,428	1,740	26,558	
Total	12,459	11,340	1,191,680	15,268	13,494	1,173,037	

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(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการใหญ่

As at 31 December 2018 and 2017, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	2018	2017
Counterparties	(%	6)
Financial institutions	73.7	66.3
Related parties (MA) Plakorn Wanglee)	17.2	24.5
Other parties ครรมการผู้จัดก็จรใหญ่และประธานเจ้าหน้าที่บริหา	9.1	9.2
Total	100.0	100.0

8.2 Derivatives held for hedging

8.2.1 Fair value hedges

(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการในญ่

	2018			2017			
	Fair value N		Notional	Fair value		Notional	
Type of risks	Assets	Liabilities	amount	Assets	Liabilities	amount	
	(in million Baht)						
Interest rate related		10	2,300	-	23	2,450	
Total	-	10	2,300	-	23	2,450	

The swaps exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match the floating rates paid on funding. For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged items, both of which are recognised in profit or loss. For the year ended 31 December 2018, the Bank recognised loss on fair value hedges in profit or loss amounted to Baht 9 million (2017: gain on fair value hedges Baht 0.003 million).

8.2.2 Cash flow hedges

	2018			2017		
	Fair	Fair value		onal Fair value		Notional
Type of risks	Assets	Liabilities	amount	Assets	Liabilities	amount
•	(in million Baht)					
Foreign currency related	8	<u> </u>	519	7		654
Total	8		519	7		654

The Bank uses interest rate swaps to manage the variability in future cash flows on assets and liabilities and cross-currency swaps to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies. The interest rate swaps are contracts which involve the exchange of floating rates for fixed rates. The cross-currency swaps are contracts which involve the exchange of principal and interest in different currencies with counterparties for a specified period. Gains or losses arising on the effective portion of the hedges are deferred in other comprehensive income until the variability on the cash flow affects profit and loss, at which time the gains or losses are transferred to profit or loss. For the year ended 31 December 2018, the Bank recognised gain on cash flow hedges in other comprehensive income amounted to Baht 1 million (2017: gain on cash flow hedges Baht 6 million) and no gain or loss on cash flow hedges in profit or loss (2017: gain on cash flow hedges Baht 39 million).

to impact in profit or loss are as follows:

As at 31 December 2018 and 2017, the time periods in which cash flows of hedged items are expected

	2018					
	Within	Over 3 months	Over 1 year			
Cash flows	3 months	to 1 year	to 5 years	Total		
		(in millio	n Baht)			
Cash inflows	1	` 2	1	4		
Cash outflows	-	_	_	_		
Net cash flows	1	2	1	4		
		2017				
•	Within	Over 3 months	Over 1 year			
Cash flows	3 months	to 1 year	to 5 years	Total		
		(in million Baht)				
Cash inflows	1	` 4	5	10		
Cash outflows	™	-	-	-		
Net cash flows	1	4	5	10		

9 Investments, net

9.1 As at 31 December 2018 and 2017, the Bank classifies investment types, as follows:

	2018	2017
•	(in million	ı Baht)
Trading investments - Fair value	·	·
Government bonds	23,468	14,955
Private debt instruments	2,681	3,363
Total	26,149	18,318
Available-for-sale investments - Fair value		
Government bonds	26,046	18,351
Total	26,046	18,351
General investments – Cost		
Domestic non-marketable equity securities	24	24
Foreign non-marketable equity securities	-	<u></u>
Total	24	24
Less allowance for impairment	(6)	(6)
Net	18	18
Total investments, net	52,213	36,687

9.2 Fair value changes in available-for-sale investments consisted of:

	2018	2017
	(in millio	on Baht)
Fair value changes in available-for-sale investments		
Debt securities	(83)	9
Less fair value changes in fair value hedged investments	(10)	(23)
Less deferred tax	19	3
Net	(74)	(11)

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(Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

9.3 Investments in companies with problems in relation to their financial positions and results of operations are as follows:

			2018		
	No. of companies	Cost	Fair value (in	Allowance for revaluation million Baht)	Allowance for impairment
Non-listed companies in SET	2	13	7	-	6
Total	2	13	7	-	6
			2017	,	
	No. of			Allowance	Allowance
	companies	Cost	Fair value	for revaluation	for impairment
			(in	million Baht)	
Non-listed companies in SET	2	13	7	-	6
Total	2	13	7	-	6

10 Investment in subsidiary

			Percentage of			Dividend	income
	Type of	Type of	ownership			for the ye	ar ended
Companies	business	investment	interest	At c	ost	31 Dec	ember
. •				2018	2017	2018	2017
					(in milli	on Baht)	
Thai Exclusive Leasing	Debt collection	Ordinary					
Company Limited (TEL)(*)	business	shares	99.99	-	59	-	-
Less allowance for							
impairment				_	(11)	-	
Net			;		48		-

(*) On 21 December 2018, the company is registered for completion of liquidation. The proceeds amount THB 47.6 million were returned to the Bank with loss on disposal of investment in subsidiary of THB 0.4 million.

11 Loans to customers and accrued interest receivable, net

11.1 Classified by type of loans

	2018	2017
	(in million	: Baht)
Overdrafts	6	41
Loans	30,240	43,139
Bills	5,005	6,092
Total	35,251	49,272
Add accrued interest receivable	114	167
Total loans and accrued interest receivable	35,365	49,439
Less allowance for doubtful accounts	•	
- Minimum allowance as BoT's regulations		
- Individual approach	(2,286)	(2,718)
- Excess allowance	(516)	(1,050)
Total	(2,802)	(3,768)
Total loans to customers and		
	32,563	45,671
accrued interest receivable, net		Phish Jain

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11.2 Classified by currency and residence of debtors

		2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total	
		(in million Baht)					
Thai Baht	24,588	_	24,588	27,927	_	27,927	
US Dollar	8,748	1,915	10,663	11,793	7,910	19,703	
Other currencies			-	988	654	1,642	
Total	33,336	1,915	35,251	40,708	8,564	49,272	

11.3 Classified by industry and loan classification

	2018						
	Pass	Special mention	Substandard (in million	Doubtful a Baht)	Doubtful of loss	Total	
Agriculture and			,	·			
mining	146	_	_	_	_	146	
Manufacturing							
and commerce	19,928	7	-	_	2,246	22,181	
Property development							
and construction	1,529	-	-	-	-	1,529	
Infrastructure							
and services	6,474	-	-	-	-	6,474	
Others	4,921	-	-	-	-	4,921	
Total	32,998	7	===	—	2,246	35,251	

	2017					
		Special			Doubtful	
	Pass	mention	Substandard	Doubtful	of loss	Total
			(in million	Baht)		
Agriculture and						
mining	1,013	-	-	-	-	1,013
Manufacturing						
and commerce	23,424	118	-	-	2,564	26,106
Property development						
and construction	7,147	-	-	-	-	7,147
Infrastructure						
and services	8,005	-	-	-	_	8,005
Others	7,001	_	-	-	-	7,001
Total	46,590	118	_	_	2,564	49,272

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11.4 Classified by loan classification

		20	18	
	Loans to customers and accrued interest receivables (in millio	Net amount used to set the allowance for doubtful accounts*	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per	,	·		
BoT's Regulations				
Pass	33,112	27,533	1	275
Special mention	7	7	2	-
Substandard		-	100	-
Doubtful	-	-	100	-
Doubtful of loss	2,246	2,011	100	2,011
Total	35,365	29,551		2,286
Excess allowance				516
Total				2,802

		20	17	
	Loans to customers and accrued interest receivables (in millio	Net amount used to set the allowance for doubtful accounts*	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per	(in miiii)	n Duni)	(70)	(in million Daily
Minimum allowance as per BoT's Regulations				
Pass	46,757	40,345	1	403
Special mention	118	101	2	2
Substandard	110	101	100	
Doubtful			100	<u>.</u>
Doubtful of loss	2,564	2,313	100	2,313
Total	49,439	42,759	100	2,718
	T7,T07	74,107		1,050
Excess allowance				
Total				3,768

^{*} Net amount for allowance for doubtful accounts means the outstanding debt after deducting the present value of future cash flows expected to be received or the expected proceeds from the disposal of collateral.

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Cilin Wan

(Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

Standard Chartered Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

11.5 Non-performing loans

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According to the BoT's regulations, commercial banks are required to report additional information on non-performing loans ("NPL"), which include:

- NPL net and the ratio of NPL net to total loans after allowances for doubtful accounts; and
- NPL gross and the ratio of NPL gross to total loans before allowances for doubtful accounts.

As at 31 December 2018 and 2017, NPL net (including financial institutions) based on the above directive can be summarised as follows:

	2018	2017
Non-performing loans, net (in million Baht)	134	150
Total loans used for NPL net ratio		
calculation (in million Baht)	59,827	89,356
Ratio of total loans (%)	0.22	0.17

As at 31 December 2018 and 2017, NPL gross (including financial institutions) based on the above directive can be summarised as follows:

	2018	2017
Non-performing loans, gross (in million Baht)	2,246	2,564
Total loans used for NPL gross ratio		
calculation (in million Baht)	61,939	91,769
Ratio of total loans (%)	3.63	2.79

Total loans used for NPL ratio calculation are loans to customers as presented in the statement of financial position, loans to financial institutions as included in interbank and money market items.

12 Troubled debt restructuring

During the years ended 31 December 2018 and 2017, details of restructured debts as at the date of restructuring, classified by the restructuring method were as follows:

		2018		
Restructuring method	Terms of debt restructuring agreements	No. of customers	Amount of debt before restructuring (in million	Amount of debt after restructuring a Baht)
Modification of terms and conditions Total	- ,	-		
		2017		
Restructuring method	Terms of debt restructuring agreements	No. of customers	Amount of debt before restructuring (in million	Amount of debt after restructuring a Baht)
Modification of terms and conditions Total	1 year to 7 years and 2 months	188 188	174 174	170 170

The Bank measures the expected recoverable amounts of loans restructured by modification of terms and conditions by using the present value of future cash flows discounted by the market rate.

The Bank had outstanding balances of restructured debt as follows:

The loss incurred arising from restructuring, before allowance for doubtful accounts for the year ended 31 December 2018 and 2017 as following:

If the loss on debt restructuring is higher than the allowance for doubtful accounts, the excess amounts are recognised as loss from debt restructuring in profit or loss. The Bank had no loss on debt restructuring for the years ended 31 December 2018 and 2017.

The Bank recognised interest income from debt restructuring for the years ended 31 December 2018 and 2017 as follows:

2018 2017
(in million Baht)
Interest income 3 101

13 Allowance for doubtful accounts

				2018			
		Special	Sub		Doubtful	Excess	
	Pass	mention	standard	Doubtful	of loss	allowance	Total
				(in million Ba	ht)		
Beginning balance	403	2	-	-	2,313	1,050	3,768
Allowance for doubtful							
accounts	(128)	(2)	-	-	(121)	(478)	(729)
Bad debt written off	-	-	-	-	(181)	_	(181)
Others	-	-		-	-	(56)	(56)
Ending balance	275		-	_	2,011	516	2,802
				2017			
		Special	Sub		Doubtful	Excess	
•	Pass	mention	standard	Doubtful	of loss	allowance	Total
				(in million Ba	•		
Beginning balance	295	5	20	_	3,968	1,566	5,854
Allowance for doubtful							
accounts	108	(3)	(20)	-	486	(545)	26
Bad debt written off	-	_	-	-	(2,132)	-	(2,132)
Others			-		(9)	29	20
Ending balance	403	2		7.	2,313	1,050	3,768

4 4 - นายพลากร หวั่งหลื

(Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา Calie Wan

Standard Chartered Bank (Thai) Public Company Limited For the year ended 31 December 2018 Notes to the financial statements

14 Premises and equipment

As at 31 December 2018 and 2017, changes in premises and equipment are as follows:

		Net book	value as of	31 December	2018		229	22	251				Net book	value as of	31 December	2017		•	299	37	336
			Allowance	for	impairment		ı	1	ı					Allowance	for	impairment		3	(394)	•	(394)
				Ending	balance		534	26	260						Ending	balance		•	782	292	1,074
	iation		Transfer to	assets held	for sale		1	•	1			iation		Transfer to	assets held	for sale		•	(187)	(32)	(219)
	Accumulated depreciation		Disposals	and	transfers out		(305)	(281)	(286)			Accumulated depreciation		Disposals	and	ansfers out		,	ı	(73)	(73)
2018	Accum					(in million Baht)	57	15	72	Thirties and the state of the s	2017	Accumu				balance Depreciation transfers out	(in million Baht)	1	40	29	69
7(Beginning	balance Depreciation	(in milli	782	292	1,074		5(Beginning	balance	(in milli	ı	929	368	1,297
				Ending]	balance		763	48	811						Ending	balance		•	1,475	329	1,804
			Transfer to	assets held	for sale		ı	ŧ	•	A company of the comp				Transfer to	assets held	for sale		(20)	(208)	(43)	(271)
	Cost		Disposals	and	transfers out		(712)	(285)	(266)	principal delication of the contraction of the cont		Cost		Disposals	and	transfers out		ı	ı	(75)	(75)
			Purchases	and	transfers in		t	4	4	A second				Purchases	and	transfers in		ı	ı	11	11
				Beginning	balance		1,475	329	1,804	decree parties - senatabello de construir de la construir de l					Beginning	balance		20	1,683	436	2,139
		Net book	value as of	1 January	2018		299	37	336	Avarda saya, programment a saya saya saya saya saya saya saya s			Net book	value as of	1 January	2017		11	353	89	432
							Buildings	Equipment	Total									Land	Buildings	Equipment-	Total

The gross amount of the Bank's fully depreciated premises and equipment that was still in use as at 31 December 2018 amounted Baht 1 million (2017: Baht 350

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(Mr. Plakorn Wanglee) ารรมการผู้จัดการใหญ่และประธานเจ้าหน้าทันริทาร

15 Deferred tax

Deferred tax assets and liabilities were as follows:

 2018
 2017

 (in million Baht)
 (in million Baht)

 Deferred tax assets
 313
 297

Movements in total deferred tax assets and liabilities during the years ended 31 December 2018 and 2017 were as follows:

		(Charged)	/ Credited to:	•
	At		Other	At
	1 January	Profit	comprehensive	31 December
	2018	or loss	income	2018
		(no	ote 37)	
		(in mil	lion Baht)	
Deferred tax assets				
Investments	(60)	43	16	(1)
Loans and accrued interest				
receivable	2	146	-	148
Premises and equipment	61	(31)	-	30
Other assets	69	(1)	-	68
Provisions	57	(10)	(6)	41
Other liabilities	103	(77)	-	26
Cash flow hedges	1 .	-	-	1
Taxable loss carry forward	64	(64)		-
Total	297	6	10	313

		(Charged)	/ Credited to:	
	At		Other	At
	1 January	Profit	comprehensive	31 December
	2017	or loss	income	2017
		,	te 37)	
		(in mil	lion Baht)	
Deferred tax assets				
Investments	73	(88)	(45)	(60)
Loans and accrued interest				
receivable	169	(167)	-	2
Premises and equipment	67	(6)	-	61
Other assets	71	(2)	-	69
Provisions	91	(30)	(4)	57
Other liabilities	453	(350)	-	103
Cash flow hedges	2	-	(1)	1
Taxable loss carry forward		64	<u> </u>	64
Total	926	(579)	(50)	297

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16 Accounts receivable from sales of investments and debt securities in issue

Accounts receivable from sales of investments and debt securities in issue arise as a result of the Bank accounting for these transactions at the trade date while the settlement date occurs in the following period. These accounts receivable occur in the normal course of the Bank's business.

17 Discontinued operation

On 22 December 2016, the Bank had reached a binding agreement to sell retail banking business including credit cards, personal loans, business loans, wealth management, mortgage loans, bancassurance and retail deposits. The transaction was completed on 1 October 2017.

An analysis of the results of the discontinued operation for the year ended 31 December 2017 was as follows:

	(in million Baht)
Interest income	2,461
Interest expense	265
Net interest income	2,196
Fees and service income	395
Fees and service expenses	188
Net fees and service income	207
Losses on trading and foreign	
exchange transactions	(12)
Other operating income	359
Total operating income	2,750
Employee expense	170
Premises and equipment expenses	181
Taxes and duties	93
Other operating expense	464
Total other operating expenses	908
Impairment loss of loans	303
Operating profit before income tax from discontinued operations	1,539
Income tax	322
Net profit from discontinued operations	1,217

Cash flows provided by the discontinued operation for the year ended 31 December 2017 were as follows:

Net cash provided by operating activities

Net cash provided by investing activities

6,779

Net cash provided by investing activities

6

6,785

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18 Other assets, net

	2018	2017
	(in million	n Baht)
Accrued interest and income receivable	403	168
Prepayments	-	7
Advance income tax	138	141
Other receivable	1	81
Others	13	20
Total	555	417

19 Deposits

19.1 Classified by type of deposits

	2018	2017	
	(in million Baht)		
Current	3,804	6,246	
Savings	46,105	39,999	
Term			
- Less than 6 months	11,442	9,871	
- 6 months to less than 1 year		143	
Total	61,351	56,259	

19.2 Classified by currency and residence of depositors

		2018			2017	
	Domestic	Foreign	Total	Domestic	Foreign	Total
		_	(in milli	on Baht)		
Thai Baht	49,081	646	49,727	42,394	4,912	47,306
US Dollar	10,107	1,402	11,509	7,577	1,276	8,853
Other currencies	85	30	115	77	23	100
Total	59,273	2,078	61,351	50,048	6,211	56,259

4 4 - นายพลากร หวั่งหลี

นายพลากร หวั่งหลี (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่ปริหาะ

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20 Interbank and money market items (liabilities)

		2018			2017	
	At call	Term	Total	At call	Term	Total
		•	(in milli	on Baht)		
Domestic						
Commercial banks	3,520	2,596	6,116	1,200	3,595	4,795
Special financial institutions	301	-	301	221	1,000	1,221
Other financial institutions	8,973	4,477	13,450	8,223	4,493	12,716
Total domestic	12,794	7,073	19,867	9,644	9,088	18,732
Foreign						
US Dollar	2	1,298	1,300	4,904	817	5,721
Euro	-	· -	-	_	-	-
Thai Baht	7,434		7,434	7,733	-	7,733
Japanese Yen	54		54	11	-	11
Total foreign	7,490	1,298	8,788	12,648	817	13,465
Total domestic and foreign	20,284	8,371	28,655	22,292	9,905	32,197

As at 31 December 2018, structured notes that are not designated at fair value in the financial statements amounted to Baht 4,477 million (2017: Baht 4,493 million).

21 Provisions

	Employee	Contingent		
	benefits	liabilities	Other	Total
		(in million	Baht)	
At 1 January 2017	402	42	16	460
Provisions made	50	3	-	53
Provisions used	(190)	-	-	(190)
Provision reversed	(21)	(8)	-	(29)
At 31 December 2017				
and 1 January 2018	241	37	16	294
Provisions made	33	4	-	37
Provisions used	(52)	-	-	(52)
Provision reversed	(30)	(29)	(6)	(65)
At 31 December 2018	192	12	10	214

22 Accounts payable from purchase of investments

Accounts payable from purchase of investments arise as a result of the Bank accounting for these transactions at the trade date while the settlement date occurs in the following period. These accounts payable occur in the normal course of the Bank's business.

นายพลากร หรั่งหลี (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา นาย**งรัฐ แจ**น (Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

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23 Other liabilities

	2018	2017
	(in million	n Baht)
Withholding tax payables	121	168
VAT payable	40	11
Other payables	363	169
Accrued interest payable	102	92
Others	606	714
Total	1,232	1,154

24 Share capital

	Par value	2	018	20	17
	per share	Number	Amount	Number	Amount
	(in Baht)		(in million share	s / million Ba	ht)
Authorised					
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					
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

Share premium

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

25 Reserves

Reserves comprise:

นายพลากร หวังหลิ ใ (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่ผู้ เกิด (The) 1 เกิด

Appropriations of profit and/or retained earnings

ันายอชิร แรม (Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการในญ่

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 and under the provision of the Civil and Commercial Code, requires that the Bank shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other reserves

Fair value change in available-for-sale investments

The fair value change in available-for-sale investments account within equity comprises the cumulative net changes in the fair value of available-for-sale investments until the investments are derecognised or impaired.

Standard Chartered Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

Cash flow hedges

And the Manager Con-The cash flow hedges account within equity comprises the cumulative net change in the fair value of effective cash flow hedges related to hedged transactions that have not yet occurred.

26 Contingent liabilities

		2018	2017
	// L-	(in millio	n Baht)
Guarantees of loans	The same of the sa	162	273
Letters of credit	นายหลากร พวังหลี (Mr. Plakom Wanglee)	1,025	597
Other contingencies	(Mr. Plakom Wanglee) ระบบกรผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร		
- Other letters of guarantee		17,370	21,972
- Committed line	(100)	11,257	9,411
- Others (*)	Mushfan	3,506	1,663
	William was	32,133	33,046
Total	์ (Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการใหญ่	33,320	33,916

As at 31 December 2018, this included the obligation to return the financial assets accepted as collateral from private reverse repo transaction and repledged for private repo transaction amounting to Baht 3,014 million (2017: 1,211 million) and collateral per Credit Support Annex for derivative transaction amounting to Baht 492 million (2017: 452 million). The bank has the obligation to return the securities in the same amount.

Litigation

As at 31 December 2018, the Bank has received claims in respect of letters of guarantee and other items from the Bank's customers totaling Baht 74 million (excluding interest) (2017: Baht 63 million) and the lawsuit is under court process. As at 31 December 2018, the Bank has recorded provision for possible loss from these claims of Baht 8 million (2017: Baht 4 million).

27 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with key management and other related parties were as follows:

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Key management	Thailand / Foreign	Persons having authority and responsibility for
personnel		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 (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

Name of entity/Personnel	Country of incorporation/nationality		relationsh			
Standard Chartered Bank	United Kingdom		parent con		-	
Thai Exclusive Leasing Company Limited (*)	Thailand	2017: Sub	sidiary, 99.	9% s	shareholdin	ıg
Standard Chartered (Thailand) Company Limited (**)	Thailand	Affiliated Group	company	of	Standard	Chartered
Resolution Alliance Limited	Thailand	Affiliated Group	company	of	Standard	Chartered
Standard Charterd Global Business Services Private Limited	India	Affiliated Group	company	of	Standard	Chartered
Standard Charterd Global Business Services SDN BHD	Malaysia	Affiliated Group	company	of	Standard	Chartered
Standard Charterd Global Business Services Private Limited	China	Affiliated Group	company	of	Standard	Chartered
Raffles Nominees Pte Ltd.	Singapore	Affiliated Group	company	of	Standard	Chartered
Cartaban Nominees (Tempatan) SDN.BHD.	Malaysia	Affiliated Group	company	of	Standard	Chartered

^(*) The entities were registered for completion of liquidation on 21 December 2018 (see note 10).

The pricing policies for particular types of transactions are explained further below:

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

Significant transactions for the years ended 31 December 2018 and 2017 with key management and other related parties were as follows:

	2018	2017
	(in million	ı Baht)
Interest income	201	211
(Losses) on trading and foreign exchange transactions, net	(510)	(1,043)
Service agreements	484	601
Other operating income/(expenses)	25	(138)

Significant balances and business transactions with key management and other related parties.

Significant balances and business transactions with key management, including their related parties and business entities in which the Bank, its directors or key management, including their related parties hold 10% or more of the paid up capital as of 31 December 2018 and 2017 were as follows:

นายพลากร หวังหลี่ ___ (Mr. Plakorn Wanglee)

(Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา

นายชริง แจน (Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการในญ่

^(**) The entities were registered for dissolution on 23 December 2016 and are currently under liquidation process.

	2018		2017
		Ending verage balance (in million Baht)	Average
Loans to customers and accrued interest receivable		in million Duni)	
To key management, including their related parties	1,811	1,829 1,851	1,870_
		2018 (in milli	2017 on Baht)
Interbank and money market items (assessed Standard Chartered Group	ets)	20,180	8,648
Derivative assets (fair value) Standard Chartered Group		3,280	4,498
Collateral from Credit Support Annex as from private repo transactions	greements and margin receiv	ables	
Standard Chartered Group		1,282	728
Other assets Standard Chartered Group		203	5
Deposits Others		. 543	627
Interbank and money market items (liai	bilities) , Z,	·	
Standard Chartered Group	นายพลากร หวั่งหลี	2,320	5,799
Derivative liabilities (fair value) Standard Chartered Group	นายพระกร พวงหะ (Mr. Plakorn Wanglee) การผู้จัดการใหญ่และประธานเจ้าหน้าที่บ	\$m- 3,034	3,642
Collateral from Credit Support Annex a from private repo transactions	greements and margin paya	bles	
Standard Chartered Group	T S N	1,695	1,684
Accrued expenses Standard Chartered Group Others		940	1,266 14
Total		942	1,280
Other liabilities Standard Chartered Group	Adio Ufan	193	7
Other letters of guarantee Standard Chartered Group	(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการในญ่	5,893	11,900
Derivatives (notional amount) - Foreign Standard Chartered Group	a currency related	59,279	69,248
Derivatives (notional amount) - Interest Standard Chartered Group	t rate related	133,233	204,860

	2018 (in millior	2017 11 <i>Baht)</i>
Derivatives (notional amount) - Commodities Standard Chartered Group	15,896	13,061
	2018 (in millio	2017 n Baht)
Key management personnel	·	
Short-term employee benefits	240	323
Post-employment benefits	8	11
Share-based payments	_	17
Termination benefits	17	_
Total key management personnel compensation	265	351

Directors' and executives' benefits

The Bank has not paid any benefits to its directors and executives other than those in the normal course of business such as salary, executives' bonuses and directors' remuneration approved at a Shareholders' Meeting. Directors nominated by Standard Chartered PLC have waived directors' fees.

Significant agreements with related parties

(a) Services agreement

In 2011, the Bank entered into a services agreement 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 services agreement are based on an allocation of actual costs plus a margin, in accordance with the terms in the agreement.

(b) Outsourcing services

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

28 Non-cancellable operating lease agreements

The Bank has entered into operating lease and service agreements of branches office, office equipments and vehicles for the periods ranging from less than 1 year to 4 years. (2017: from less than 1 year to 4 years) The period to maturity of long-term lease payments is as follows:

	•	2018	2017
•		(in millio	n Baht)
Within one year		4	6
After one year but within five years		3	6
Total		7	12
	A Martin Company Compa	_	\frown
1-74			(divida)

นายพลากร หวั่งหลี

(Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร 52

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(Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

29 Segment information

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

The selling of "Retail Banking" (RB) including credit cards, personal loans, business loans, wealth management, mortgage loans, bancassurance and retail deposits were completed on 1 October 2017.

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.

Geographical segments

The Bank operates only in Thailand. Accordingly, no geographical segment information is disclosed.

424 นายพลากร หวั่งหลั

น เบพล แบ หรุงหล (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร (//h/h/ami นายอชิง แจน

By client segment

	Corporate and	ite and	Commercial	ercial			Central and other	nd other		
	Institutional Banking	ıl Banking	Banking	ding	Retail Banking(*)	nking(*)	items	us	Total	tal
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
					(in millio	n Baht)				
Net interest income	1,260	874	34	270	1	1,931	945	773	2,239	3,848
Other income	2,347	1,849	15	154	t	617	841	589	3,203	3,209
Operating income	3,607	2,723	49	424	1	2,548	1,786	1,362	5,442	7,057
Operating expenses	(2,550)	(1,759)	(46)	(290)	ı	(1,242)	(183)	(166)	(2,779)	(3,757)
Operating profit (loss) before impairment loss of loans										
and taxation	1,057	964	m	(166)	•	1,306	1,603	1,196	2,663	3,300
Impairment loss of loans (reversal of)	(70)	64	799	(06)	1	(303)	5	•	734	(329)
Profit (loss) from operations before income tax	786	1,028	802	(256)	-	1,003	1,608	1,196	3,397	2,971
Segment assets as at 31 December	82,788	71,050	71	13,736	-	26	886'89	70,509	151,847	155,321

(*) Classification as discontinued operation (Note 17). The segment numbers have been arrived after taking into account the internal transfer pricing applied by treasury market.

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(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการใหญ่

> นายพลากร หวังหลื (Mr. Plakorn Wanglee) ารรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่ปริชาร

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Standard Chartered Bank (Thai) Public Company Limited Notes to the financial statements

For the year ended 31 December 2018

30 **Interest income**

31

	2018	2017			
	(in millio	(in million Baht)			
Interbank and money market items	1,416	1,051			
Investments and trading transactions	604	259			
Investments in debt securities	318	410			
Loans to customers	1,253	1,211			
Total	3,591	2,931			
Interest expenses					
	2018	2017			
	(in millio	on Baht)			
Denogita	505	150			

	(in million	i Baht)
Deposits	595	459
Interbank and money market items	368	324
Contribution to Deposits Protection		
Agency and Financial Institutions		
Development Fund	384	468
Debt issued and borrowings	5	28
Total	1,352	1,279

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Net fees and service income	1.7,		
	นายหลากร หรั้งหลี (Mr. Plakorn Wanglee)	2018 (in millio	2017 n Baht)
I oob and berview moonic	บรมทบารสิ่งขบารให้เสียชากระยุงหล่านกามม	105	110
- Acceptance, avals and guarantee	S / State of the s	105	110
- Transaction fees		282	239
- Custody fee		436	432
- Others		582	207
		1,405	988
Fees and service expenses	1.10.1		
 Commission fees 	CAMO W/Ow	42	8
- Others	นาย ลธิร (จ น	136	143
	(Mr. Ashish Jain)	178	151
Net	กรรมการและรองกรรมการผู้จัดการใหญ่	1,227	837

33 Gains on trading and foreign exchange transactions, net

	2018	2017	
	(in million Baht)		
Gains (losses) on trading and foreign exchange transactions			
- Foreign currencies and foreign currency related derivatives	836	550	
- Interest rate related derivatives	431	593	
- Debt securities	(46)	606	
- Others	91	(477)	
Total	1,312	1,272	
Gains (losses) on hedging transactions	(9)	39	
Total	1,303	1,311	

34 Gains (losses) on investments, net

	2018	2017
	(in millio	n Baht)
Gains (losses) on sales of		
- Available-for-sale investments	-	17
- Investments in a subsidiary	-	-
Reversal of impairment on general investment		4
Total		21

35 Employee expenses

	2018	2017
	(in million Baht)	
Management		
Wages and salaries	179	188
Post-employment benefits - defined benefit plans	8	9
Share-based payment transactions	-	16
Others	78	106
	265	319
Other employees		
Wages and salaries	759	830
Post-employment benefits - defined benefit plans	26	25
Share-based payment transactions	16	3
Others	316	378
·	1,117	1,236
Total	1,382	1,555_

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.

36 Impairment loss of loans (reversal of)

	2018	2017
	(in millio	on Baht)
Interbank and money market items	56	(30)
Loans to customers	(790)_	56
Total	(734)	26

นายพลากร หวังหลี (Mr. Plakorn Wanglee)

ารรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา

นายคริส แจน

37 Income tax

Income tax recognised in profit or loss

	Note	2018 (in million	2017 Baht)
Current tax expense		400	
Current year		492	-
Under provided in prior years	-		63
	_	492	63
Deferred tax expense			
Movements in temporary differences		153	607
Over provided in prior years		(159)	(28)
	15	(6)	579
Total	=	486	642
Distribution to			
- Income tax from continuing operation		486	320
- Income tax from discontinued operation		-	322 ,

Income tax recognised in other comprehensive income

		2018		•	2017	
		Tax			Tax	
	Before	(expense)	Net of	Before	(expense)	Net of
	Tax	benefit	tax	tax	benefit	Tax
			(in millio	on Baht)		
Cash flow hedges	1	_	1	6	(1)	5
Available-for-sale						
investments	(78)	16	(62)	225	(45)	180
Defined benefit plans	30	(6)	24	21	(4)	17
Total	(47)	10	(37)	252	(50)	202

Reconciliation of effective tax rate

	2	2018	2	2017	
	Rate	(in million	Rate	(in million	
	(%)	Baht)	(%)	Baht)	
Profit before income tax		3,397		2,971	
Income tax using the Thai corporation tax rate	20	679	20	594	
Tax effect of income and expenses that are not					
taxable income or not deductable in determining					
taxable profit, net		(34)		13	
Under (over) provided in prior years		(159)		35	
Total	14	486	22	642	

Income tax reduction

On 4 March 2016, the Royal Thai Government Gazette issued Act No. 42 dated 3 March 2016 to grant the reduction of income tax rate from 30% to 20% of net taxable profit for the accounting period begins on or after 1 January 2016.

นายอธิร แต่

(Mr. Ashish Jain) กรรมการและรองกรรมการผู้จัดการใหญ่

นายพลากร หวังหลี (Mr. Plakorn Wanglee) กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา

38 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2018 and 2017 were based on the profit for the years attributable to equity holders of the Bank and the number of ordinary shares outstanding during the years as follows:

	2018	2017
Profit for the years attributable to equity holders of the Bank (basic) (million Baht) Number of ordinary shares outstanding (million shares)	2,911 1,484	2,328 1,484
Basic earnings per share (in Baht)	1.96	1.57
Distribution to		
- Basic earnings from continued operation per share	1.96	0.75
- Basic earnings from discontinued operation per share	-	0.82

39 Dividends

At the annual general meeting of the shareholders of the Bank held on 27 April 2018, the shareholders approved the appropriation of a dividend of Baht 1.46 per share, amounting to Baht 2,166 million. The dividends were paid to shareholders in May 2018.

At the annual general meeting of the shareholders of the Bank held on 28 April 2017, the shareholders approved the appropriation of a dividend of Baht 0.26 per share, amounting to Baht 386 million. The dividends were paid to shareholders in May 2017.

40 Event after reporting period

On 14 December 2018, the Bank's Board of Directors meeting passed a resolution to approve interim dividend payment of Baht 13,324 million (at a rate of Baht 8.98 per share) to the shareholders. The dividend announcement and payment was made from the prior years unappropriated retained earnings on 7 January 2019.

41 Thai Financial Reporting Standards (TFRSs) not yet adopted

A number of new and revised TFRSs which relevant to the Bank's operations are expected to have significant impact on the financial statements on the date of initial application. Those TFRS become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRS - Financial instruments standards

นายพลากร หรังหลื (Mr. Plakorn Wanglee) ารรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร (Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

(a) TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) the Bank transfers control over services to a customer, measured at the amount to which the Bank expects to be entitled.

Management assessed the impact applying TFRS 15 and found no material impact on the financial statements.

(b) TFRS - Financial instruments standards

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

Management is presently considering the potential impact of adopting and initially applying TFRS – Financial instruments standards on the financial statements.

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นายพลากร หวังหลื (Mr. Plakom Wanglee) วรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหา Cellisty Cen